

Additional information for the third quarter ending on 30th September 2005.

Accounting principles applicable in the preparation of periodical report for the third quarter ending on 30th September 2005.

The quarterly report of Ciech SA was prepared in accordance with applicable accounting principles, with the use of calculation of assets and liabilities and measurement of the net financial result as at the balance-sheet day, including adjustments due to provisions.

Detailed information regarding principles and methods of valuation of assets and liabilities and measurement of the financial result as well as a method of preparation of financial statements and comparable data in Ciech SA was included in the introduction to the Half Year Report prepared as at 30th June 2005, publicly disclosed on 30th September 2005.

In order to present selected financial data, individual assets and liabilities were calculated into EUR at an average exchange rate of **3.9166**, announced by the National Bank of Poland as at balance-sheet day (on 30th September 2005). Individual items of the profit and loss account were calculated into EUR at an average rate of **4.0583**, which is arithmetic mean of average rates determined by the National Bank of Poland for EUR as at the last day of each month ended, in the period from January to September 2005, which are respectively: 4.0503; 3.9119; 4.0837; 4.2756; 4.1212; 4.0401; 4.0758; 4.0495; 3.9166 for the period of financial statements for three quarters of 2005, ending on 30th September 2005

In order to present the selected financial data, individual assets and liabilities of the balance sheet were calculated into EUR at an average exchange rate of **4.3532**, announced by the National Bank of Poland as at the balance-sheet day (on 30th September 2004). Individual items of the profit and loss account were converted into EUR at the exchange rate of **4.6214**, which constitutes an arithmetic mean of average rates determined by the National Bank of Poland for EUR as at the last day of each month ended, in the period from January to September 2004, which are respectively: 4.7614; 4.8746; 4.7455; 4.8122; 4.6509; 4.5422; 4.3759; 4.4465; 4.3832 for the period of financial statements for three quarters of 2004, ending on 30th September 2004.

Provisions and revaluation write-downs on assets – for the period from 1st July 2005 – 30th September 2005.

The following corrections due to creation and release of provisions and revaluation write-down on assets have been included in the non-consolidated financial statement of Ciech SA in the third quarter of 2005.

	In PLN '000
Created provisions	
for employee benefits	638
for costs	747
for deferred tax	198
Total	1 583
	In PLN '000
Released and used provisions	
for employee benefits	172
for costs	498
for envisaged losses	127
for restructuring	113
Total	910
	In PLN '000
Revaluation write-downs (increases)	
other long-term financial assets	1 200
for provisions	616
for accounts receivable	2 539
Total	4 355
	In PLN '000
Revaluation write-downs (decreases)	
for inventories	138
for accounts receivable	1 428
Total	1 566
	In PLN '000
Deferred income tax assets	
increases	565

Important achievements and failures of Ciech SA in the third quarter, ending on 30th September 2005.

On 19th July 2005 the Company received a decision of 12th July 2005 from the District Court for the capital city of Warsaw, 19th Business Division of the National Court Register, on the basis of which the amendments to the Articles of the Company have been entered to the National Court Register.

- The information entered includes amendments to § 18 and § 21 section 2 of the Articles of Ciech SA which concern the change of the scope of competencies of the General Meeting and the Supervisory Board of Ciech SA
- The changes in the composition of the Supervisory Board of Ciech SA were recorded.

The basis for the changes were the resolutions of the Ordinary General Shareholders' Meeting of Ciech SA adopted on 29th June 2005.

Taking into consideration the need for changes regarding the provisions concerning collective employment relationships, the Management Board of Ciech SA terminated the Company's Collective Labour Agreement and the agreements and arrangements adopted within the Negotiation Team of the Collective Labour Agreement as of 30th September 2005. The Management Board declared its readiness to begin negotiations with the trade union organisations in order to regulate the issues covered by the above mentioned documents at the level of Ciech SA Bonus regulations and annual award payment regulations do not meet contemporary requirements concerning the use of incentive-based remuneration systems for employees. The representatives of trade unions in Ciech SA confirmed such a fact and declared in writing that it would make the changes in those basic documents that constitute the basis for collective labour agreements. The notice period expires on 31st December 2005.

Description of factors and events, especially those of non-typical character, which had an impact on the financial results achieved by the company.

Positive factors

- Continuation of good economic situation in the European glass industry (main recipient of soda ash).
- Improvement of the situation in the construction industry, which is the indirect recipient of many chemical products.
- Continuously good condition of the artificial fertilizer industry - growth in production and export volumes, as well as higher prices.
- Substantial decrease in prices of coke - an important raw material used for production of soda ash (by about 50% in comparison with the record prices from the previous year).

Negative factors

- Increase of the value of the Polish currency during the 3rd quarter of 2005 (towards Euro and USD) – affecting the profitability of exports of Ciech SA
- Stagnation with regard to the production and sales in the whole national chemical industry (slight increase in comparison with the high base - very good results in the previous year).
- Substantial growth in prices of crude oil, which had a negative impact on the economic situation.

Description of the financial results

Selected financial information (in PLN '000)

	3rd quarter 2005	3 quarters 2005	3rd quarter 2004 - comparable data	3 quarters 2004	Dynamics in the quarters
Net sales income	416 077	1 227 588	444 365	1 099 542	-6,4%
Gross sales profit	63 348	179 868	37 944	111 627	67,0%
Operating profit	23 002	47 554	7 537	19 672	-
Net profit (loss)	14 220	42 907	1 877	24 843	657,5%
Equity	585 085	585 085	361 420	361 420	61,9%

Source: Ciech SA

Income from sales

Net income from sales of Ciech SA in the third quarter of 2005 amounted to PLN 416,077,000. The income was 6% lower in comparison with the corresponding period of 2004. The main reasons for the decrease were as follows: (i) change of the form of TDI trade in exports (in the 3rd quarter of 2005 the sales were made on a consignment basis, whereas in the 3rd quarter of 2004 the trading was mainly charged against own account) and (ii) decrease in the volume of sale of selected petrochemical products, resulting mainly from unfavourable prices in 2005. A decrease of income was largely reduced by the increase in sales of soda products (which resulted from

the structural changes in the CIECH Chemical Group with regard to the trade with those products - outsourcing of the sales and purchase of raw materials, as well as logistics, from soda companies to Ciech SA).

Geographic structure of the income from sales

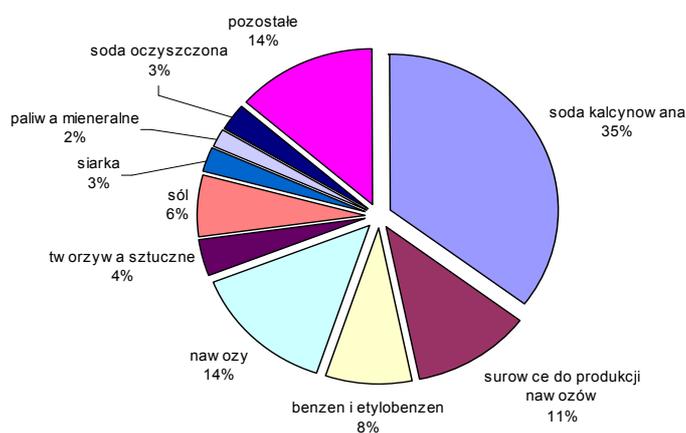
CIECH SA's product portfolio is characterised by a high degree of maturity, and its sales are founded on strong relationships with its customers. The local market continues to be the major market, whilst the European market continues to be the major export market. Geographic nearness and lack of trade barriers result in the European countries economics being natural markets for Ciech SA. This signifies that the export margin depends on the economic situation in this region and EUR/PLN rate. In revenue structure the local sale dominated (including import to the local market), which reached PLN 231,602,000, which constitutes 56% of total sale, whilst export sales reached PLN 184,475,000.

Trading structure of the income from sales

The income structure of Ciech SA reflects to a great extent the structure of sales of the Chemical Group. CIECH. Considerable part of products manufactured in the companies belonging to the Chemical Group is sold through Ciech SA. As a result, the revenue structure of Ciech SA is dominated by the sales of main products of the CIECH Chemical Group. These included soda ash and ethylbenzene. Ciech SA acts as commission agent for goods manufactured outside the CIECH Chemical Group.

The sales structure of Ciech SA in the third quarter of 2005, including specification of main products and goods is presented in the following diagram.

Trading structure of the income from sales



Source: Ciech SA

Gross sales profit

The profit on sales of Ciech SA in the third quarter of 2005 established itself at the level of PLN 63,348,000. In comparison with the corresponding period of 2004 the profit increased by 67%.

The increase in the sales profit in the third quarter of 2005, in relation the third quarter of 2004 resulted mainly from restructuring of soda products sales in the CIECH Chemical Group (outsourcing of sales service, purchase of raw materials and logistics from soda companies to CIECH SA).

Operating profit

The operating profit of Ciech SA in the third quarter of 2005 amounted to PLN 23,002,000. This figure increased by PLN 15,465,000 in comparison with the profit recorded in the corresponding period of the previous year.

Net profit

The net profit of Ciech SA in the third quarter of 2005 amounted to PLN 14,220,000. This figure increased by PLN 12,343,000 in comparison with the profit recorded in the corresponding period of 2004. The main source of the net profit of the first quarter of 2005 was the sales profit in the amount of PLN 21,123,000.

Capital structure

Selected balance sheet items (in PLN '000)

	30.09.2005	30.09.2004	2005/2004 dynamics	30.06.2005	dynamics in 3rd quarter 2005/ 2nd quarter 2005
Non-current assets	488 511	498 940	-2,09%	490 638	-0,43%
Current assets	424 090	349 642	21,29%	408 367	3,85%
including					
inventories	18 684	19 546	-4,41%	20 497	-8,85%
Accounts receivable	318 265	319 250	-0,31%	331 446	-3,98%
Value of assets	912 601	848 582	7,54%	899 005	1,51%
Equity	585 085	361 420	61,89%	570 865	2,49%
Reserves	21 338	15 581	36,95%	21 495	-0,73%
Long-term liabilities	20 366	13 237	53,86%	22 625	-9,98%
Short-term liabilities	280 851	453 277	-38,04%	279 825	0,37%

Source: Ciech SA

Equity of Ciech SA increased at the end of the third quarter of 2005 in relation to the state as at 30th June 2005 by the amount of PLN 14,220,000. The increase in equity resulted from the net profit generated in the 3rd quarter 2005.

Changes in reserves and revaluation write-down

In the third quarter of 2005 a revaluation write-down on the shares in Cheman was created in the amount of PLN 1,200,000. The reason for the creation of the write-down was the impairment of the company due to the loss incurred in the 3rd quarter of 2005. The amount of reserves in the third quarter was similar to the amount at 30th June 2005 and amounted to PLN 21,338,000.

Cash flows

Operating cash flows in the third quarter of 2005 were positive and amounted to PLN 33,205,000. The main source of operating cash flows were: (i) net profit of PLN 14,220,000 and (ii) increase in short-term liabilities by PLN 14,118,000 (mainly due to deliveries and services).

The excess of investment inflows over investment expenditure amounted in the third quarter to PLN 16,218,000. Positive cash flow was mainly due to: (i) receiving of dividends from affiliates (PLN 8,900,000) and (ii) deposit and investment activity of Ciech SA (PLN 5,000,000).

Financial cash flows in the third quarter of 2005 were negative and amounted to PLN -15,114,000. The negative balance of financial activity resulted mainly from: (i) payment of dividend in the amount of PLN 8,400,000 and (ii) repayment of investment loans (total PLN 6,082,000). In addition, the cash flows include movements in the working capital loan, which increased the value of inflows and outflows from financial activity.

Debt

The amount of liabilities (short-term and long-term total) of Ciech SA as at 30th September 2005 was PLN 301,217,000, which means practically no change in comparison with the amount at the end of the previous quarter.

The debt ratio as at 30th September 2005 amounted to 33 %, which is 40% lower than the ratio as at 30th September 2004.

The amount of cash as at 30th September 2005 was higher than the amount of financial liabilities by PLN 12,859,000. In the previous year the leverage ratio was 31.9%, and net debt amounted to PLN 169,397,000.

The current ratio at the end of September 2005 was 1.51, which signifies improvement in relation to 2004, when this ratio was equal to 0.77.

Selected financial ratios

	3rd quarter 2005	3rd quarter 2004	2005/2004 dynamics
Sales profitability ratio <i>profit from sales / income from sales</i>	5.08%	2.35%	116.2%
Return on sales (ROS) <i>net profit / income from sales</i>	3.42%	0.42%	714.3%
Return on equity (ROE) <i>net profit / equity</i>	2.43%	0.52%	367.9%
Current ratio <i>current assets / short-term liabilities</i>	1.51	0.77	96.1%
Quick ratio <i>(current assets - inventories) / short-term liabilities</i>	1.44	0.73	97.3%
Equity to assets ratio <i>equity / assets</i>	64.1%	42.6%	50.5%
Debt ratio <i>(long-term liabilities + short-term liabilities) / assets</i>	33.0%	55.0%	-40.0%
Leverage <i>net debt* / (net debt* + equities)</i>	-2.2%	31.9%	-

* net debt = financial liabilities - cash

Source: Ciech SA

Explanations regarding seasonal or periodical character of the Company's activity.

The trading activity of Ciech SA involves to a large extent chemicals that are raw materials. The raw-material markets are characterised by high cyclicity, prompted by fluctuations in the world economies.

With regard to inorganic chemicals, which are dominating items in the turnover of Ciech SA (soda ash, soda-based products, mixed and phosphate fertilizers) the differences in market prices are slight (up to 10% a year). Changes in prices of soda ash are mainly connected with annual contracts, whose terms and conditions are usually determined at the end of the calendar year and are binding from the start of the following year.

The biggest fluctuations of market prices connected with those cycles concern oil-related products such as benzene, toluene, ethylbenzene. In those cases in the periods of several years (3-5 years) the differences in prices range from 50% to over 100%. The prices of many chemicals belonging to that group increased in 2004. During the first half of 2005 their market prices established themselves at a lower level in comparison to the record prices in 2004. However, due to the substantial increase in prices of crude oil in the third quarter this year, the prices of oil-based products increased again. This concerned mainly plastics. The biggest fluctuations with regard to the volume of sales during the year can be noticed on the domestic mineral fertilizers market, on which the sales peak comes at the end of the 1st quarter and in the 3rd quarter, which can also be seen in the current year.

Information concerning the issue, redemption and repayment of debt and capital securities

During the third quarter of 2005 ending on 30th September 2005 the Company did not issue, redeem or repay any debt or capital securities.

Information regarding paid or declared dividend, in total and per one share, with division into ordinary shares and preference shares.

On 29th June 2005 the Ordinary General Meeting of Ciech SA adopted a resolution concerning the assignment of the part of the 2004 profit to a dividend for the shareholders of the Company. The amount assigned for that purpose was PLN 8,400,000, which means PLN 0.30 per share. The dividend may be received by the shareholders who were holding Company's shares on 15th July 2005. The date of payment of the dividend was established at 1st August 2005.

The information concerning the content of the resolution adopted by the Ordinary General Meeting of Ciech SA was announced to the public in the Current Report No. 83/2005 on 30th June 2005.

Important events following the balance-sheet date, not included in that financial statement, which could have a considerable impact on the future financial result of the Company.

On 6th October 2005 in Budapest the Company signed an agreement with BorsodChem Rt. concerning the sale of 100 percent of shares of a subsidiary of Ciech SA – Petrochemia-Blachownia S.A. in Kędzierzyn Koźle, which specialises in production of benzene and ethylbenzene. The agreement results from the long-term development strategy of Ciech Chemical Group, which involves focusing on products belonging to the main product portfolio of the Group. They include products of soda, phosphorus, silicate and glass segments.

The entry of the agreement into force depends on the consent of the Polish Office of Competition and Consumer Protection. Such a consent may be obtained on the basis of a signed agreement.

On 18th October 2005 the option of sale of shares of Janikowskie Zakłady Sodowe Janikosoda SA and Inowrocławskie Zakłady Chemiczne Soda Matwy SA owned by the State Treasury to Ciech SA was used. The transaction concerned 399,567 shares of JZS Janikosoda SA (which constitutes 8.94% of the Company's share capital) and 622,761 shares of IZCh Soda Młoty SA (which constitutes 8.4% of the Company's share capital). The State Treasury ceased to be a shareholder of both companies. Currently Ciech SA holds 99.26% of shares of JZS Janikosoda SA and 99.77% of shares of IZCh Soda Młoty SA.

Ciech SA received the information concerning the judgement of the Court of Arbitration with regard to the dispute with Comexport. The court decided to award a compensation to Comexport in the amount of about 2.47 million USD, i.e. about 62% of the claimed amount (with interest and costs). Ciech SA should pay 1/3 of the above mentioned amount, because it is collectively responsible with Sulphur Mines in Tarnobrzeg and Grzybów. The estimated amount payable by Ciech SA is about PLN 2.9 million plus 1/3 of the amount of interest (about PLN 300,000).

Change of conditional liabilities or conditional assets, which occurred following the end of the previous financial year.

During the first two quarters of 2005 ending on 30th June 2005 Ciech SA advanced guarantee of loan, opened in PKO SA bank to the subsidiary Cheman SA, with intention to provide security to letter of credits, opened for import suppliers, in the amount of PLN 2,000,000. In relation to this Company, the value of guarantee of the loan granted in September 2004 in Kredyt Bank SA Sieradz Division was increased by PLN 1,600,000. During the second quarter of 2005 the guarantee granted to Cheman SA for the amount of up to 500,000 USD was withdrawn. The reason for withdrawal was the departure of the Company from the intention to take a loan from BRE Bank SA.

In January 2005 the Company granted loan guarantees, without specified deadline, incurred in BRE – Multibank SA by authorised persons, in accordance with the Resolution No. 3 of the Extraordinary General Shareholders' Meeting of 17th August 2004, for purchase of Employee Shares. The guarantee expires on final loan settlement

As of 1st May 2005 the guarantee granted to Ciech Polfa, in the amount of PLN 1,200,000, of the short-term working capital loan taken from Bank Handlowy SA.