Condensed Consolidated Financial Report of the Ciech Group

for the first quarter of 2005 prepared in compliance with

the International Financial Reporting Standards

SELECTED FIGURES	In PLN ,000		In EUR ,000	
	Q1 2005	Q1 2004	Q1 2005	Q1 2004
Sales revenue	542 023	543 597	134 989	113 396
Operating profit (loss)	31 923	56 084	7 950	11 699
Profit (loss) before taxes	51 334	52 657	12 785	10 984
Net profit (loss)	40 452	42 923	10 074	8 954
Net cash flow from operating activities	-2 534	49 142	-631	10 251
Net cash flow from investing activities	-640	-21 052	-159	-4 392
Net cash flow from financing activities	68 957	-4 694	17 174	-979
Total net cash flow	65 783	23 396	16 383	4 880
Total Assets	1 726 079	1 610 271	422 675	339 326
Non-current liabilities	117 365	127 555	28 740	26 879
Current liabilities	534 473	674 901	130 880	142 219
Equity	1 074 241	807 815	263 056	170 228
Share capital	140 001	98 982	34 283	20 858
Earnings per share (in PLN / EUR)	1.54	2.1	0.38	0.44

CONSOLIDATED INCOME STATEMENT

	Q1 2005*	Q1 2004		
in thousands of Polish zlotys	Continued operations	Continued operations	Discontinued operations	TOTAL
Net sales revenue	**542 023**	**540 297**	**3 300**	**543 597**
Cost of sales	(416 722)	(388 058)	(3 083)	(391 141)
Gross profit	**125 301**	**152 239**	**217**	**152 456**
Other operating income	6 134	6 979	0	6 979
Selling costs	(50 880)	(59 426)	(18)	(59 444)
Administrative expenses	(39 037)	(38 112)	0	(38 112)
Other operating expenses	(9 595)	(5 795)	0	(5 795)
Operating profit	***31 923***	***55 885***	***199***	***56 084***
Finance income	21 459	3 649	0	3 649
Finance costs	(7 028)	(6 201)	0	(6 201)
Net finance income (costs)	***14 431***	***(2 552)***	***0***	***(2 552)***
Share of the net profits of subsidiaries accounted for using the equity method	4 980	(875)	0	(875)
Earnings before tax	**51 334**	**52 458**	**199**	**52 657**
Income Tax	(10 882)	(9 696)	(38)	(9 734)
Net profit	***40 452***	***42 762***	***161***	***42 923***
Sales profit/loss relative to discontinued operations	0	0	0	0
Profit for the marketing year	***40 452***	***42 762***	***161***	***42 923***
including:				
Profit/loss attributable to equity holders of the parent	36 166	38 404	161	38 565
Profit/loss attributable to minority interest	4 286	4 358	0	4 358
Earnings per share (in PLN)	1.54	2.09	0.01	2.10

* no operations were discontinued in the first quarter of 2005.

CONSOLIDATED BALANCE SHEET

in thousands of Polish zlotys	31.03.2005	31.12.2004	31.03.2004	01.01.2004
ASSETS				
Non-current assets				
Property, plant and equipment	776 689	780 171	767 263	777 959
Perpetual leasehold rights	1 021	1 023	953	884
Intangible assets:	20 199	18 046	19 604	19 898
- goodwill	4 582	4 582	4 675	4 706
Investment property	11 728	11 842	12 281	12 290
Long-term receivables	81	85	696	701
Investments in associates and joint ventures accounted for using the equity method	37 495	32 565	37 118	38 029
Other long-term investments	32 016	31 855	35 626	37 633
Deferred tax assets	2 722	2 376	3 048	2 694
Total non-current assets	**881 951**	**877 963**	**876 589**	**890 088**
Current assets				
Inventories	180 395	137 668	135 621	135 460
Short-term investments	5 101	1 174	12 102	281
Income tax receivable	4 298	8 008	2 493	5 246
Trade and other receivables	516 613	511 596	493 129	414 779
Cash and cash equivalents	102 663	36 144	55 257	31 344
Non-current assets held for sale	35 058	35 058	35 080	35 080
Total current assets	**844 128**	**729 648**	**733 682**	**622 190**
T o t a l A s s e t s	**1 726 079**	**1 607 611**	**1 610 271**	**1 512 278**

EQUITY AND LIABILITIES				
Equity				
Share capital	140 001	98 982	98 982	98 982
Treasury shares	0	(18 805)	(14 684)	(14 684)
Share premium reserve	151 328	0	0	0
Equity components relative to assets held for sale	0	0	18	18
Revaluation reserve	0	0	0	0
Other reserves	80 667	84 633	84 633	84 633
Exchange differences arising on translation of subsidiaries	138	(807)	4 709	3 197
Retained earnings	591 785	555 448	524 504	484 626
Equity attributable to equity holders of the parent	**963 919**	**719 451**	**698 162**	**656 772**
Minority interest	110 322	105 512	109 653	104 409
Total equity	**1 074 241**	**824 963**	**807 815**	**761 181**
Liabilities				
Borrowings and other debt instruments	44 406	52 029	59 402	68 195
Employee benefits	24 279	24 096	22 008	21 745
Provisions (other short-term)	22 645	22 953	21 557	21 557
Deferred tax provision	26 035	26 699	24 588	24 997
Total non-current liabilities	**117 365**	**125 777**	**127 555**	**136 494**
Overdraft facility	67 370	144 106	158 111	146 192
Borrowings and other debt instruments	61 882	105 562	82 767	100 087
Trade and other payables	375 467	380 117	417 833	352 685
Income tax liability	1 797	584	617	723
Provisions (short-term employee-benefit provisions and other provisions)	27 957	26 502	15 573	14 916

in thousands of Polish zlotys	31.03.2005	31.12.2004	31.03.2004	01.01.2004
Liabilities arising from non-current assets available for sale	0	0	0	0
Total current liabilities	**534 473**	**656 871**	**674 901**	**614 603**
Total payables	**651 838**	**782 648**	**802 456**	**751 097**
T o t a l L i a b i l i t i e s	**1 726 079**	**1 607 611**	**1 610 271**	**1 512 278**

OFF-BALANCE SHEET ITEMS

in thousands of Polish zlotys	31.03.2005	31.03.2004
1. Contingent receivables	**2 800**	**2 300**
- guarantees and bonds received	2 800	-
- other off-balance sheet receivables	-	2 300
2. Contingent liabilities	**41 280**	**28 406**
- guarantees and bonds granted	14 572	18 680
- other off-balance sheet liabilities	26 708	9 726
3. Other	**10 021**	**15 380**
- other	10 021	15 308
Total off-balance sheet items	**54 101**	**46 086**

CONSOLIDATED CASH FLOW STATEMENT

in thousands of Polish zlotys	Q1 2005	Q1 2004
Cash flows from operating activities		
Profit (loss) for the period	**40 452**	**42 923**
Adjustments		
Depreciation	27 006	25 622
Recognition / reversal of impairment losses	(90)	(216)
Gains / losses on foreign exchange differences	(1 751)	(462)
Investment property revaluations	0	0
Gains / losses on investing activities	(17 833)	(192)
Gains / losses on disposal of non-current assets	(202)	59
Interest and dividends	4 082	4 621
Input income tax	10 882	9 734
Gains / losses on shares in entities accounted for using the equity method	(4 980)	875
Operating profit before changes in current assets and reserves	**57 566**	**82 964**
Changes in receivables	(4 979)	(63 931)
Changes in inventories	(42 819)	(27 736)
Changes in current liabilities	(842)	69 304
Changes in reserves and employee benefits	(1 489)	(1 422)
Net cash generated from operations	**7 437**	**59 179**
Interest paid	(3 740)	(4 248)
Income taxes paid	(6 385)	(6 388)
other adjustments	154	599
Gains / losses on disposal of discontinued operations	0	0
Net cash from operating activities	**(2 534)**	**49 142**
Cash flows from investing activities		
Inflows (in "+")		
Disposal of intangible assets and property, plant and equipment	1 187	1 101
Disposal of a subsidiary	72	0

in thousands of Polish zlotys	Q1 2005	Q1 2004
Disposal of investments	30 899	1
Dividends received	0	0
Interest received	189	73
Other inflows	17	2 833
Outflows (in "-")		
Acquisition of intangible assets and property, plant and equipment	(27 998)	(14 199)
Acquisition of subsidiary (net of cash acquired)	0	0
Purchase of investment property	0	0
Purchase of other investments	(4 937)	(10 805)
Research and development expense	0	0
Other inflows	(69)	(56)
Net cash used in investing activities	**(640)**	**(21 052)**
Cash flows from financing activities		
Inflows (in "+")		
Proceeds from issue of share capital and other equity instruments, and capital contributions	192 875	0
Proceeds from issue of convertible preference shares	0	0
Proceeds from borrowings	42 766	30 769
Other financial inflows	2 209	24 649
Outflows (in "-")		
Purchase of treasury shares	0	0
Dividends paid and other payments to equity holders	0	(150)
Dividends paid to minority interest holders	0	0
Repayment of borrowings	(151 848)	(32 030)
Redemption of debt securities	(15 000)	(27 000)
Payment of finance lease liabilities	(1 120)	(760)
Other financial outflows	(925)	(172)
Net cash used in financing activities	**68 957**	**(4 694)**
Total net cash flow	**65 783**	**23 396**
Cash at beginning of period	35 985	31 344
Impact of foreign exchange differences	986	517
Cash at end of period	**102 754**	**55 257**
Cash at end of period (as disclosed in the balance sheet)	102 663	55 257
foreign exchange differences	91	0
Cash at end of period (as disclosed in the cash flow statement)	**102 754**	**55 257**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

in thousands of Polish zlotys		Share capital	Treasury shares	Share premium reserve	Equity components relative to assets held for sale	Revaluation reserve	Other reserves	Foreign exchange differences arising from translation of subsidiaries	Retained earnings	**Equity attributable to equity holders of the parent**	Minority interest	**Total equity**
Equity at (beginning of period):	**01.01.2004**											
Brought forward		**98 982**	**(14 684)**	**0**	**18**	**0**	**84 633**	**3 197**	**484 626**	**656 772**	**104 409**	**761 181**
Changes in accounting principles										0		0
Error corrections										0		0
Equity (restated) at:	**01.01.2004**	98 982	(14 684)	0	18	0	84 633	3 197	484 626	656 772	104 409	761 181
Changes in the Group's composition		0	0	0	0	0	0	0	1 245	1 245	0	1 245
Exchange differences on translating foreign operations		0	0	0	0	0	0	1 512	0	1 512	884	2 396
Net profit (loss)		0	0	0	0	0	0	0	38 565	38 565	4 358	42 923
Other increases		0	0	0	0	0	0	0	95	95	2	97
Other decreases		0	0	0	0	0	0	0	(27)	(27)	0	(27)
Balance at (end of period):	**31.03.2004**	98 982	(14 684)	0	18	0	84 633	4 709	524 504	698 162	109 653	807 815

in thousands of Polish zlotys		Share capital	Treasury shares	Share premium reserve	Equity components relative to assets held for sale	Revaluation reserve	Other reserves	Foreign exchange differences arising from translation of subsidiaries	Retained earnings	**Equity attributable to equity holders of the parent**	Minority interest	**Total equity**
Equity at (beginning of period):	**01.01.2005**											
Brought forward		**98 982**	**(18 805)**	**0**	**0**	**0**	**84 633**	**(807)**	**555 448**	**719 451**	**105 512**	**824 963**
Changes in accounting principles		0	0	0	0	0	0	0	0	0	0	0
Error corrections		0	0	0	0	0	0	0	0	0	0	0
Equity (restated) at:	**01.01.2005**	98 982	(18 805)	0	0	0	84 633	(807)	555 448	719 451	105 512	824 963
Increases from retirement and disposal of non-current assets		0	0	0	0	0	0	0	5	5	0	5
Exchange differences on translating foreign operations		0	0	0	0	0	0	945	0	945	537	1 482
Net profit / (loss)		0	0	0	0	0	0	0	36 166	36 166	4 286	40 452
Issue of share capital		41 019	0	151 328	0	0	0	0	0	192 347	0	192 347
Disposal of treasury shares		0	18 805	0	0	0	(3 966)	0	0	14 839	0	14 839
Other increases		0	0	0	0	0	0	0	216	216	1	217
Other decreases		0	0	0	0	0	0	0	(50)	(50)	(14)	(64)
Equity at (end of period):	**31 03 2005**	140 001	0	151 328	0	0	80 667	138	591 785	963 919	110 322	1 074 241

Additional information to the Condensed Consolidated Financial Report of the Ciech Group

1. General Information

CIECH Spółka Akcyjna with its registered offices in Warsaw, ul. Powązkowska 46/50, is registered under entry no. 0000011687 with the District Court for the Capital City of Warsaw, 19th Commercial Division of the National Court Register.

The condensed consolidated financial report for the first quarter of 2005 ended 31st March 2005 comprises the financial statements of Ciech S.A. and its subsidiaries (jointly called the "Group"), and the Group's interests in associates and joint ventures. The Group's parent company is Ciech S.A.

Consolidated entities accounted for using the equity method in the first quarter of 2005: comparative figures for the first quarter of 2004 and the 2004 reporting year.

Entity/Group	Consolidation method as at 31.03.2005 and CIECH S.A.'s control	Consolidation method as at 31.12.2004 and CIECH S.A.'s control	Consolidation method as at 31.03.2004 and CIECH S.A.'s control
1) CIECH S.A.	Parent	Parent	Parent
2) Ciech - Polfa S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.
3) Ciech Petrol Sp. z. o. o.	Entity merged with Cheman S.A.	CIECH S.A.'s subsidiary, fully consolidated since the merger with Cheman S.A. (i.e. from July 9th, 2004).	Fully consolidated subsidiary of CIECH S.A.
4**) Przedsiębiorstwo Chemiczne Cheman S.A.**	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A. since July 9th, 2004, after the merger with Ciech Petrol Sp. z o.o., also fully consolidated.	Fully consolidated subsidiary of CIECH S.A.
5) Petrochemia-Blachownia Group	Fully-consolidated lower-tier subsidiary Group	Fully-consolidated lower-tier subsidiary Group	Fully-consolidated lower-tier subsidiary Group
5.1) Petrochemia-Blachownia S.A.	Lower-tier group parent (controlled by CIECH S.A.)	Lower-tier group parent (controlled by CIECH S.A.)	Lower-tier group parent (controlled by CIECH S.A.)
5.2) Bl-Trans Sp. z o.o.	Fully consolidated indirect lower-tier subsidiary	Fully consolidated indirect lower-tier subsidiary	Fully consolidated indirect lower-tier subsidiary
6) Soda Mątwy Group	Fully-consolidated lower-tier subsidiary Group	Fully-consolidated lower-tier subsidiary Group	Fully-consolidated lower-tier subsidiary Group
6.1) Inowrocławskie Zakłady Chemiczne SODA MĄTWY S.A.	Lower-tier group parent (controlled by CIECH S.A.)	Lower-tier group parent (controlled by CIECH S.A.)	Lower-tier group parent (controlled by CIECH S.A.)
6.2) Transoda Sp. z o.o.	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.
6.3) Elektrociepłownie Kujawskie Sp. z o.o.	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.
6.4) Polskie Towarzystwo Ubezpieczeń S.A.	Indirect lower-tier associate of CIECH S.A accounted for using the equity method.	Indirect lower-tier associate of CIECH S.A accounted for using the equity method.	Indirect lower-tier associate of CIECH S.A accounted for using the equity method.
7.) Janikowskie Zakłady Sodowe Janikosoda S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.
7.1) Polskie Towarzystwo Ubezpieczeń S.A.	Indirect lower-tier associate of CIECH S.A accounted for using the equity method.	Indirect lower-tier associate of CIECH S.A accounted for using the equity method.	Indirect lower-tier associate of CIECH S.A accounted for using the equity method.
8) Fosfory Group	Fully-consolidated lower-tier subsidiary Group	Fully-consolidated lower-tier subsidiary Group	Fully-consolidated lower-tier subsidiary Group
8.1) Gdańskie Zakłady Nawozów Fosforowych Fosfory Sp. z o.o.	Lower-tier group parent (controlled by CIECH S.A.)	Lower-tier group parent (controlled by CIECH S.A.)	Lower-tier group parent (controlled by CIECH S.A.)
8.2) Agrochem Sp. z o.o. Dobre Miasto	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.
8.3) Agrochem Sp. z o.o. Człuchów	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.

Entity/Group	**Consolidation method as at 31.03.2005 and CIECH S.A.'s control**	**Consolidation method as at 31.12.2004 and CIECH S.A.'s control**	**Consolidation method as at 31.03.2004 and CIECH S.A.'s control**
9) Alwernia Group	Fully-consolidated lower-tier Group	Fully-consolidated lower-tier Group	Fully-consolidated lower-tier Group
9.1) Zakłady Chemiczne Alwernia S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.
9.1) Alwernia Chrom Sp. z o. o.	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.	Indirect lower-tier subsidiary of CIECH S.A.; full consolidation.
10) Polsin Pte. Ltd.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.
11.) Daltrade Plc.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.
12) Vitrosilicon S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.
14) Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.	Jointly controlled entity of CIECH S.A.accounted for using the equity method.	Jointly controlled entity of CIECH S.A.accounted for using the equity method.	Jointly controlled entity of CIECH S.A.accounted for using the equity method.
15) Zach-CIECH Group z o.o.	Associate of CIECH S.A. accounted for using the equity method; in liquidation from March 11th, 2005. An impairment loss was recognised for the entity in liquidation.	Associate of CIECH S.A. accounted for using the equity method; in liquidation from March 11th, 2005. An impairment loss was recognised for the entity in liquidation.	Associate of CIECH S.A.accounted for using the equity method
16) Zakłady Tworzyw i Farb Sp. z o.o.	-	Associate of CIECH S.A.accounted for using the equity method until disposal on June 13th, 2004.	Associate of CIECH S.A.accounted for using the equity method until disposal on June 13th, 2004.

The business of the parent and its subsidiaries is:

- **Ciech S.A., Parent**

The parent's core business as defined in the Polish Activity Code (PKD 5170) and the Articles of Incorporation includes: trade activities, investments, manufacturing, services, and financial operations, including in particular foreign and domestic trade in chemicals and related operations. The Company is also licensed to act as agent for Polish and foreign companies.

Fully-consolidated lower-tier subsidiary Groups

- **Petrochemia-Blachownia Group**

– manufacture of other organic basic chemicals,
– manufacture of refined petroleum products,
– wholesale of chemical products,
– wholesale of solid, liquid, and gaseous fuels and related products,
– freight transport by road with specialised and all-purpose vehicles.

- **Alwernia Group**

– manufacture of other inorganic basic chemicals,
– manufacture of dyes and pigments,
– manufacture of other organic basic chemicals,
– manufacture of fertilizers and nitrogen compounds,
– manufacture of gypsum,
– production of heat (steam and hot water).

- **Soda Mątwy Group**

– manufacture of other inorganic basic chemicals,
– wholesale of chemical products,
– production and distribution of electricity.

- **Fosfory Group**

– manufacture of fertilizers and nitrogen compounds,
– manufacture of other inorganic chemicals,
– manufacture of other organic chemicals,
– manufacture of refined petroleum products,
– manufacture of plastics,
– wholesale of grain, seeds, and animal seeds.

Fully-consolidated entities

- **Vitrosilicon S.A.**

– manufacture of other inorganic basic chemicals,
– manufacture of household and technical glassware,
– manufacture of plastic packing goods,
– manufacture of other plastic products,

- **JZS Janikosoda S.A.**

– production of salt,
– manufacture of industrial gas,
– manufacture of other inorganic basic chemicals,
– manufacture of other chemical products n.e.c.

- **Ciech – Polfa S.A.**

– wholesale of pharmaceutical goods,
– wholesale of chemical products,
– wholesale of perfume and cosmetics,
– retail sale of medical and orthopaedic goods.

- **Cheman S.A**.
  - wholesale and distribution of solid inorganic and organic chemicals,
  - wholesale and distribution of materials for household chemicals,
  - wholesale and distribution of cosmetic and pharmaceutical materials,
  - wholesale and distribution of builders, pigments, materials for paints and varnishes,
  - wholesale and distribution of food and feed additives,
  - wholesale and distribution of acids, bases, and other liquid chemicals.

- **Polsin Ltd**.:

- wholesale and retail sales of a variety of goods in Far East markets.

- **Daltrade PLC:**
  - distribution and wholesale of chemicals in the UK chemical market.

Companies accounted for using the equity method.

- Jointly-controlled entity: Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.
- Associate: "Zach-Ciech” Sp. z o.o.- in liquidation. On March 11th, 2005, Resolution 3/2005 was adopted to put the company into liquidation. An impairment loss was recognised for the entity in liquidation.

For the purposes of presentation of selected financial data, certain assets and liabilities were translated into euros at the average exchange rate announced at the balance-sheet date (March 31st, 2005) by the national Bank of Poland at 4.0837. The income statement items were translated into euros at a rate calculated as the arithmetical mean of the average EUR exchange rates determined by the National Bank of Poland at the last day of each month from January to March 2005: 4.0503; 3.9119; 4.0837 respectively. The mean exchange rate for the first quarter of 2005 is 4.0153.

2. Statement of Compliance

These condensed financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU. IFRS include accounting standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

Following enactment of the amendment to the Polish Accounting Act on January 1st, 2005, the Ciech Group is now required to prepare its consolidated financial statements in compliance with the IFRS adopted by the EU.
These condensed consolidated financial statements are the first condensed statements prepared in accordance with IFRS, therefore, the Group applied IFRS 1.

The parent's Management used their best judgement in the selection and interpretation of the applicable standards, as well as in the selection of the measurement methods and principles for the different items of the Ciech Group's IFRS condensed consolidated financial statements as at March 31st 2005 and the comparative figures. Due diligence was exercised when preparing the tables and explanations below. The financial information presented here was not audited.

Section 27 of these condensed statements explains the impact of IFRS application on the balance-sheet items and the profit. The Ciech Group had not published its consolidated financial statements for the first quarter of 2004.

3. Basis for preparing condensed consolidated financial statements

The measurement and reporting currency for the purposes of these consolidated financial statements is the Polish zloty. All the figures presented here are stated in thousands of Polish zlotys.

Preparation of condensed financial statements in compliance with IFRS requires the Management to exercise professional judgement, estimates, and objectives that impact the adopted accounting principles and the measurement of the assets, liabilities, income, and expense. All estimates and the related assumptions are based on a historical experience and various other factors considered reasonable under the given circumstances, and the results of such estimates are the basis for a professional judgement of the carrying value of the assets and liabilities, which cannot be calculated using other sources. The actual values may differ from the estimated values.

The estimates and assumptions are revised on a continuing basis. Changes in accounting estimates are recognised in the period in which they are made, if such changes only apply to that period, or in the current period and future periods if such changes apply both to the current period and the future periods.

The Management's professional judgement that has a significant impact on the consolidated financial statements, and the estimates bearing a high risk of significant changes in the future periods, are elaborated on in Sections 10.14 and 21 of these Condensed Financial Statements.

4. Significant accounting and consolidation principles

The accounting policy described below was applied to all the periods presented in the condensed Consolidated Financial Statements, as well as in the preparation of the IFRS Opening Balance as at January 1st, 2004 for the purposes of the transition to IFRS reporting.

a) Consolidation principles

(i) Subsidiaries

Subsidiaries are entities controlled by the Parent. Control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. The degree of control is assessed taking into account the existing and potential voting rights that can be exercised or converted at the balance-sheet date. The financial statements of subsidiaries are included in the consolidated financial statements throughout the period from control takeover until control loss.

(ii) Associates, jointly controlled entities

Associates are entities over whose financial and operating policies the Group has significant influence, but which it does not control.

Jointly controlled entities are entities over which the Group exercises contractually assumed shared control.

Consolidated financial statements disclose the Group's share in the profits and losses of the associates and jointly controlled entities accounted for using the equity method from the moment of acquisition to the loss of significant influence or joint control. The Group also measures the impairment of its shares in the net assets of its associates and jointly controlled entities, and recognises impairment losses as appropriate. If the Group's share in an entity's losses is larger than the book value of that entity, the book value is reduced to zero, and no further losses are recognised unless there is a legal requirement to cover such losses, or unless a payment has already been made on behalf of the entity to cover any of its liabilities.

Goodwill arising on acquisition of interests in associates or jointly controlled entities is disclosed as part of such interests. Any excess of the Group's share in the fair value of the entity's identifiable assets, liabilities, and contingent liabilities over the cost of the investment is recognised in Group's income statement.

(iii) Consolidation adjustments

Balances of internal settlements between Group members, intra-Group transactions, and any resulting unrealised profits or losses, income or expenses, intra-group dividends or intra-group fixed-asset sales are eliminated when preparing consolidated financial statements. Any unrealised profits on transactions with associates or jointly-controlled entities are eliminated from the consolidated financial statements to the extent of the Group's interest in those entities. Any unrealised losses should also be eliminated unless they provide evidence of impairment.

b) Foreign currencies

(i) Foreign-currency transactions

Foreign-currency transactions are recorded in PLN at the transaction date, at the average NBP exchange rate for the foreign currency in question applicable on that date. Monetary asset and liability items expressed in Polish zlotys are translated at the balance-sheet date at the average NBP exchange rate for the foreign currency in question applicable on that date. Foreign exchange differences arising on foreign-currency transaction settlements and resulting from balance-sheet measurement of monetary asset and liability items expressed in foreign currencies are recognised as profit or loss. Non-monetary foreign-currency asset and liability items measured at historical cost are translated at the average NBP exchange rate applicable on the transaction date. Non-monetary foreign-currency balance-sheet items measured at fair value are translated at the average NBP rate applicable on the fair value measurement date.

(ii) Financial statements of foreign operations

The Ciech Group's foreign companies operate in economies other than hyperinflationary economies within the meaning of IAS 29.

Income and expenses for each income statement prepared in foreign currencies should be translated into PLN at the exchange rates applicable at the transaction dates (IAS 21.39(b)). The Group applies the "convenience translation" allowance, and applies average end-of-period exchange rates (IAS 21.40), as no exchange rate fluctuations were recorded that would be so high as to significantly impact the consolidated profit.

All balance-sheet items except for equity are translated into PLN at the average NBP exchange rate published at the date of preparation of the consolidated financial statements. All fair-value adjustments in the net assets and any goodwill arising on acquisition of a foreign entity are translated at the exchange rate applicable at the date of the acquisition into the functional currency of the foreign entity, and, subsequently, into the presentation currency, in accordance with the principles generally applied in translations of the assets and liabilities of subsidiaries (at the balance-sheet date).

Any differences arising on equity translation at rates other than the average exchange rate applicable at the balance-sheet date and used for translating other balance-sheet items are recognised in equity as "differences on foreign currency translations".

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c) Financial instruments

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

Financial assets measured at fair value through profit or loss are classified as short-term assets and recognised in their fair value, and any gains or losses arising on the measurement are recognised in the income statement. Financial assets measured at fair value through profit or loss include:

- financial assets purchased for sale in a short term,
- financial assets in a jointly managed portfolio which is certain to generate short-term profits in the future,
- financial assets classified as such on initial recognition.

Financial assets measured at fair value through profit or loss also include derivative instruments unless they meet the requirements of hedge accounting.

(ii) Held-to-maturity investments

Held to maturity investments are financial assets other than derivative instruments, with fixed or determinable payments and fixed maturity that an entity has the positive intent and ability to hold to maturity. That asset category excludes loans and receivables, or assets that were classified as financial assets measured at fair value through profit and loss on initial recognition, or available-for-sale financial assets.
Held-to-maturity financial assets are measured at amortised cost using the effective interest rate method.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, other than derivative instruments and financial assets:

- that the Group intends to sell immediately or in the near term, which are classified as assets held for trading, or financial assets that were classified as financial assets measured at fair value through profit and loss on initial recognition;
- that the Group designated as available-for-sale assets on initial recognition; or
- where the Group is not able to recover substantially all of its initial investment other than because of credit deterioration, which are classified as available-for-sale assets.

Loans and receivables are measured at amortised cost using the effective interest rate method.

(iv) Financial assets available for sale

Available-for-sale financial assets are financial assets other than derivative instruments, which were designated as available for sale, and other than loans and receivables, held-to-maturity investments, or financial assets measured at fair value through profit and loss.

Available-for-sale financial assets are measured at fair value, and any gains or losses on such measurement is recognised in the revaluation reserve. For interest-bearing debt instruments included in that category, the interest element measured using the effective interest rate method is recognised in the income statements.

d) Property, plant and equipment

(i) Own property, plant and equipment

Property, plant and equipment are carried at cost less depreciation and impairment losses. Cost includes the costs incurred on acquisition of an item of property, plant and equipment (i.e. the amount paid to the seller less any deductible taxes, such as VAT or excise tax), regulatory liabilities (for imports), and the costs incurred to purchase and bring the asset to the working condition required for its intended use, including transport costs, loading and unloading costs, and storage costs. Any discounts and other allowances and returns reduce the cost of the asset. Cost also includes the costs incurred to construct an item of property, plant and equipment, such as the total costs incurred by the entity during the period of construction, installation, adaptation, or development of the item, until the date that item is complete and ready for use (or until the balance-sheet date, if the item is not ready for use yet), including non-deductible VAT and excise tax, and the costs of servicing the debt incurred to finance the purchase (construction) of the item and the related exchange differences to the extent that they are considered to be an adjustment of the interest charged on such debt.

Items of property, plant and equipment adjusted to their fair value at January 1st, 2004, the date of first-time adoption of IFRS by the Group, are measured at recognised cost which is considered to be the fair value at the revaluation date. Any revaluation effects are transferred to retained earnings.

(ii) Leased property, plant and equipment

Leases under which the Group bears substantially all the risks and receives substantially all the rewards incident to ownership are classified as finance leases. Property, plant and equipment held under finance leases are initially recognised at the lower of their fair value or the present value of the minimum lease payments, and subsequently reduced by depreciation and impairment losses.
Payments under operating lease contracts signed by the Group companies are recognised in the income statement throughout the term of the lease.

(iii) Subsequent expenses

Subsequent expenses incurred to replace a separately recognised element of an item of property, plant and equipment, are capitalised. Other expenses are capitalised only if they can be reliably measured and if they increase the future economic benefits entailed in the asset. Other expenditure is regularly charged against the income statement.

According to IAS 16 (paragraph 13), parts of some items of property, plant and equipment that require replacement at regular intervals are depreciated over their economic useful lives. Repair costs are capitalised if the costs incurred cover the part recognised as a separate part of the asset. If no such parts were recognised separately on initial recognition, the Group increases the value of the plant, property or equipment by the costs of the regular overhauls necessary for continued operation of the asset, in accordance with IAS 16 (paragraph 14). Such overhaul costs are treated as separate assets, and are amortised over the expected time to the next overhaul. On capitalisation of new overhaul costs, the non-depreciated value of the previous overhauls is charged against operating expense.

On acquisition or construction of an item of property, plant and equipment, the Group separates an amount of the necessary expenditure on the next overhaul from the cost, and amortises that amount over the time remaining until the next planned overhaul.

(iv) Depreciation and amortisation

Property, plant and equipment, or their important separate parts, are depreciated on a straight-line basis over their economic useful lives. Land is not depreciated. The Group has estimated the following economic useful lives for its property, plant and equipment items:

Buildings	20 - 25	years
Technical equipment and machinery, including:	2 - 20	years

Intangible assets

(i) Goodwill

Goodwill arises on combination of separate entities or operations into one entity preparing financial statements. This includes in particular acquisition of shares in subsidiaries, associates, or jointly-controlled entities. All combinations of non-related entities are accounted for using the purchase method. Goodwill is defined as the excess of the cost of the business combination over the acquirer's share of the net fair values of the acquiree's identifiable assets. If the cost of an entity or its branch of activity is lower than the fair value of the net assets acquired, the Group revises the measurement of the fair value of the assets and liabilities, and recognises the resulting difference in the income statement under other operating income.

According to the regulations in force, business valuation for the purposes of goodwill measurement on acquisition of shares is made at fair value. As a rule, fair value is measured at the moment a subsidiary relation arises and significantly grows. The Group recognises that fair value must be regularly revised to account for impairment losses and new circumstances of which it had no knowledge on initial measurement. Re-measurement of the fair value of net assets within 12 months of the transaction date impacts the goodwill amount. The changes disclosed in the subsequent months impact the current profit/loss, except for where an error is found (and recognised in compliance with IAS 8), a deferred-tax asset is recognised, or cost is adjusted, and recognised in relation to the goodwill using the prudent assessment principle.

Goodwill of the associates is carried at the carrying amounts of those associates recognised in the Group’s consolidated financial statements. Consequently, goodwill impairment tests are conducted taking into account all the interests in the associates and their goodwill.

IFRS 1 provides that no adjustments of the carrying amount of goodwill should be made to account for any goodwill amortisation made in the preceding reporting periods. When applying IFRS for the fist time, the Group applied IAS 36 "Impairment of Assets” to conduct a goodwill impairment test at the date of adoption of IFRS. The resulting impairment losses on goodwill are recognised in retained earnings. The goodwill impairment test was conducted taking into account the circumstances as at the date of adoption of IFRS.

At the date of adoption of IFRS, the non-amortised excess of the acquirer's share in the acquired net assets over the cost (formerly "negative goodwill") was recognised in correspondence with retained earnings.

(ii) Other intangible assets

Other intangible assets acquired by the Group are carried at cost less amortisation and impairment losses. Expenditure incurred on internally generated goodwill or brands is recognised in the income statement at the moment it is incurred.

(iii) Subsequent expenses

Subsequent expenses on existing intangible assets are capitalised only if they increase the future economic benefits entailed in the assets. Other expenditure is charged directly against the income statement.

(iv) Amortisation

Intangible assets are amortised on a straight-line basis over their economic useful lives. The Group has estimated the following economic useful lives for its intangible assets:

Research and development expense	2 - 5	years
Patents and licences	2 - 10	years
Other	2 - 5	years

e) Investment property

Investment properties are held to generate rent income or in expectation of an increase in their value, or both.

Investment properties are measured in accordance with the measurement principles applicable to non-current assets, i.e. at cost less depreciation and impairment losses.

Income from property rental to third parties is recognised as described in item o).

f) Trade and other receivables

Short-term trade and other receivables are measured at the amount receivable unless the interest charging effect is significant. Otherwise, receivables are initially carried at their fair value, and then measured at amortised cost using the effective interest rate. The Group discounts its amounts receivable due in over 180 days.

Foreign-currency receivables are recognised at the transaction date at the average NBP exchange rate for the currency in question applicable at that date, unless another exchange rate was determined in the customs application form or another binding document.

At the balance-sheet date, foreign-currency receivables are measured based on the average NBP exchange rate for the currency in question applicable at that date.

Impairment losses for receivables are estimated when the receivables are reclassified as doubtful, among others based on an analysis of the debtor's financial standing.

g) Inventories

Inventories of materials and goods are measured at cost, i.e. the purchase price plus the costs incurred to purchase and prepare the asset for use or sale.

Inventories of finished products and work in progress are measured at cost, i.e. the direct costs plus reasonable costs indirectly incurred in the production.

If the cost of an inventory item is higher than the net realisable value determined in the sales transaction made in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale, the Group recognises NRV write-downs.

Inventories are carried in their net value, i.e. less write-downs.

Inventory sales are measured according to the "first in - first out" principle.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and call deposits. Short-term investments that are not subject to significant value changes and that can be easily converted into cash are a part of the Group's liquidity management policy, and are recognised as cash and cash equivalents in the cash-flow statement.

i) Impairment of assets

The carrying amount of the Group's assets other than inventories and deferred-tax assets is assessed for evidence of impairment at each balance-sheet date. If such evidence is found, the Group estimates the recoverable amount of the assets.

The recoverable amount of goodwill, assets with indefinite useful lives, and intangible assets not yet available for use is estimated at each balance-sheet date, regardless of whether there is any evidence of impairment.

Impairment losses are recognised when the carrying amount of an asset or a cash generating unit is higher than the recoverable value. Impairment losses are recognised in the income statement.

Impairment of a cash generating unit is first charged against he goodwill of that unit (or unit group), and then against the carrying value of that unit’s (unit group's) other assets, on a pro rata basis.

The goodwill and intangible assets with an indefinite useful life were tested for impairment at January 1st, 2004, that is, the date of transition to IFRS, even if there was no evidence of impairment.

(i) Recoverable amount calculation

The recoverable amount of held-to-maturity investments and receivables measured at amortised cost is measured as the current value of future cash flows discounted using the effective interest rate (internal rate of return on the asset concerned). Short-term receivables are not discounted.

For unquoted equity instruments measured at cost whose fair value cannot be reliably measured, the present value of the future cash flows is measured using the current interest rates for similar financial assets..

(ii) Reversal of impairment losses

In case of increase in the value of financial investments that can be objectively attributed to events occurring after recognition of an impairment loss, the Group reverses the impairment loss as appropriate and recognises such reversal in profit and loss, except for equity investments classified as available for sale.

Impairment losses recognised for goodwill may not be reversed.

Otherwise, impairment losses may be reversed only if there has been a change in the estimates used to determine the asset's recoverable amount.

The increased carrying amount of an asset attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

j) Consolidated equity

Pursuant to the principles of presentation of financial statements prescribed in IAS 1 "Presentation of Financial Statements," the total consolidated equity comprises the equity attributable to equity holders of the parent, and minority interest. Also the allocations of profit or loss in the income statement include the profit and loss attributable to minority interest.

The parent's share capital is the Group's share capital, and is disclosed in its face value as specified in the Articles of Incorporation and the commercial register entry.

The equities of subsidiaries as at the acquisition date, in their parts corresponding to the Group's share in those equities, are offset against the cost of subsidiary shares recognised in the parent's (investor's) balance sheet at the date of acquisition (the difference is recognised as goodwill). Any increase (decrease) in equity after the date of acquisition in its part attributable to the parent (investor) is credited to (charged against) the Group's equity and recognised under the Group's appropriate equity items. The balance of the equity of fully consolidated entities is recognised as minority interest as described below.

Any consolidation adjustments are recognised as equity items as appropriate.

Exchange differences on translation of subsidiaries comprise the exchange differences arising on equity translations into Polish zlotys at the date the Group takes over the control or gains a significant influence over the subsidiary, at the average NBP exchange applicable at that date, the exchange differences arising on equity translations at the average NBP exchange rate applicable at the balance-sheet date, and the exchange differences arising on profit translations into Polish zloty at a rate equal to the arithmetical mean of the average closing NBP exchange rates for the currency in question announced at the end of each month of the reporting period.

On the disposal of a consolidated foreign subsidiary, the exchange differences from consolidation of that subsidiary are charged against the income statement.

On purchase of treasury shares, the payment amount and the direct costs of the transaction are recognised in equity. The purchased treasury shares are charged against equity.

Dividends are recognised as liabilities in the period in which they are declared.

Dividends received by the parent for the period preceding the takeover of control over the subsidiary are charged against the acquisition cost. This changes the measurement of the goodwill arising on consolidation or of the excess of the acquirer's interest in the acquired assets over the cost of the acquisition (formerly "negative goodwill"). Note that no adjustments are recognised with respect to dividends paid to minority interest holders.

Dividends received by the parent for the period after the takeover of control are eliminated from the parent's financial income, and are recognised in the equity of the entity paying the dividends. The recognition follows the allocation of the entity's equity to shares attributable to the Group and to the minority interests.

The elimination of dividends is credited to the Group's retained earnings.

Consolidated profit (loss) is disclosed under retained earnings in the equity, and represents the total of the profit (loss) of the parent, the interests in the profits (losses) of subsidiaries accounted for using the equity method, the profits (losses) of the fully-consolidated entities, and the profits (losses) of minority interests.

Minority interests (the equity of minority shareholders)
Minority interests are calculated as a percentage of the minority shareholders' equities at the balance-sheet date. The resulting amount represents the amount of the minority equities calculated by adding the minorities' share of changes in equity in the reporting period to the amount of the minority equities at the end of the previous period (brought forward as the opening balance). Such changes in equity may be the result of:

- increase or decrease of the shares held by the minority interests, for instance through sale, purchase, or increase or decrease of the share capital,
- increase or decrease in equity not directly related to changes in the percentage of shares held, for instance through an equity increase or decrease without changing the share percentage held, equity contributions by minority interests, profit from the current year, revaluation gains, if the revaluation was made in the current year, or dividend payments from prior year's profit.

The value of minority interest may not be negative. If the net assets attributable to minority interests have a negative value, the portion of the loss attributable to the minority interest in excess of the minority's equity is charged against the Group's entity. Any profits generated by the subsidiary in the subsequent years will be credited to the Group in their total amount until the minority's losses charged against the Group's equity are fully compensated.

k) Employee benefits

Longevity and retirement bonuses

The Group's salary regulations provide that the employees of the Group's companies are entitled to receive longevity bonuses and retirement pays. Those commitments are the effect of the employee entitlements acquired in the current period and in the prior periods.

The Group's commitments under longevity bonuses and retirement pays are calculated by a licensed actuary using the projected unit credit method and discounted to their present value net of the fair value of any related assets.

l) Provisions

A provision is recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. Where the effect of the time value of money is material, the amount of a provision is 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

Restructuring provisions are recognised if the restructuring is an integral part of the acquirer's plan for the acquisition and, among other things, the main features of the restructuring plan were announced at, or before, the date of acquisition. The provision does not cover future operating expenses.

(ii) Reclamation

In accordance with the Group's widely published and followed environmental policy and the relevant environmental legislation, a provision is recognised for the best estimate of the costs of clean-up of contaminated land.

m) Trade and other receivables

Trade and other receivables are carried at cost.

n) Revenues

(i) Sales of goods and rendering of services

Revenue from the sale of products and goods is recognised in profit and loss if substantially all the risks and rewards of ownership are transferred to the buyer. Revenue from service provision is recognised in profit and loss by reference to the stage of completion of the service transaction at the balance sheet date. The stage of service completion is measured by surveying the work already performed. Revenue is not recognised if there is considerable uncertainty about the recoverability of the consideration amount, refund of the costs incurred, or potential return of products and services.

(ii) Lease income

Income from investment property leases is recognised in income on a straight-line basis over the lease term. Any discounts are carried together with the lease income.

o) Expenses

(i) Payment of finance lease liabilities

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term using the effective interest rate method.

(ii) Finance costs

Finance costs include interest on borrowings calculated using the effective interest rate, dividends paid on preference shares, interest on cash invested by the Group, dividends receivable, gains and losses on exchange differences and gains and losses on hedging instruments, which are recognised in the income statement.

Interest income is recognised in the income statement on an accrual basis, using the effective interest rate method. Dividend income is recognised in the income statement when the Group's right to receive payment is established. The finance charge portion of finance lease payments is recognised in the income statement using the effective interest rate method.

p) Tax

Income tax recognised in the income statement comprises the current tax and deferred tax income or expense. Income tax is recognised in the income statement, except for amounts relative to items recognised directly in equity. Such income tax amounts are then recognised in equity.

Current tax is the amount of income taxes payable in respect of the taxable profit for the period, calculated based on the income tax rates applicable at the balance-sheet date and any tax adjustments relative to prior periods.

Deferred tax is calculated using the balance sheet method, based on temporary differences between the value of assets and liabilities calculated for accounting purposes, and the value calculated for tax purposes. No provisioning is made for the following temporary differences: goodwill not recognised for tax purposes, initial recognition of assets or liabilities that do not affect neither the accounting profit nor taxable profit, and temporary differences arising on investments in subsidiaries except to the extent that that it is probable that the temporary difference will not reverse in the foreseeable future. The recognised deferred tax amount is measured at the amount expected to be paid (recovered) when an asset is realised or a liability is settled, using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that taxable profit will be available against which the temporary difference can be utilised. The amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

q) Segment reporting

The Ciech Group divides its operating activities into business segments. Risk and investment returns are mainly influenced by the differences between goods, products, and services.

The Group operates in the following business segments:
Inorganic Chemicals
Organic Chemicals
Agro-Chemical Segment
Petrochemical Segment
Pharmaceutical Segment
Power Generation Segment
Glass Products
Other

r) Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amounts can be recovered principally through a sale transaction and if they are available for immediate sale in their present condition, and the sale is *highly* probable.
A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and:

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

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group (a component may be a cash-generating unit or a group of cash-generating units),
Those assets are measured at the lower of their net selling price and their net carrying value.
The Group applies the recognition criteria for assets held for sale prescribed in IFRS 5.

s) Business combinations involving entities under common control

A business combination involving entities or businesses under the Group's control is a business combination in which all of the combining entities or businesses are ultimately controlled by the Group both before and after the business combination, and that control is not transitory.

Business combinations involving entities under the Group's control are settled (for consolidated reporting purposes) so that the transaction does not in any way affect the Group's consolidated financial statements.

5. Major achievements of Ciech S.A. and the Group companies in the first quarter of 2005.

On May 19th, 2004 CIECH SA's Extraordinary General Assembly resolved to increase the share capital through public issue capped to 8,203,984 C-class shares of a par value of PLN 5 each. On February 10th, 2005, the total of 28,000,000 CIECH SA shares were introduced to stock trading on the Warsaw Stock Exchange including:

- 20,816 A bearer shares with a par value of PLN 5 each,
- 19,775,200 B bearer shares with a par value of PLN 5 each,
- 8,203,984 C bearer shares with a par value of PLN 5 each.

The total revenues from the sale of all the C ordinary shares was PLN 192,193,1160.00 at the issue price of PLN 24.00.
At the close of the first trading day, the price of one CIECH S.A. share at the Warsaw Stock Exchange reached PLN 28.10.

The Ciech Group's subsidiaries, jointly-controlled entities, and indirect associates, sold their stakes in CIECH S.A. at PLN 24.00 per share, in the following quantities:

- Zakłady Chemiczne Alwernia S.A. - 95,100 shares;
- GZNF Fosfory Sp. z o.o. - 190,200 shares;
- Janikowskie Zakłady Sodowe JANIKOSODA S.A. - 440,260 shares;
- Petrochemia-Blachownia S.A. - 236,878 shares;
- SODA MĄTWY S.A. - 335,924 shares;
- InChem Sp. z o.o. - 752,030 shares.
- Polskie Towarzystwo Ubezpieczeń S.A. - 1,300,500 shares

6. Detailed information concerning the consolidated profits of the CIECH Group

In the first quarter of 2005, the consolidated profit amounted to PLN 40,452,000, the balance-sheet showed the total of PLN 1,726,079,000, and cash had increased by PLN 65,783,000. The tables below present selected balance-sheet items and income statement items, as well as the key financial ratios for the first quarters of 2005 and 2004.

Selected Figures

In PLN '000

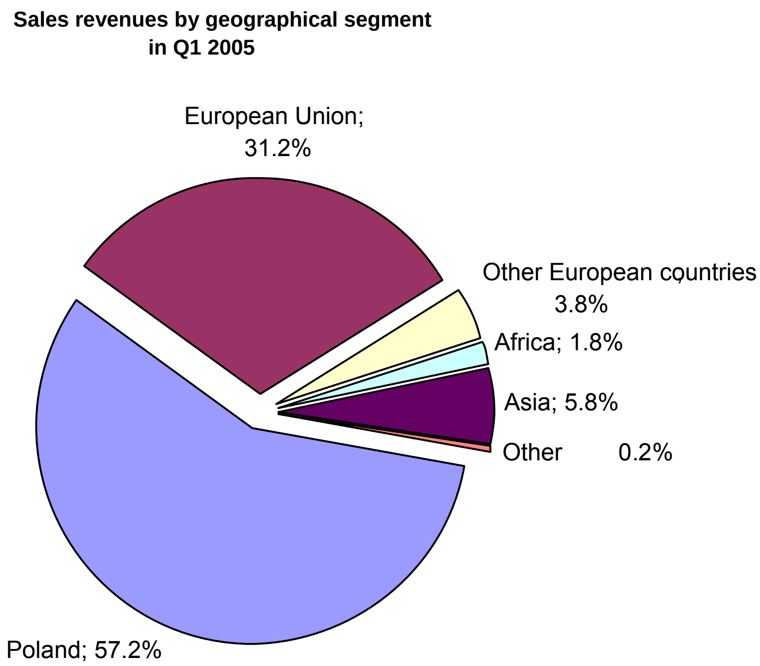
	Jan.-March 2005	Jan.-March 2004	2005/2004 dynamics	Jan.-Dec. 2004
Net sales revenue	**542 023**	**543 597**	-0.3%	**2 315 385**
Cost of sales	416 722	391 141	6.5%	1 784 617
Gross sales profit	125 301	152 456	-17.8%	530 768
Selling costs	50 880	59 444	-14.4%	216 041
Overhead costs	39 037	38 112	2.4%	159 412
Other Operating Income / Expense	-3 461	1 184	-392.3%	-17 217
Operating profit	31 923	56 084	-43.1%	138 098
Financial Income / Expense	14 431	-2 552	-	-38 418
Share in the profit of subsidiaries	4 980	-875	-	-1 066
Income Tax	-10 882	-9 734	11.8%	-21 466
Net profit	**40 452**	**42 923**	-5.8%	**77 148**
Net profit of minority shareholders	4 286	4 358	-1.7%	6 032
Profit attributable to equity holders of the parent	**36 166**	**38 565**	-6.2%	**71 116**
EBITDA	58 839	81 490	-27.8%	240 601
Net earnings per share	1.54	2.10	-26.8%	3.59
Net profit margin	6.7%	7.1%	-5.9%	3.1%
EBIT%	5.9%	10.3%	-42.9%	6.0%
EBITDA %	10.9%	15.0%	-27.6%	10.4%
Current ratio	1.6	1.1	45.5%	1.1
Quick ratio	1.2	0.9	33.3%	0.9
Debt ratio	37.8%	49.8%	-24.2%	48.7%
Equity to assets ratio	55.8%	43.4%	28.8%	44.8%

Sales revenues

The Group's net consolidated sales for the first quarter of 2005 were PLN 542,023,000, which was similar to the sales income achieved in the first quarter of 2004. Note that the first quarter of 2004 was a special period in terms of the strong demand for chemical products, and especially agro-chemical products (a pre-accession effect), and the good EUR/PLN exchange rates (the average EURO/PLN exchange rate in the first quarter of 2004 was 4.77, compared to 4.02 in the first quarter of 2005). Another factor contributing to the sales increase in Q1 2005 was the growth in chemical-product prices compared to Q1 2004, especially noticeable in the soda industry. In Q1 2005, the Group discontinued its domestic sales of dyes through Ciech SA, which had yielded income of PLN 3,300,000.

Distribution of sales revenues in the first quarter of 2005.

The 2004 income by business segment was as follows:



The domestic market continues to have the largest share in the Group's product and goods sales, while the European Union is the main export market. The geographical proximity and the lack of trade barriers make EU countries the natural markets for the CIECH Group. The Group's Q1 2002 domestic income was PLN 310 million, accounting for 57% of the total income, and the income from EU markets was PLN 170 million, accounting for 31% of the Group's total income. The largest share of the CIECH Group's revenues in Q1 2005 (88%) was generated by the four main business segments: inorganic chemicals, organic chemicals, the agro-chemical segment, and the petrochemical segment. The income figures per business segment are provided in Section 7 page 26.

Inorganic Chemicals

The inorganic segment's share in the Group's total sales in Q1 2005 was 43%. The soda products accounted for 82% of the segment's income. The parent Ciech S.A. plays a key role in the sales operations, managing the total sales of the output manufactured by the subsidiaries Soda Mątwy SA and Janikosoda S.A.; Alwernia SA, which manufactures phosphorus and chromium compounds, has a ca. 13% share in the segment income, and it uses the agency services of CIECH SA to import base stock and sell some of its products; the subsidiary Vitrosilicon SA, which manufactures sodium silicates, generated ca. 5% of the segment income. Sodium silicates are mainly sold for export, usually via Ciech SA. The drop in the sales of the inorganic segment was caused by (i) the reduced output of soda products as a result of renovation of the manufacturing lines at Janikosoda S.A. and lower exports of soda products due to low profitability (disadvantageous exchange rates), and (ii) lower chromium-compound sales (a drop by ca. PLN 9 m.) as a result of a gradual reduction of the output and cheaper competition.

Agro-Chemical Segment

The agro-chemical segment accounted for 20% of the sales income in Q1 2005. It is the home segment of the parent Ciech SA, which exports fertilisers and imports base stock for fertiliser manufacture, and for the subsidiary Fosfory Sp. z o.o., which manufactures fertilisers and sells them on the domestic market. The key income-generating product here are fertilisers, which account for over 71% of the segment income. The sales increase in the segment was owed to larger fertiliser exports by Ciech SA, and sales of imported base stock for the manufacture of fertilisers (ca. PLN 32 million compared to Q1 2004). Domestic fertiliser sales by the subsidiary Fosfory Sp z o.o. dropped by ca. PLN 10 million compared to Q1 of 2004 due to a shorter period of fertiliser sowing.

Petrochemical Segment

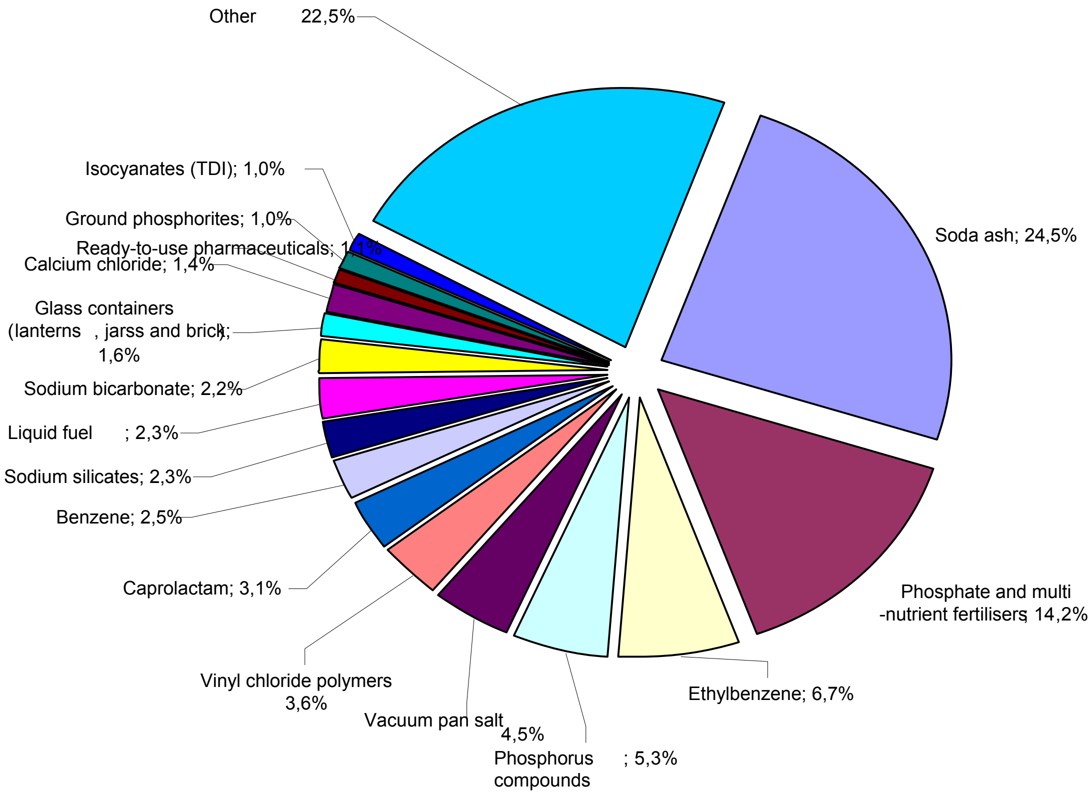
The petrochemical segment accounted for 15% of the sales income in Q1 2005. The key product here is ethylbenzene, accounting for 44% of the segment income. The main entities operating here are the parent Ciech SA and Petrochemia Blachownia SA, and, to a limited extent, also Cheman SA. The sales increase in the petrochemical segment was thanks to the higher sales of liquid fuels by Ciech SA. Petrochemia Blachownia SA maintained its sales at last year's level.

Organic Chemicals

The organic segment accounted for 8.5% of the Q1 2005 revenues. The key player in that segment is Ciech SA, which renders exports agency services, usually on a consignment basis. The key products here are PVC polymers and caprolactam, accounting for 36% and 30% of the segment income respectively. Other contributors to the segment revenues are epichlorohydrin and isocyanides - TDI; Ciech SA exported those products on a consignment basis in Q1 2005. The quarter-on-quarter drop in the segment's sales was due to the changes in payment arrangements (a switch to consignment sales in 2005), and due to Ciech SA withdrawing from nonylphenol exports, and reducing the epichlorohydrin export volumes.

Figure 1 below shows the Group's sales income distribution by leading products.

Figure 1. Sales income distribution by leading products in the first quarter of 2005



Source: CIECH SA

Gross sales profit

The Group's consolidated gross sales profit for Q1 2005 was PLN 125,301000, which was ca. 18% less than in the first quarter of 2004. The quarter result was mainly affected by the disadvantageous exchange rates and the significant increase in the prices of the manufacturing base stock, especially coke, whose price more than doubled compared to Q1 2004. The increase in base-stock prices was compensated by reducing the base-stock usage and changing the soda-product prices at the beginning of 2005.

Operating profit (EBIT)

The Group's operating profit generated in Q1 2005 was PLN 31,923,000, with EBIT margin at 5.9%, similar to the 2004 total EBIT. The quarter-on-quarter EBIT dropped by ca. PLN 24 million. The main factors causing the drop included increase in the prices of base stock and power (by ca. PLN 20 million including over PLN 8 for coke), and disadvantageous EUR/PLN exchange rates (an estimated PLN 12 million). The negative impact of the increasing prices and exchange rates was compensated by increasing the soda-product prices (by 7-10%), reducing the use of base stock, implementing programmes to improve efficiency and cut costs, and dropping low-profitability contracts.

The Q1 2005 EBITDA was 10.9%, compared to 15.0% in Q1 2004 and 10.4% for the whole 2004. The improvement in Q1 was thanks to the preventive measures taken by the Management Boards of the manufacturing companies, mainly with a view to reducing base-stock use per one manufacturing unit.

Net profit

The consolidated net profit for Q1 2005 was PLN 40,452,000. The net profit attributable to the equity holders of the parent was PLN 36,166,000. The share of minority interests in the net profit was PLN 4,286,000. The profit amount was the direct result of operating profit generated at PLN 31,923,000, and the positive balance of finance income to finance costs of PLN 14,431,000. The profit achieved on financing activities was determined by the profit generated on disposal of CIECH SA's shares by the Group entities in a public offering (PLN 17,815,000.

Capital structure

	Jan.-March 2005	Jan.-Dec. 2004	2005/2004 dynamics
Value of assets	**1 726 079**	**1 607 611**	7.4%
Non-current assets	881 951	877 963	0.5%
Current assets, including	844 128	729 648	15.7%
- inventories	180 395	137 668	31.0%
- short-term receivables	520 911	519 604	0.3%
- cash and cash equivalents	102 663	36 144	184.0%
Parent's equity	**963 919**	**719 451**	**34.0%**
Minority interest	110 322	105 512	4.6%
Equity	**1 074 241**	**824 963**	**30.2%**
Long-term liabilities	117 365	125 777	-6.7%
Short-term liabilities	534 473	656 871	-18.6%

Equity

The consolidated equity attributable to equity holders of the parent of the Ciech Group amounted to PLN 963,919,000 at March 31st, 2005, which was PLN 244,468,000 more than on December 31st, 2004. The equity growth was mainly thanks to the income from issue of shares worth PLN 192,347,000, the profit on sale of Ciech SA's treasury shares by the Group companies amounting to PLN 17,815,000, and the net profit of PLN 36,166,000 generated by the Group in the first quarter of 2005.

At March 31st, 2005, the Ciech Group's equity stood at PLN 963,919,000. The share capital was PLN 140,001,000, divided into 28,000,000 shares of a nominal value of PLN 5 each.

Non-current assets

At March 31st, 2005, the Group's non-current assets accounted for 51.1% of the balance-sheet total. That percentage was lower than in the prior periods, owing to the growth in the value of the current assets. Compared to December 31st, 2004, the share of non-current assets in the balance-sheet total dropped by 3.5 percentage points, even though their value increased by PLN 5,362,000. Non-current assets comprise mainly property, plant and equipment, which accounted for 88.1% of the total non-current assets

Current assets

At March 31st, 2005, the Group's current assets accounted for 46.93% of the total assets. Current assets comprised mainly short-term receivables (61.7% of the current assets), inventories (21.4%), and cash (12.2%). Compared to December 31st, 2004, the value of the current assets increased by 15.7%, mainly as a result of the increase in inventories, cash, and receivables. The PLN 44,774,000 growth in inventories was the result of several factors :

1) import of a larger batch of phosphorus stock to take advantage of the temporary price decreases and the good dollar exchange rates (CIECH, Fosfory, Alwernia)
2) increase in fertilizer inventories as a result of a temporary slump in sales caused by a relatively low demand due to a delay in the plant fertilisation period (Fosfory).

The PLN 25,289,000 increase in receivables was the result of the changes in the geographical sales structure. In a situation where foreign exchange rates became disadvantageous for exports, the sales destined for export were shifted to Poland, and longer payment deadlines were granted to the customers, which lead to an increase in receivables.

Consolidated debt

The total short-term and long-term debt of the Ciech Group at March 31st, 2005 stood at PLN 651,838,000, which was 16.7% less than at December 31st, 2004.
Long-term debt accounted for 18% of the total debt and was PLN 8,412,000 lower than at December 31st, 2004.
Short-term debt decreased by PLN 122,398,000 compared to December 31st, 2004. The drop in the debt amount was mainly thanks to repayment of current borrowings. Bank debt accounted for 24.2%, and trade and other debt accounted for 70.2% of the total short-term debt.

Net debt at March 31st, 2005 (comprising bank loans, other loans, debt instrument-related liabilities, and financial lease liabilities less cash) amounted to PLN 70,995,000 (PLN 245,023,000 at December 31st, 2004). Such a considerable reduction in net debt was thanks to the revenues received from public share issue worth PLN 192,347,000. The share issue also contributed to a 4.1% drop in the Group's debt ratio (calculated as the ratio of net debt to the balance-sheet total).

Financial leverage (the ratio of debt to debt plus equity measured at fair value) as at March 31st, 2005 was 6.9%. At the end of March 2004, that ratio stood at 26%.

The current ratio, calculated as the ratio of total current assets to short-term debt, amounted to 1.6, evidencing a significant improvement in liquidity compared to the same period of the previous year, when that ratio stood at 1.1.

Cash flows

Net cash flow at the end of March 2005 amounted to PLN 65,783,000. Net cash from operating activities was PLN - 2,534,0000. The negative value of cash was due to the increase in the inventories of the Group companies by the total of PLN 42,727,000. The inventory boost was the result of larger base-stock purchases to take advantage of the lower prices and good exchange rates in the first quarter of 2005. The negative cash flows from operating activities were additionally affected by a PLN 17,833,000 downward adjustment of the operating cash flows with the profits on Ciech SA share sales generated by the subsidiaries and credited to the investing activities.
Net cash from investing operations had no significant influence on the value of the net cash flows, amounting to PLN -640,000. The amount of the net cash from investing operations comprised the revenues from investment disposals, total dividends of PLN 30,971,000, and expenditure on purchases of property, plant and equipment, intangible assets, and other investments, amounting to PLN 32,935,000.
Net cash from financing activities at PLN 68,957,000 determined the amount of the total net cash flows. The cash inflow was generated from the share issue worth PLN 192,347,000, and borrowings amounting to PLN 42,766,000 used to repay other borrowings and to redeem debt instruments of PLN 166,848,000.

Cash as disclosed in the cash-flow statement at the end of March 2005 totalled PLN 102,754,000.

7. Income and profits/losses by business segments.

Sales revenue by business segment.

in thousands of Polish zlotys	**Q1 2005**	**Q1 2004**
Inorganic Chemicals	233 303	247 232
Organic Chemicals	46 355	54 376
Agro-Chemical Segment	109 629	85 099
Petrochemical Segment	90 117	80 843

Pharmaceutical Segment	11 160	10 956
Power Generation Segment	1 654	1 473
Glass Products	9 009	8 799
Discontinued Operations	0	3 300
Other	9 052	11 538
Unallocated segment income	31 744	39 981
TOTAL	**542 023**	**543 597**

Profit/loss by business segment

Business Segment	Inorganic Chemicals	Organic Chemicals	Agro-Chemical Segment	Petrochemical Segment	Pharmaceutical segment	Glass and Glass Products	Power Generation Segment	Other Operations	**Discontinued Operations**	Eliminations (consolidation adjustments)	**01.01.-31.03.2005**
Revenue from third parties	228 534	45 143	109 806	89 979	11 100	9 009	1 619	9 052	0	0	504 242
Income from inter-segment sales	204 654	1 078	78 998	55 986	190	0	52 615	5 875	0	(395 391)	4 005
Total revenue	**433 188**	**46 221**	**188 804**	**145 965**	**11 290**	**9 009**	**54 234**	**14 927**	**0**	**(395 391)**	**508 247**
Segment profit/loss	47 564	2 250	11 303	1 921	272	587	3 224	383	0	(4 969)	62 535
Unallocated (expenses) / income											(30 612)
Operating profit											**31 923**
Net finance income (costs)											14 431
Share of profit of associates											4 980
Tax											(10 882)
Profit on discontinued operations											0
Net profit											**40 452**

Business Segment	Inorganic Chemicals	Organic Chemicals	Agro-Chemical Segment	Petrochemical Segment	Pharmaceutical segment	Glass and Glass Products	Power Generation Segment	Other Operations	**Discontinued Operations**	Eliminations (consolidation adjustments)	**01.01.-31.12.2004**
Revenue from third parties	244 261	53 115	85 004	92 629	10 956	8 799	1 436	11 717	3 300	0	511 217
Income from inter-segment sales	174 333	2 390	77 298	45 863	31	0	51 211	4 773		353 352	2 547
Total revenue	**418 594**	**55 505**	**162 302**	**138 492**	**10 987**	**8 799**	**52 647**	**16 490**	**3 300**	**(353,352)**	**513 764**
Segment profit/loss	72 491	3 665	15 282	6 523	3 501	1 382	4 393	1 830	199	38 392	105 874
Unallocated (expenses) / income											(49 790)
Operating profit											**56 084**
Net finance income (costs)											(2 552)
Share of profit of associates											(875)
Tax											(9 734)
Profit on discontinued operations											0
Net profit											**42 923**

8. Purchase and disposal of property, plant and equipment and commitments to purchase property, plant and equipment.

In PLN '000

Figures for the period from 01.01.2005 to 31.03.2005	Purchase	Disposal
a) PPE:	5 864	2 064
land, buildings, structures, and land- and water engineering facilities	388	0
machinery and equipment	3 838	708
vehicles and other means of transport	1 491	1 081
other PPE	147	275
b) PPE under construction	21 829	17
c) Advances on PPE under construction (net)	0	0
Total property, plant and equipment	**27 693**	**2 081**

CIECH S.A., Parent
Ciech S.A. purchased PPE for the total of PLN 1,906,000, including PLN 1,373,000 spent on purchases of machinery and equipment, and PLN 506,000 spent on vehicles. The entity financed the PPE purchases from its own resources.

Alwernia Group
Alwernia S.A (lower-tier parent) purchased PPE worth PLN 1,984,000. PLN 1,892,000 was covered from the entity's own resources, originally allocated to purchase PPE under construction.

Przedsiębiorstwo Chemiczne Cheman S.A.
Cheman S.A. purchased PPE for the total of PLN 1,980,000, including PLN 1,785,000 spent on purchases of PPE under construction. At 31.03.2005, the entity's commitment to purchase PPE was PLN661,000.

Fosfory Group
GZNF Fosfory Sp. z o.o. (lower-tier parent) purchased PPE under construction (construction of a phosphoric acid reactor) worth PLN 3,659,000. The entity's purchase commitment at 31.03.2005 was PLN 427,000.

Janikowskie Zakłady Sodowe Janikosoda S.A.
The entity spent PLN 6,833,000 of its own resources to purchase PPE.

Petrochemia Blachownia Group
Petrochemia-Blachownia S.A. (lower-tier parent) purchased PPE under construction worth PLN 2,193,000 using its own resources.

Ciech – Polfa Sp. z o. o.
The entity purchased vehicles worth PLN 444,000. The entity's purchase commitment at 31.03.2005 was PLN 24,000.

Soda Mątwy Group
Izch Soda Mątwy S.A. (lower-tier parent) purchased machinery and equipment worth PLN 1,477,000 and PPE under construction worth PLN 4,699,000. Commitments to purchase PPE at 31.03.2005 stood at PLN. 3,547,000, and pertained to continued investments in modernisation and replacement.

Vitrosilicon S.A.
PPE purchased are financed from the entity's own resources. The entity spent PLN 862,000 to continue its investments.

9. Default in debt repayment or any violations of borrowing contract provisions not subsequently adjusted.

Not applicable.

10. Provisions and impairment of assets – from 01.01.2005 to 31.03.2005

The Ciech Group's consolidated condensed financial report for the first quarter of 2005 showed the following adjustments for recognition and reversal of provisions and impairment of assets.

Provisions recognised in Q1 2005	**PLN ,000**
Deferred tax provision	570
Provision for severance pays, leaves, bonuses, reimbursements, etc.	4 302
Provision for expected losses	0
Restructuring provision	0
Provision for expected commitments (expenses)	768
Total	**5 640**

Provisions reversed in Q1 2005	**PLN ,000**
Deferred tax provision	2 399
Provision for severance pays, leaves, bonuses, reimbursements, etc.	7 937
Provision for expected losses	60
Reclamation provision	217
Restructuring provision	62
Provision for commitments (expenses)	851
Total	**11 526**

Impairment losses on assets (increase) recognised in Q1 2005	**PLN ,000**
Impairment losses on receivables	2 061
Impairment losses on inventories	929
Impairment losses on PPE and intangible assets	958
Total	**3 948**

Impairment losses on assets (decrease) in Q1 2005	**PLN ,000**
Impairment losses on receivables	2 966
Impairment losses on inventories	161
Impairment losses on PPE and intangible assets	1262
Total	**4 389**

Deferred tax assets in Q12005	**PLN ,000**
Increase	2 078
Decrease	3 031

11. Seasonality and cyclicality of the operations of Ciech S.A. and the Ciech Group.

The CIECH Group's financial performance to a large extent depends on the general standing of the economy. Cyclic fluctuations in income and profit is especially noticeable in the organic segment, which is marked by high-demand cycles. Because almost half of the Group's revenues are from sales of inorganic chemical products to stable markets, the fluctuations in revenues and profit are relatively small. The sales levels recorded for the consecutive quarters are usually similar. Additional factors include:

- stable sales structure
- a large share of product supply by the Group's manufacturing entities
- small share of finished-product sales to end customers, and the resulting low sensitivity to changes in demand
- a large share of loyal customers in the total sales (high customer loyalty rates).
- diverse directions of exports and domestic sales, and of the target markets

So, the sales are characterised by high cyclicality and an even spread of sales throughout the year.

The seasonality resulting from the periodic demand and supply fluctuations have little impact on the general sales trends. Goods especially prone to seasonality include:

- fertilizers
- base stock for manufacture of fertilisers
- plant protection chemicals

Concentration of sales of fertilizers takes place in the 3rd quarter of the year. This is because of the intensive field fertilisation in the autumn. Majority of plant protection agents are used in the 2nd quarter of the year, in the period of intense plant growth.

Seasonality of sales is recorded in the two key product ranges of the "glass products" segment: glass blocks and glass lanterns. The highest sales for those products are recorded between May and October (blocks) and June and November (lanterns). Measures were taken in Q1 2005 to reduce the impact of seasonality by introducing longer payment deadlines and factoring solutions.

Given the purpose of the petrochemical-segment products, their market is characterised by high seasonality. This pertains mainly to ethylbenzene (construction industry) and toluene and solvent naphtha (paints and varnishes). That is why a drop in prices and demand is usually recorded in the first and fourth quarter of each year.

The Group's annual income and profits are not impacted by any major seasonal fluctuations. Seasonality plays a relatively small role in the overall sales, as it overlaps with other factors which considerably modify the strength and direction of the seasonal fluctuations. Such other factors include:

Key factors::

- impact of global prices and price cycles
- exchange rate fluctuations
- delays and rescheduling of large deliveries
- the subcontractors' manufacturing schedules
- downtime maintenance and operating breaks at manufacturing plants
- higher capacities of the manufacturing companies

12. Disclosures regarding issue, redemption, and repayment of debt securities and equity securities at the Ciech Group

On February 15th, 2005, the share capital was increased by PLN 41,020,000, following an issue of C-class shares with a par value of PLN 5 each.

No cancellation of shares occurred in the period concerned.

On March 22nd, 2005, CIECH SA redeemed its previously issued commercial papers with a par value of PLN 15,000,000, at the pre-determined redemption date.
In the 1st quarter of 2005 ended on March 31st, 2005, the Group did not issue any debt securities such as: bonds, promissory notes and short-term securities.

13. Disclosures regarding paid or declared dividends in their total amount and per share, broken down by ordinary shares and preference shares.

At a meeting held on May 11th, 2005, the Supervisory Board of Ciech S.A. approved the Management Board's Motion concerning appropriation of the 2004 profit. The Management Board suggested that PLN 8,400,000.00 be paid out as dividends to the shareholders (PLN 0.30 per share). The Management Board will submit a motion concerning dividend payments for consideration by the General Assembly in June of this year.
C shares will participate in dividend, starting with payout of distributable profit for financial year 2004, from 1 January 2004.
In the Notes to the separate financial statements of Ciech SA published on May 5th, 2005, the Management Board declared a dividend of PLN 0.14 per share, however, an assessment of the consolidated profit of the CIECH Group and the forecasts for the coming quarters, showed that the recommendation to be put forth at the GA would have to be modified.

14. Unrecognised events occurring after March 31st, 2005 that may significantly impact the future financial performance of the Ciech Group.

On 19th April 2005, CIECH SA received the final decision of the Supreme Court, which dismissed its appeal regarding a suit filed by PCC AG for failure to perform the contract for transfer of shares of Petrochemia Blachownia Sp. z o.o. (now Petrochemia Blachownia S.A.). Details of the case are provided in the section "Procedures pending before courts, in arbitration proceedings, or public administration bodies as at 31.03.2005."
Because the appeal was rejected, the case returned before the District Court which will continue to the proceedings by determining the amount pf damages owing to PCC AG. The date of the hearing before the District Court was scheduled on 25 May 2005.

15. **Effects of changes in the organisational structure of the Ciech Group, including business combinations, acquisitions or disposals of the group's entities, long-term investments, divisions, restructuring, and discontinuation.**

No mergers with or acquisition of other entities occurred in Q1 2005 at the Ciech Group, nor were any operations discontinued.

On 01.03.2005, the lower-tier parent Alwernia S.A. sold its shares in its subsidiary Oczyszczalnia Alwernia Sp. z o.o. which was not a consolidated entity of the Group. The proceeds from the disposal were PLN 0,188,000.

16. **Changes in contingent liabilities or contingent assets occurring after the end of the previous financial year.**

Contingent receivables as at 31.03.2005 had not changed compared to 31.12.2004. Contingent liabilities increased by PLN 493,000. Ciech S.A. stood surety for loans taken out with BRE-Multibank S.A. by authorised individuals as per Resolution 3 of the Extraordinary General Assembly of August 17th, 2004, to finance the purchase of Employee Shares worth PLN 1,247,000.

Other off-balance sheet liabilities decreased by PLN 754,000 compared to the end of 2004. Alwernia S.A. and Fosfory Sp .z o. o. discounted a portion of their bills of exchange. "Other contingent liabilities" compared to 31.12. 2004 changed by PLN 66,000 - the amount of a new operating lease for a passenger vehicle between Cheman S.A. and Volkswagen Leasing Polska.

17. **Assets held for sale**

The Management Board of Ciech S.A. decided to hold the following assets for sale:
- the office buildings at ul. Powązkowska in Warsaw,
- a property in Kędzierzyn Koźle.

The Management Board expects the sale to take place by the end of 2005.

18. **Fulfilment of profit forecasts published previously against the performance disclosed in the quarterly report.**

In its Current Report 5/2005 of January 17th, 2005, the Management Board published a forecast of the consolidated profit of the Ciech Group for 2005. The projected consolidated sales revenues were PLN 2.200 million, and the consolidated net profit was PLN 104 million.

The sales, EBIT, EBITDA and profit generated in Q1 2005 was in line with the projections of Ciech S.A.'s Management Board The forecasts for the Group for the next three quarters of 2005 are in line with the 2005 plan targets. The Management Board sustains its projections concerning sales revenues and net profit published in Current Report 5/2005.

19. **CIECH S.A.'s Shareholders holding at least 5% shares /GA votes at 16.05.2005-**

- State Treasury represented by the Minister of the State Treasury - 10,270,800 shares equal to 36.68 % of CIECH S.A.'s share capital; votes: 10,270,800, equal to 36.68% of the GA voting powers.
- Franklin Templeton Investments, UK – 2,000,000 shares equal to 7.14% of CIECH S.A.' share capital; votes: 2,000,000, equal to 7.14% of the GA voting powers.
- Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK – 1,450,000 shares equal to 5.18 % of CIECH S.A.'s share capital, votes: 1,450,000, equal to 5.18% of the total GA voting powers.
- Otwarty Fundusz Emerytalny PZU 'Złota Jesień' – 1,712,732 equal to 6.12% of CIECH S.A.'s share capital; Votes: 1,712,732, equal to 6.12% of the GA voting powers;
- Commercial Union Investment Management S.A. (CUIM) Polska – 1,504,961 equal to 5.37% of CIECH SA's share capital; Votes: 1,504,961 equal to 5.37% of the GA voting powers.

Changes in the ownership structure of Ciech S.A.'s significant shareholders (at least 5%).

	At 01.03.05	Shares acquired	Shares sold	At 16.05.05
State Treasury	10 270	-	-	10 270
Franklin Templeton Investments, UK	2,000 000	-	-	2 000 000
Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK	1,450 000	-	-	1 450 000

Otwarty Fundusz Emerytalny PZU 'Złota Jesień'	-	1 712	-	1 712
Commercial Union Investment Management S.A. (CUIM) Polska	-	1 504	-	1 504

20. Changes in the ownership structure of Ciech S.A.'s shares/votes held by Ciech S.A.'s affiliates

The Management Board of CIECH S.A. learned that Polskie Towarzystwo Ubezpieczeniowe S.A., an indirect associate of CIECH S.A, sold a portion of its stake in CIECH SA and is currently entitled to less than 5% of CIECH S.A.'s GA votes.

Changes in Ciech S.A.'s shares held by Management Board or Supervisory Board Members.

	At 01.03.05	Shares acquired	Shares sold	At 16.05.05
Management Board	383 253	-	-	383 253
Supervisory Board	-	-	-	-

21. Procedures pending before courts, in arbitration proceedings, or public administration bodies as at 31.03.2005.

I. CIECH S.A. :

Debt recovery (domestic and international) court actions or arbitration proceedings pending against CIECH S.A.

ACTION BY PETRO CARBO CHEM AKTIENGESELLSCHAFT (PCC)

PCC AG filed an action in 2000 to recover damages in the amount of PLN 21,364,000 and EUR 13,861.45 (equivalent to PLN 57,000) for breach of agreement to transfer the shares of Petrochemia Blachownia Sp. z o.o. as stipulated in the preliminary contract of 09.07.1999. On 27.05.2003, the Circuit Court in Warsaw issued a preliminary judgment in favour of PCC AG (stating that PCC AG's claim was well founded), without specifically determining the amount of the damages. Ciech S.A. appealed against the preliminary judgment on 19.09.2003, on the grounds that the preliminary judgment was issued based on an erroneous legal findings of fact, and infringement of the substantive law by assuming that it was the intention of the parties to enter into an agreement. During a hearing held on 12.08.2004, the Appeals Court upheld the Circuit Court's preliminary judgment, confirming that PCC's claims were justified, without stating the amount of damages. In November 2004, Ciech S.A. filed another appeal, on the grounds of infringement of the substantive law due to its incorrect interpretation and application, and violation by the Appeals Court of the principle of free assessment of evidence as defined in the EU directives.

On April 19th, 2005, Ciech S.A. received a final decision of the Supreme Court dismissing its appeal.
Because the appeal was dismissed, the case returned before the District Court which will continue to the proceedings by determining the amount pf damages owing to PCC AG. The date of the hearing before the District Court was scheduled on 25 May 2005.

ACTION BY COMEXPORT

In September 2003, Comexport (Brazil) filed an action with the Court of Arbitration at the International Chamber of Commerce in Paris, claiming damages for failure to complete sulphur deliveries to Brazil in the period from 1993 to 1999. The sued parties were Ciech S.A. and the sulphur mines in Tarnobrzeg and Grzybów. The current claim is for USD 3,872,943 (PLN 12,207,000), following the claimant changing the claimed amount in the course of the proceedings by USD 88,295 (PLN 278,000). The claim amount comprises Comexport's lost profits on contractual quantities not delivered to Brazilian customers, losses from overstated freight costs, etc. In November 2003, Ciech S.A. answered the claim by filing for dismissal of Comexport's action, on the grounds of the force majeure certificates evidencing that the mines were closed down as part of restructuring of the sulphur industry, that the action has lapsed, and that the claim for damages is not supported by sufficient evidence.. The Court of Arbitration appointed one Arbitrator to investigate into the dispute. The arbitrator determined the schedule for further proceedings. Each party filed two detailed pleadings supported by evidence.

On April 22nd, 2005, a hearing was held before the Court of Arbitration at the International Chamber of Commerce in Paris, attended by the representatives and attorneys of Comexport and Ciech S.A.. The sued sulphur mines in Tarnobrzeg and Grzybów did not participate in the arbitration procedure, nor did they appoint any attorneys. Ciech S.A. filed for Comexport's claim to be dismissed and for refund of the court fees, sustaining its allegations as described in the pleadings and the accompanying documentation. Comexport also sustained its pleadings.

A decision of the Court of Arbitration at the International Chamber of Commerce in Paris is expected in 1-2 months. Ciech S.A. is represented by a renowned law firm which assessed Comexport's action as unfounded.

ACTION BY ENAPHARM

In June 2004, the Liquidator for Enapharm, Algeria, filed a claim for US $172,879.84 (equivalent to PLN 545,000) in damages concerning medication deliveries by Ciech S.A. between 1985 and 1991. According to the claimant, Ciech S.A. did not replace expired medications that the claimant had not sold, in violation of the contract between the parties. Ciech S.A. claims that it was exempt from the replacement provision, in light of the claimant failing to make the payments due from its sales of the medications in the Algerian market. The case is pending before an Algerian court. Ciech S.A. is represented by a local attorney, supervised by a well respected Paris law firm. At a hearing held in March 2005, the court agreed with the claimant and appointed an expert to assess whether the amount of the claimed damages is well-founded.

At 31.03.2005, the Company has a provision recorded in its books for the potential claims under the court cases described above, in the total amount of PLN 10,000,000.

EMPLOYEE CLAIMS

Five cases are currently pending against Ciech S.A., filed by its former employees terminated due to no fault of their own. The employees are demanding to be restored to work. The projections as to the result of those suits are good.

Ciech S.A's (domestic and international) debtors

AMOUNTS RECEIVABLE CLAIMED IN COURTS OR COURTS OF ARBITRATION

Ciech S.A. filed seven suits against its trade debtors for the total of PLN 440,000. The projections are good.

ADMINISTRATIVE CLAIMS

Ciech S.A filed three suits to the Chief Administrative Court for refunds of unjustly charged excise duties and customs payments totalling PLN 427,000. The projections are good.

BANKRUPTCY PROCEEDINGS

The total of PLN 19,453,000 is being claimed in fifty-seven domestic proceedings. Ciech S.A is claiming USD 724,464 and EURO 418,868 (totalling PLN 3,994,000) via international bankruptcy proceedings, with the largest claims being the bankruptcy proceedings for Chemapol – Prague (PLN 1,094,000), Euroftal N.V., Belgium (PLN 853,000), Petrimex – Bratislava (PLN 709,000), WMW – Novosibirsk (PLN 581,000). The projections as to the results of the bankruptcy proceedings are not good, as Ciech S.A 's receivables are not privileged.

EXECUTION AND COMPOSITION PROCEEDINGS

Ciech S.A. is claiming PLN 26,791,000 from domestic debtors through twenty-nine execution proceedings.. The largest claim (PLN 17,619,000) is the execution procedure against Sur5Net initiated in August 2004. To date, the measures taken by the enforcement officer have brought no results. Ciech S.A. filed for determination of the debtor's assets in a business intelligence procedure. The projections as to the results of the other execution proceedings are different, depending on the debtors' assets. PLN 43,000 is claimed in five composition proceedings. The projections are good.

The following exchange rates were adopted for translation of liabilities denominated in foreign currencies>:

USD	3.1518
EURO	4.0837

II. Subsidiaries

Soda Mątwy S.A Group of Companies

No claims were filed against Soda Mątwy S.A.or its subsidiaries that could significantly impact their business. The value of court cases (liabilities) amounts to PLN 62,000. Amounts receivable claimed via debt execution proceedings by Soda Mątwy S.A. and its subsidiaries amount to PLN 27,477,000, with the larges claim of PLN 21,814,000 pending against the company B. Lepiarz for unpaid deliveries of goods. According to Soda Mątwy S.A., the chances to recover the debt are low. A claim of PLN 5,663,000 plus statutory interest awarded to Soda Mątwy S.A. against the Brokerage House Sur5 Net is being pursued through execution proceedings. The execution procedure has been suspended after Soda Mątwy S.A. filed for disclosure of Sur5. Net's assets. Soda Mątwy's other court cases include bankruptcy proceedings amounting to PLN 1,116,000 and composition proceedings amounting to PLN 206,000.

The Soda Mątwy S.A. Group recognised impairment losses against all pending claims equal to PLN 32,558,000.

Janikosoda S.A. Group

No significant claims (liabilities) were filed against Janikosoda S.A. or its subsidiaries that could affect their business. Three complaints are pending resolution before the Supreme Administrative Court filed by Janikosoda S.A. against decision issued between 1999 and 2000 by the Chief Environmental Protection Inspector, imposing penalties on the company for excessive emissions to the atmosphere in the total amount of PLN 2,330,000. The proceedings were suspended in 2002 on request of both parties. The Janikosoda Group's other liabilities under court actions filed against it amount to PLN 531,000. The Janikosoda Group's claims against several dozen trade debtors total PLN 361,000. Debt execution procedures are pending to recover the total of PLN 2,119,000, including the largest claim for PLN 2,104,000 against B.Lepiarz. PLN 376,000 is being claimed through bankruptcy proceedings, and PLN 464,000 was reported for composition proceedings.

The Janikosoda S.A. Group recognised an impairment loss of PLN 3,402,000.

Vitrosilicon S.A.

No claims (liabilities) were filed against the company that could affect its business.. The company is claiming the total of PLN 1,165,000 from trade debtors, including the largest claim pursued through execution proceedings for PLN 609,000, and PLN 470,000 pursued through bankruptcy proceedings.

Vitrosilicon S.A. recognised an impairment loss on all the proceedings pending.

Zakłady Chemiczne Alwernia S.A. Group

No claims (liabilities) were filed against the Alwernia Group that could affect its business.. The Alwernia S.A. Group is claiming trade receivables and damages in the total amount of PLN 584,000 through court actions and execution proceedings. PLN 687,000 was reported for bankruptcy proceedings.

Zakłady Chemiczne Alwernia S.A. recognised an impairment loss on all the proceedings pending.

Cheman S.A.

No claims (liabilities) were filed against Cheman S.A that could affect its business. Cheman S.A. filed court cases against several dozen trade debtors for the total of PLN 3,009,000, including PLN 1,362,000 claimed in execution proceedings and PLN 826,000 reported for bankruptcy proceedings. Cheman S.A. is claiming PLN 821,000 in trade receivables.

Cheman S.A. recognised an impairment loss on all the proceedings pending.

GZNF Fosfory Sp. z o.o. Group

No claims (liabilities) were filed against the Fosfory Group that could affect its business.. The Fosfory Group is claiming the total of PLN 4,357,000 in court actions, execution and bankruptcy proceedings, and recognised an impairment loss on that amount.

Petrochemia – Blachownia S.A. Group

No claims of material importance were filed against the Petrochemia Blachownia Group. Petrochemia-Blachownia S. A. is claiming PLN 543,000 from several dozen trade debtors in execution proceedings. Petrochemia-Blachownia S.A. reported PLN 168,000 for bankruptcy proceedings.

It recognised an impairment loss on the total of the claims.

Ciech Service Sp. z o.o.

The company was sued by a former employee for PLN 100,000 plus statutory interest.

The company recognised an impairment loss on the total of the claim.

22. Non-standard transactions with related parties concluded by Ciech S.A. or its subsidiaries (as per the information submitted by the entities)

Transaction party	Affiliation with the related party	Transaction	Material terms and conditions (PLN ,000)		Additional information
			Financial terms	Characteristic features of the contract deviating from generally applicable terms and conditions of similar agreements	
Soda Mątwy S.A					
– Transoda Sp. z o.o.	Indirect subsidiary	Loan	**T/N WIBOR + bank margin**	none	Loan extended in 2004. Balance outstanding at 31.03.2005 – PLN 1,500,000.

On 08.02.2005, Ciech S.A. received a payment of PLN 11,970,000 to buy back bills issued by Inchem Sp. z o.o. (former name of Ciech Inwestycje Sp. z o.o.) on 04.03.2002.

23. Loan sureties or guarantees extended by Ciech S.A. or its subsidiaries (as per the information submitted by the entities)

Sureties and guarantees granted

Entity Obligee	Amount of loan covered by surety		Effective date of surety	Financial terms: surety fee due to the company	Principal	Affiliation between CIECH S.A. and the borrower
	currency	In PLN '000				
CIECH S.A.						
NFOŚiGW, Warsaw		4 185	31.03.2006		Z.CH. Soda Mątwy S.A	subsidiary
KREDYT BANK S.A. Sieradz Branch		4 500	31.08.2005	Payment to CIECH SA equal to 1% of the surety value	Cheman S.A - Warsaw	subsidiary
KREDYT BANK S.A. Sieradz Branch		3 750	31.08.2005	Payment to CIECH SA equal to 1% of the surety value	Cheman S.A - Warsaw	subsidiary
BANK HANDLOWY S.A.		1 200	01.05.2005	Payment to CIECH SA equal to 1% of the surety value	Ciech-Polfa Sp. z o. o.	subsidiary
BANK HANDLOWY S.A.		4 800	01.05.2005	Payment to CIECH SA equal to 1% of the surety value	Ciech-Polfa Sp. z o. o.	subsidiary
PKN ORLEN S.A.		1 200	no fixed term	Payment to CIECH SA equal to 1% of the surety value	Cheman S.A - Warsaw	subsidiary
BRE BANK S.A.	USD 500	1 576	14.10.2005	Payment to CIECH SA equal to 1% of the surety value	Cheman S.A - Warsaw	subsidiary
BANK PKO S.A. 1st Branch in Warsaw		4 000	31.07.2005	Payment to CIECH SA equal to 1% of the surety value (PLN 2 million) + PLN 10,000 on increase	Cheman S.A.	subsidiary
BRE – Multibank S.A.		1 247	None – the surety expires on final loan settlement		Ciech S.A.'s employees	
BANK PKO S.A. 1st Branch in Warsaw		2 000	01.05.2005	Payment of PLN 10,000 to Ciech S.A.	Cheman S.A.	subsidiary
Total CIECH S.A.		**28 458**				
Petrochemia Blachownia S.A.						
Bank Ochrony Środowiska S.A.		2 000	to 31.12. 2005	none	ZK Zdzieszowice Sp. z o.o.	none
PKO BP S.A.		300	to 05.07. 2010	none	BL-Trans Sp. z o.o.	indirect subsidiary

Entity Obligee	Amount of loan covered by surety		Effective date of surety	Financial terms: surety fee due to the company	Principal	Affiliation between CIECH S.A. and the borrower
	currency	In PLN ’000				
Total Petrochemia Blachownia S.A.		**2 300**				
Soda Mątwy S.A						
ING BSK Leasing S.A.		2 370	31.03.2007	none	Transoda Sp. z o. o.	indirect subsidiary
Total Soda Mątwy S.A.		**2 370**				
Janikosoda S.A.						
BOŚ Poznań	EUR 2 697	11 013	to 16.11.2009	no fee	Vitrosilicon S.A.	subsidiary
Total Janikosoda S.A.		**11 013**				
Alwernia S.A.						
Alwernia Chrom Sp.zo.o	USD 400	1 596	31.07.2005	1% deposit	Alwernia Chrom Sp. z o. o.	indirect subsidiary
Total Alwernia S.A.		**1 596**				
Total loans guaranteed		**45 737**				

Obligee’s name	Total amount of loans covered by surety		Effective date of surety	Financial terms: surety fee due to the company	Principal	Affiliation between CIECH SA and the borrower
	currency	In PLN ’000				
Soda Mątwy S.A						
National Fund for Environmental Protection and Water Management (NFOŚiGW)		1 800	to 31.12.2006	Real-estate taxes payable to the Town Office in Inowrocław	Town Office in Inowrocław	none
Total Soda Mątwy S.A.		**1 800**				

Obligee’s name	Amount of total guarantee granted, backed in whole or in part		Guarantee period	Financial terms: guarantee fee due to the company	Principal	Affiliation between CIECH S.A. and the Principal
	currency	In PLN ’000				
Ciech S.A.						
RBP S.A. Warsaw.	DKK 1 000	548	30.12.2005	Payment to CIECH SA equal to 1% of the guarantee value + reimbursement of banking	Danske Unipol A.S. - Denmark	

				costs		
RBP S.A. Warsaw	EUR 110	449	30.12.2005	Payment to CIECH SA equal to 1% of the guarantee value + reimbursement of banking costs	Polcommerce Gmbh - Austria	
Total Ciech S.A		**997**				

24. Additional information

When selecting entities for consolidation, the parent's Management applied the principle of relevance (as per the IFRS objectives) of their financial figures for compliance with the requirement of fair and reliable presentation of the financial standing and profit of the Group. It was assumed that entities whose balance-sheet totals and sales revenues and income from financing activities are irrelevant compared to the same items recorded by the parent, and their combined figures are less than 5% of the relevant combined figures (of all subsidiaries of the Ciech Group), were irrelevant for compliance with the requirements of the standards.

Non-consolidated entities	CIECH S. A.'s share of the entity(indirect + direct)	Sales revenues and income from financing activities**	Balance-sheet total of the entity/ Group**	Net profit / loss	CIECH S.A.'s income (%)	CIECH S.A.'s balance-sheet total (%)	Dependence on CIECH S. A.
1) Chemia.com S.A.	100.00%	916	796	51	0.22%	0.08%	Subsidiary
2) Polcommerce GmbH, Austria	100.00%	6 728	6 327	219	1.58%	0.66%	Subsidiary
3) Ciech-Service Sp. z o.o.	100.00%	998	2 172	31	0.23%	0.23%	Subsidiary
4) Boruta-Kolor Sp. z o.o.	100.00%	4 772	21 106	-23	1.12%	2.22%	Subsidiary
5) Polcommerc Ltd., Hungary	100.00%	679	1 412	37	0.16%	0.15%	Subsidiary
6) Soda Mątwy Group							
6.1.) Soda-Med. Sp. z o.o.	90.96%	232	2 830	-4	0.05%	0.30%	Indirect subsidiary
7) Janikosoda Group							
7.1.) Jantrans - Janikowo Sp. z o.o.	90.31%	3 143	11 143	-80	0.86%	1.30%	Indirect subsidiary
8) Nordiska Unipol AB	97.78%	417	813	24	0.74%	1.17%	Subsidiary
9) Alwernia Group							
9.1.) Alwernia Fosforany Sp. z o.o.*	73.75%	0	50	0	0.00%	0.01%	Indirect subsidiary
9.2.) Soc-Al. Sp. z o.o.	69.88%	613	1 724	1	0.14%	0.18%	Indirect subsidiary
10) Chemiepetrol GmbH	60.00%	9 729	7 347	204	2.28%	0.77%	Subsidiary
11) Danske UmipolA/S	55.00%	5 698	3 351	471	1.34%	0.35%	Subsidiary

** out of business*

*** year-to-date income (1 Jan. 2005 to 31 March 2005), balance-sheet total as at 31.03.2005.*

Total value	Non-consolidated entities	Ciech Group (without eliminations)	% share
Balance-sheet totals	59 069	2 456 208	2.40%
Sales revenues and income from financing activities	33 925	1 002 566	3.38%

The equity accounting method was not applied to the indirect associate Ciech. Suomen Unipol Oy and the joint-venture InChem Sp. z o.o. The measurement of those entities is irrelevant from the point of view of financial reporting.

Entities not accounted for using the equity method	Ciech S.A.'s direct shareholding in the entity	CIECH S. A.'s share of the entity (indirect + direct)	Equity at 31.03.2005 attributable to the Ciech Group (PLN ,000)	Acquisition cost (PLN ,000)	Impairment losses on the acquisition cost (PLN ,000)
1) Suomen Unipol Oy	15.00%	24.78%	820	132	0
2) InChem Sp. z o. o.*	50.00%	50.00%	2 602	2 702	2 702

Entities not accounted for using the equity method	Sales revenues and income from financing activities (PLN ,000)	Balance-sheet total of the entity (PLN ,000)	Net profit / (loss) (PLN ,000)
1) Suomen Unipol Oy	18 996	13 680	305
2) InChem Sp. z o. o.*	9 195	8 195	7 576

* The joint venture InChem Sp. z o.o. generated a profit in 2005 after it sold 752,030 shares of Ciech S.A.. On 14.04.2005, the company bought back 2,700 treasury shares from PH Organika Sp. o. o. InChem's General Assembly resolved to cancel those treasury shares, accounting for 50% of the company's share capital. Ciech S.A. wrote down the whole of impairment loss on the acquisition cost of the company. Ciech S.A.'s Management resolved to commence to withdraw capital from that company.

Ciech S.A. also holds shares in entities where its control has been restricted or lost:
– Calanda Polska Sp. z o.o. in liquidation, 95.70% shares/votes held directly by Ciech S.A.
– ZAO-Polfa Ciech, Russia, in liquidation, 65.00 % shares/votes held directly by Ciech S.A.
– Polsin-Karbid Sp. z o. o in liquidation, 22.76% shares/votes held by Ciech S.A, shares/votes (direct+indirect) via Ciech S.A. and Polsin Pte.Ltd.
– K.Foster & Son Ltd.- lost control, administrative management from the end of 2003, 46.51% shares/votes held indirectly by Ciech S.A. through Daltrade Plc.
– Polfa Nigeria - lost control, no contact with the company, 20% share held directly by Ciech S.A.
– ach-Ciech Sp. z o.o in liquidation, 35.65% shares/votes held directly by Ciech S.A.

25. Other information that the Management believes to be important to assess the HR, financial, economic situation, the profit, and any changes in those aspects of business, and information necessary to assess Ciech's capacity to meet obligations

Information necessary to assess the HR situation

In January 1st, 2005, Ciech SA implemented a new organisational structure, where tasks are divided between the Corporate Centre and Business Divisions: the Soda Division and the FosChem Division. The product divisions are responsible for effectively managing the product portfolios, and the Corporate Centre was established to create uniform standards for the Group as regards financial planning, investment policy.
Following implementation of the new organisational structure, HR streamlining was also launched in the first quarter of 2005. The streamlining was based on an agreement signed with the trade unions active at Ciech SA. The agreement has not impact on the expense plan previously adopted by the Company.
The employment streamlining project includes a series of protective measures for leaving employees, such as workshops, co-funding of training programmes, job search assistance. A consultation unit is also available to individuals looking for new job opportunities.

Information necessary to assess the financial standing and the capacity to meet obligations

Ciech SA's financial standing was mostly impacted by the issue of C-class shares in the first quarter. The total proceeds from the issue were PLN 192,193,116.00 at the issue price of PLN 24.00 zł.

The proceeds from the issue will be allocated to finance Ciech SA's and the CIECH Group's investment projects carried out in line with the investment schedule announced in the prospectus. Because there is a certain amount of time left before the proceeds from the issue will be used,CIECH's Management took certain measures to make the best of those resources. Such measures included:

- a reduction of short-term debt (loans) and buyback of bills of exchange
- a decrease in the value of collaterals securing short-term loans
- effective and safe management of the surplus

The Management believes that the Group is fully capable to finance the investment project to be carried out in the chemical industry, as described in the prospectus.

26. Factors that might potentially impact the next-quarter results

Economic situation in Europe and worldwide

The CIECH Group operates in the broadly defined chemical sector. The chemical industry is a fundamental branch of the global economy. Therefore, any instability in the global marketplace has a direct impact on the growth potential of the chemical sectors in the different countries of the world. The business activity in the chemical industry is reflected in the demand for chemical products, and chemical product sales. Because the major part of the CIECH Group's business are export sales, its export performance depends to a large extent on the general economic situation in the global markets. The CIECH Group estimates that there is a good chance of the global economy maintaining its current growth rate, given the GDP growth rates recorded by the largest world economies (the USA, European Union). If the current economic growth dynamics remains steady, this will have a good influence on the demand for chemical materials and products, including those manufactured by the CIECH Group.

Economic environment in Poland and the standing of the industries buying CIECH's products

The CIECH Group supplies most of its products to the following Polish industries: the chemical industry, the glass manufacturing industry, and the plastics industry. How those industries expand, depends on the general economic situation in Poland. The Polish chemical industry accounts for over 10% of the total output sold by the industry sector as a whole. Consequently, the industry sector's standing has a direct bearing on the demand for chemical products. Statistics show that chemical manufacturing is also strongly and positively correlated with the general standing of the economy and industry. The CIECH Group expects that the fast pace of economic growth in Poland (the GDP increased by 5.3% in 2004) will translate into increasing sales in the chemical sector. Considering the correlation between GDP growth and the increasing output of the chemical sector, the CIECH Group is predicting that the sales increase in the chemical sector will exceed the projected GDP growth in Poland. If the positive growth scenario is fulfilled, one can expect that the upward trend will also continue for industries buying products from the Group, which should contribute to a steady high demand for the CIECH Group's products. An economic downturn, on the other hand, might impair the general standing of the chemical, glass, and plastics industries, and, consequently, the demand for the CIECH Group' products.

Poland’s accession to the EU
Poland’s accession to the EU brought about changes in how Polish businesses operate and compete in the domestic, and European markets.

Negative factors that might affect the long-term performance of chemical companies include:
– the chemical product registration requirement,
– integrated permits,
– –

Positive factors include:
– waiver of customs duties on certain chemical products,
– changes in the customs duties for chemical product imports from third countries to the EU,
– –

PLN/Euro exchange rates
The majority of the CIECH Group's export sales are settled in euros. A strong euro means higher profitability of exports, both for the CIECH Group and other chemical industry players in Poland. If the Polish zloty depreciates compared to the euro, the CIECH Group's revenues and profitability of exports settled in euros can be expected to improve. If the Polish zloty becomes stronger against the euro, the profitability of exports will decline, and the CIECH Group's export volumes will decrease. Ciech S.A. constantly monitors its foreign exchange risk, and utilizes hedging for large transactions denominated in foreign currencies, such as forward and future contracts and hedge option strategies.

Situation in the raw materials market
A major portion of the CIECH Group’s turnover is generated from imports of chemical raw materials. The raw-material markets are characterised by high cyclicality, prompted by fluctuations in the world economies. On the one hand, the growing prices of raw materials force the trading agents to lower their mark-ups, while dropping prices, on the other hand, are usually a sign of declining demand and the onset of an economic slump. Raw materials are impacted by the same trends in the Polish market. The CIECH Group is expecting an average annual GDP growth at 5% for Poland, and 2-3% for Europe. If the stable growth rate and steady prices of chemical raw materials continue, this will benefit the CIECH Group’s imports of chemical raw materials. Large fluctuations in demand and prices caused either by high economic growth rate, or by an economic slump, will affect the CIECH Group’s trade in chemical raw materials.

Sea freight rates
In the first quarter of 2005, the sea freight prices that have an effect on the Group's trade, stabilised (in 2004, those rates jumped by several dozen to several hundred percent). If that trend continues, global trade in mass products using sea freight should also become more stable.

Internal factors

Feasibility of technology investments: construction of a monohydrate system, increasing the silicate and silica production capacity, construction of a second assembly line for hollow glass brick, development of a country-wide distribution system for vacuum pan salt distribution.
The purpose of the technology investments planned at the CIECH Group is to enhance the quality and properties of its products (the monohydrate investment), increase the production capacity for high-yield products (silicate, glass blocks), and introduce new products with potential for becoming the market leaders (animal feed phosphates). The vacuum pan salt project is aimed at introducing the CIECH Group to the vacuum pan salt distribution market, and allowing it to create its own trademark. The project will increase the capacity of custom packing of salt, thanks to equity or fixed-asset investments, and building a country-wide distribution network. The projects will be crucial to maintaining the competitive edge and strengthening the market position in selected areas of the CIECH Group's operations. CIECH SA expects that its technology investments will enable it to maintain its leadership of the Polish soda-ash market, boost the sales and profitability of silicate products, reinforce its standing in the agrochemical sector, and achieve a leading position in the vacuum pan salt distribution market. Achievement of the project targets should also bring about an increase in income and return on sales, especially in case of the silicate products and vacuum pan salt. Failure to carry through the technology investments might lead to a gradual decline in the CIECH Group’s position in the soda ash market, and a lack of improvement in the sales returns.

Internal consolidation of the soda division: The consolidation of the soda division will consist in: (i) acquiring 100% of the shares in the two subsidiaries JANIKOSODA S.A. and SODA MĄTWY S.A. from the State Treasury and small shareholders, (ii) continued cost streamlining. The internal consolidation and implementation of operating perfection projects will allow for further cuts of the unit-costs of soda ash production, leading to an increase in the Ciech Group's competitive edge in the soda segment. CIECH S.A. is expecting to acquire total control over the two soda subsidiaries by the end of 2005, and intends to conduct an in-depth analysis of the possibility and advantages of incorporating the soda companies into Ciech SA's structure.

Growth strategy advancement, with a focus on new division building As part of its growth strategy, the CIECH Group plans to build three new divisions (complementary to the existing soda division) to handle the three key areas of the chemical sector: a phosphorus division, inorganic division, and organic division. To achieve that, CIECH SA is going to participate in the privatisation of selected Polish chemical companies, including the so-called “Great Chemical Synthesis” enterprises. If CIECH SA goes ahead with its planned investments in selected enterprises, the CIECH Group’s revenues and profits are likely to increase considerably.

Quality and continuity of the management and staff
The market position of the CIECH Group's products is largely owed to the high level of skills of its top and middle management. The Group's HR policy guarantees stability and career and growth opportunities to its staff.

27. Reconciliation of restated figures published in compliance with the Polish Accounting Standards (PAS) with the International Financial Reporting Standards.

At the balance-sheet date, the Ciech Group used the best of its knowledge to identify material differences between the accounting principles applied by it, and IFRS. Certain areas were identified with potential quantitative differences and differences in presentation and disclosure. The quantitative differences include:

Revaluation of non-current assets: According to IFRS 1 "First-Time Adoption of the International Accounting Standards", the Ciech Group assumed the amount of its non-current assets used in a hyperinflationary economy to be the fair value of those assets (measured based on estimates by professional property appraisers). An adjustment of the carrying amount of the non-current assets resulted in a positive temporary difference between the tax values and the balance-sheet values.

Non-current assets held for sale: According to IFRS 5 "Non-current Assets Held For Sale and Discontinued Operations", non-current assets held for sale are not subject to depreciation, therefore, an adjustment was made to eliminate the depreciation calculated for 2004.

Depreciation of investment property: The Ciech group carries its investment properties under assets at cost, not their fair value. According to IAS 40 :Investment Property", if this model is adopted, the assets should be depreciated. Therefore, the equity was adjusted to account for depreciation for the years 2002-2003.

Renovations spread over time: The Ciech Group recognises the expense on renovations spread over time under prepayments and accruals. According to IAS 16 "Property, Plant and Equipment", such expenses should be taken to profit and loss at the time they are incurred. Therefore, an appropriate adjustment of the consolidated profit was made.

Cost of launching new production: The Ciech Group recognises the costs of launching new production spread over time under prepayments and accruals. According to IAS 16 "Property, Plant and Equipment", such costs should be recognised once in profit and loss. Therefore, the capitalised costs of launching new production was presented as an increase in equity at the date of transition to IFRS.

Minority interests: according to the principles of presentation of financial statements laid down in IAS 1 "Presentation of Financial Statements," the total consolidated equity includes minority interests. Also the allocations of profit or loss in the income statement include the profit and loss attributable to minority interest.

Goodwill: According to IFRS 3 "Business Combinations," the Ciech Group ceased to amortise goodwill as of January 1st, 2004. The amortisation charges were reversed in correspondence with the 2004 income statement. According to IAS 36 "Impairment of Assets," the Ciech Group conducted impairment tests of the goodwill recognised in assets at January 1st, 2004, and December 31st, 2004. The tests showed that no adjustments were necessary.

Negative Goodwill: According to IFRS 1 "First-Time Adoption of International Financial Reporting Standards" and IFRS 3 "Business Combinations," negative goodwill as disclosed at January 1st, 2004 was written down against equity. The amortisation charges on negative goodwill for 2004 were reversed and recognised in the income statement.

Equity method accounting: because the entities accounted for using the equity method had to adjust their separate financial statements to comply with IFRS, the value of their shares as disclosed in the consolidated financial statements changed.

Reclassification of the Privatisation Fund to equity: at 01.01.2004, the current earmarked privatisation funds previously recognised as current liabilities were reclassified as an equity component (provisions).

Disclosure of net deferred assets and deferred asset provision:according to IAS 12 "Income Taxes", the deferred-tax assets disclosed in separate financial statements were set off against the deferred-tax provisions.

Extraction of perpetual freehold rights from the records: given the assumption made by the Ciech Group that perpetual freehold rights vested as an administrative allocation meet the criteria of operating leases as defined in IAS 17 "Leases," such rights should not be disclosed in the accounting books, but rather presented as off-balance sheet items. As a result, adjustments were made by derecognising such perpetual freehold rights and in correspondence with deferred and prepaid income.

Disclosure of non-current assets held for sale and discontinued operations: according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," non-current assets held for sale were detached from non-current assets and reclassified as current assets. Discontinued operations were also disclosed separately in the income statement.

Detachment of investment property non-current leased assets which should be presented separately in accordance with IAS 40 "Investment Property" were singled out in the consolidated balance sheet and presented as investment property.

Reclassifications within equity: the share premium reserve recognised in the separate statements, the provisions and the revaluation reserve for non-current assets created in accordance with the Polish Accounting Standards were reclassified as retained earnings. Earmarked reserves were recognised under reserves.

Extraordinary gains / losses: in compliance with IAS 1 "Presentation of Financial Statements", the extraordinary gains and losses recognised by the Group were reclassified as other operating income and other operating expense, respectively.

Gains / losses on disposal of all or a part of shares of subordinated entities: in accordance with IAS 1 "Presentation of Financial Statements," the losses on disposal of a part of shares of subordinated entities recognised by the Group were reclassified as finance costs.

Prepayments and accruals: prepayments and accruals were presented as short-term receivables and current liabilities, as appropriate.

The differences between the values of the key items of consolidated financial statements prepared in accordance with PAS and financial statements prepared in accordance with IFRS are presented below.

report item	01.01.2004 according to PAS	revaluation of non-current assets	amortisation of investment property	recognition of non-current assets held for sale	reclassification of prepaid and accrued expenses as receivables and liabilities	goodwill	recognition of a net deferred-tax asset and provision	extraction of perpetual freehold rights from the records	costs of launching new production	other adjustments on transition to IFRS	detachment of investment property	renovations spread over time	equity method measurement	01.01.2004 according to IAS
ASSETS														
Non-current assets														
Property, plant and equipment	627 620	186 076	0	(35 058)	0	0	0	0	0	799	(1 478)	0	0	777 959
Intangible Assets	14 692	347	0	0	0	4 582	0	0	0	277	0	0	0	19 898
Goodwill of subsidiaries	9 368	0	0	0	0	(9 368)	0	0	0	0	0	0	0	0
Investment property	11 658	0	(846)	0	0	0	0	0	0	0	1 478	0	0	12 290
Long-term receivables	673	0	0	0	28	0	0	0	0	0	0	0	0	701
Long-term investments	69 332	0	0	0	0	4 786	0	0	0	0	0	0	1 543	75 662
Deferred tax assets	17 449	0	0	0	0	0	(14 925)	0	49	0	0	121	0	2 694
Long-term prepayments and accrued income	526	0	0	0	(32)	0	0	0	(139)	(354)	0	0	0	0
Perpetual freehold rights	38 392	0	0	0	0	0	0	(37 508)	0	0	0	0	0	884
Total non-current assets	**789 710**	**186 423**	**(846)**	**(35 058)**	**(4)**	**0**	**(14 925)**	**(37 508)**	**(90)**	**722**	**0**	**121**	**1 543**	**890 088**
Current assets														
Inventories	135 460	0	0	0	0	0	0	0	0	0	0	0	0	135 460
Short-term investments	281	0	0	0	0	0	0	0	0	0	0	0	0	281
Trade and other receivables	415 073	0	0	0	4 952	0	0	0	0	0	0	0	0	420 025
Cash and cash equivalents	31 344	0	0	0	0	0	0	0	0	0	0	0	0	31 344
Short-term prepayments and accrued income	6 426	0	0	0	(4 948)	0	0	0	(119)	(722)	0	(637)	0	0
Non-current assets held for sale	0	0	0	35 080	0	0	0	0	0	0	0	0	0	35 080
Total current assets	**588 584**	**0**	**0**	**35 080**	**4**	**0**	**0**	**0**	**(119)**	**(722)**	**0**	**(637)**	**0**	**622 190**
Total Assets	**1 378 294**	**186 423**	**(846)**	**22**	**0**	**0**	**(14 925)**	**(37 508)**	**(209)**	**0**	**0**	**(516)**	**1 543**	**1 512 278**

report item	**01.01.2004 according to PAS**	revaluation of non-current assets	depreciation of investment property	recognition of non-current assets held for sale	reclassification of the Privatisation Reserve to equity	reclassification of prepaid and accrued expenses, receivables and liabilities	negative goodwill	recognition of a deferred-tax asset and provision in the net assets	extraction of perpetual freehold rights from the records	costs of new product launch	other adjustments on transition to IFRS	improvements spread over time	equity method measurement	reclassifications in equity	minority interest adjustment	**01.01.2004 according to IFRS**
EQUITY AND LIABILITIES																
Equity																
Share capital	98 982	0	0	0	0	0	0	0	0	0	0	0	0	0	0	98 982
Treasury shares	(14 684)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(14 684)
Share premium reserve	48 197	0	0	0	0	0	0	0	0	0	0	0	0	(48 197)	0	0
Equity components relative to assets held for sale	0	0	0	22	0	0	0	0	0	0	0	0	0	0	(4)	18
Revaluation reserve	10 748	0	0	0	0	0	0	0	0	0	0	0	0	(10 748)	0	0
Other reserves	77 278	0	0	0	6 176	0	0	0	0	0	0	0	0	1 179	0	84 633
Exchange differences from translations of subordinated entities	3 197	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3 197
Provisions	188 727	0	0	0	0	0	0	0	0	0	0	0	0	(188 727)	0	0
Retained earnings	(14 103)	152 952	(846)	0	0	0	37 916	0	0	(209)	(4)	(516)	1 543	321 347	(13 454)	484 626
Net profit/loss	74 854	0	0	0	0	0	0	0	0	0	0	0	0	(74 854)	0	0
Equity attributable to the equity holders of the parent	**473 196**	**152 952**	**(846)**	**22**	**6 176**	**0**	**37 916**	**0**	**0**	**(209)**	**(4)**	**(516)**	**1 543**	**0**	**(13 458)**	**656 772**
Minority interest	**90 951**	0	0	0	0	0	0	0	0	0	0	0	0	0	13 458	104 409
Total equity	**564 147**	**152 952**	**(846)**	**22**	**6 176**	**0**	**37 916**	**0**	**0**	**(209)**	**(4)**	**(516)**	**1 543**	**0**	**0**	**761 181**
Negative goodwill	**37 916**	0	0	0	0	0	(37 916)	0	0	0	0	0	0	0	0	0
Liabilities																0
Borrowings and other debt instruments	68 195	0	0	0	0	0	0	0	0	0	0	0	0	0	0	68 195
Long-term provisions	43 302	0	0	0	0	0	0	0	0	0	0	0	0	0	0	43 302
Deferred tax provision	6 451	33 471	0	0	0	0	0	(14 925)	0	0	0	0	0	0	0	24 997
Total non-current liabilities	**117 948**	**33 471**	**0**	**0**	**0**	**0**	**0**	**(14 925)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**136 494**
Short-term liabilities	588 705	0	0	0	(6 176)	17 158	0	0	0	0	0	0	0	0	0	599 687
Short-term provisions	15 376	0	0	0	0	(460)	0	0	0	0	0	0	0	0	0	14 916

report item	**01.01.2004 according to PAS**	revaluation of non-current assets	depreciation of investment property	recognition of non-current assets held for sale	reclassification of the Privatisation Reserve to equity	reclassification of prepaid and accrued expenses, receivables and liabilities	negative goodwill	recognition of a deferred-tax asset and provision in the net assets	extraction of perpetual freehold rights from the records	costs of new product launch	other adjustments on transition to IFRS	improvements spread over time	equity method measurement	reclassifications in equity	minority interest adjustment	**01.01.2004 according to IFRS**
Liabilities relative to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total current liabilities	**604 081**	**0**	**0**	**0**	**(6 176)**	**16 698**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**614 603**
Accruals and deferred income	**54 202**	0	0	0	0	(16 698)	0	0	(37 508)	0	4	0	0	0	0	0
Total liabilities	**776 231**	**33 471**	**0**	**0**	**(6 176)**	**0**	**0**	**(14 925)**	**(37 508)**	**0**	**4**	**0**	**0**	**0**	**0**	**751 097**
T o t a l L i a b i l i t i e s	**1 378 294**	**186 423**	**(846)**	**22**	**0**	**0**	**0**	**(14 925)**	**(37 508)**	**(209)**	**0**	**(516)**	**1 543**	**0**	**0**	**1 512 278**

31.12.2004	31.12.2004 according to PAS	revaluation of non-current assets	depreciation of investment property	recognition of non-current assets held for sale and elimination of depreciation	reclassification of prepaid and accrued expenses as receivables and liabilities	goodwill	recognition of a deferred-tax asset and provision in the net assets	extraction of perpetual freehold rights from the records	detachment of investment property	equity method measurement	other adjustments on transition to IFRS	31.12.2004 according to IFRS
ASSETS												
Non-current assets												
Property, plant and equipment	643 481	171 654	0	(33 522)	0	0	0	0	(1 442)	0	0	780 171
Intangible assets:	13 132	229	0	0	0	4 582	0	0	0	0	103	18 046
Goodwill of subsidiaries	2 471	0	0	0	0	(2 471)	0	0	0	0	0	0
Investment property	11 246	0	(846)	0	0	0	0	0	1 442	0	0	11 842
Long-term receivables	70	0	0	0	15	0	0	0	0	0	0	85
Long-term investments	59 172	0	0	0	0	4 786	0	0	0	462	0	64 420
Deferred tax assets	14 904	0	0	0	0	0	(12 535)	0	0	0	7	2 376
Long-term prepayments and accrued income	100	0	0	0	(100)	0	0	0	0	0	0	0
Perpetual leasehold rights	40 775	0	0	0	0	0	0	(39 713)	0	0	(39)	1 023
Total non-current assets	**785 351**	**171 883**	**(846)**	**(33 522)**	**(85)**	**6 897**	**(12 535)**	**(39 713)**	**0**	**462**	**71**	**877 963**
Current assets												
Inventories	137 668	0	0	0	0	0	0	0	0	0	0	137 668
Short-term investments	1 174	0	0	0	0	0	0	0	0	0	0	1 174
Trade and other receivables	515 148	0	0	0	4 456	0	0	0	0	0	0	519 604
Cash and cash equivalents	36 144	0	0	0	0	0	0	0	0	0	0	36 144
Short-term prepayments and accrued income	4 475	0	0	0	(4 371)	0	0	0	0	0	(103)	0
Non-current assets held for sale	0	0	0	35 058	0	0	0	0	0	0	0	35 058
Total current assets	**694 609**	**0**	**0**	**35 058**	**85**	**0**	**0**	**0**	**0**	**0**	**(103)**	**729 648**
T o t a l A s s e t s	**1 479 960**	**171 883**	**(846)**	**1 536**	**0**	**6 897**	**(12 535)**	**(39 713)**	**0**	**462**	**(32)**	**1 607 611**

31.12.2004	**31.12.2004 according to PAS**	revaluatio n of non-current assets	depreciatio n of investment property	recognition of non-current assets held for sale and elimination of depreciation	reclassificatio n of prepaid and accrued expenses as receivables and liabilities	negative goodwill	goodwill	recognition of a deferred-tax asset and provision in the net assets	extraction of perpetual freehold rights from the register	equity method measurem ent	reclassific ations in equity	adjustm ent of minority interest	other adjustment s on transition to IFRS	**31.12.2004 according to IFRS**
EQUITY AND LIABILITIES														
Equity														
Share capital	98 982	0	0	0	0	0	0	0	0	0	0	0	0	98 982
Treasury shares	(18 805)	0	0	0	0	0	0	0	0	0	0	0	0	(18 805)
Share premium reserve	48 651	0	0	0	0	0	0	0	0	0	(48 651)	0	0	0
Equity components relative to assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revaluation reserve	9 746	0	0	0	0	0	0	0	0	0	(9 746)	0	0	0
Other reserves	83 454	0	0	0	0	0	0	0	0	0	1 179	0	0	84 633
Exchange differences on translation of subordinated entities	(807)	0	0	0	0	0	0	0	0	0	0	0	0	(807)
Provisions	277 453	0	0	0	0	0	0	0	0	0	(277 453)	0	0	0
Retained earnings	(26 547)	140 602	(846)	1 536	0	31 827	6 897	0	0	462	413 921	(12 370)	(34)	555 448
Net profit / loss	79 250	0	0	0	0	0	0	0	0	0	(79 250)	0	0	0
Equity attributable to the equity holders of the parent	**551 377**	**140 602**	**(846)**	**1 536**	**0**	**31 827**	**6 897**	**0**	**0**	**462**	**0**	**(12 370)**	**(34)**	**719 451**
Minority interest	**93 142**	0	0	0	0	0	0	0	0	0	0	12 370	0	105 512
Total equity	**644 519**	**140 602**	**(846)**	**1 536**	**0**	**31 827**	**6 897**	**0**	**0**	**462**	**0**	**0**	**(34)**	**824 963**
Negative goodwill	**31 827**	0	0	0	0	(31 827)	0	0	0	0	0	0	0	0
Liabilities														0
Borrowings and other debt instruments	52 029	0	0	0	0	0	0	0	0	0	0	0	0	52 029
Long-term provisions	46 741	0	0	0	308	0	0	0	0	0	0	0	0	47 049
Deferred tax provision	7 953	31 281	0	0	0	0	0	(12 535)	0	0	0	0	0	26 699
Total non-current liabilities	**106 723**	**31 281**	**0**	**0**	**308**	**0**	**0**	**(12 535)**	**0**	**0**	**0**	**0**	**0**	**125 777**
Short-term liabilities	611 591	0	0	0	18 779	0	0	0	0	0	0	0	0	630 369
Short-term provisions	26 688	0	0	0	(186)	0	0	0	0	0	0	0	0	26 502
Liabilities relative to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total current liabilities	**638 279**	**0**	**0**	**0**	**18 593**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**656 871**
Accruals and deferred income	**58 612**	0	0	0	(18 901)	0	0	0	(39 713)	0	0	0	2	0

31.12.2004	**31.12.2004 according to PAS**	revaluation of non-current assets	depreciation of investment property	recognition of non-current assets held for sale and elimination of depreciation	reclassification of prepaid and accrued expenses as receivables and liabilities	negative goodwill	goodwill	recognition of a deferred-tax asset and provision in the net assets	extraction of perpetual freehold rights from the register	equity method measurement	reclassifications in equity	adjustment of minority interest	other adjustments on transition to IFRS	**31.12.2004 according to IFRS**
Total payables	**803 614**	**31 281**	**0**	**0**	**0**	**0**	**0**	**(12 535)**	**(39 713)**	**0**	**0**	**0**	**2**	**782 648**
T o t a l l i a b i l i t i e s	**1 479 960**	**171 883**	**(846)**	**1 536**	**0**	**0**	**6 897**	**(12 535)**	**(39 713)**	**462**	**0**	**0**	**(32)**	**1 607 611**

01.01.-31.12.2004	01.01.-31.12.2004 r. according to PAS	depreciation of revaluated non-current assets	elimination of depreciation of non-current assets held for sale	extraction of perpetual freehold rights from the register	improvements spread over time	retirement and disposal of revaluated non-current assets	costs of new product launch	impairment losses on revaluated non-current assets	elimination of impairment losses on goodwill and negative goodwill	reclassification of profit/loss on disposal of all or a part of shares of subordinated entities to financing activities	reclassification of extraordinary gains/losses to other operating activities	adjustment of the profits/losses of minority interests	equity method accounting	other adjustments on transition to IFRS	01.01.-31.12.2004 according to IFRS
Sales revenue	**2 315 385**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2 315 385**
Cost of sales	**(1 772 060)**	**(13 461)**	**0**	**9**	**637**	**0**	**258**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(1 784 617)**
Gross profit on sales	**543 325**	**(13 461)**	**0**	**9**	**637**	**0**	**258**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**530 768**
Other operating income	50 807	0	0	(824)	0	0	0	341	0	0	0	0	0	0	50 324
Selling costs	(215 057)	(987)	0	0	0	0	0	0	0	0	0	0	0	3	(216 041)
Administrative expenses	(162 098)	1 150	1 536	0	0	0	0	0	0	0	0	0	0	0	(159 412)
Other operating expenses	(67 765)	0	0	815	0	16	0	0	0	0	(544)	0	0	(63)	(67 541)
Profit on operating activities	**149 212**	**(13 298)**	**1 536**	**0**	**637**	**16**	**258**	**341**	**0**	**0**	**(544)**	**0**	**0**	**(60)**	**138 098**
Finance income	15 824	0	0	0	0	0	0	0	0	0	0	0	0	0	15 824
Finance costs	(51 391)	0	0	0	0	0	0	0	0	(1 763)	0	0	(1 088)	0	(54 242)
Net financial income / costs	**(35 567)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(1 763)**	**0**	**0**	**(1 088)**	**0**	**-38 418**
Extraordinary gains	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Extraordinary losses	(544)	0	0	0	0	0	0	0	0	0	544	0	0	0	0
Impairment of goodwill	(6 897)	0	0	0	0	0	0	0	6 897	0	0	0	0	0	0
Impairment of negative goodwill	6 127	0	0	0	0	0	0	0	(6 127)	0	0	0	0	0	0
Share of the net profits of subsidiaries accounted for using the equity method	(1 130)	0	0	0	0	0	0	0	0	0	0	0	64	0	(1 066)
Profit (loss) on sale of the whole or part of shares of subordinated undertakings	(1 763)	0	0	0	0	0	0	0	0	1 763	0	0	0	0	0
Profit before tax	**109 438**	**(13 298)**	**1 536**	**0**	**637**	**16**	**258**	**341**	**770**	**0**	**0**	**0**	**(1 024)**	**(60)**	**98 614**
Income Tax	(23 498)	2 194	0	0	(121)	(2)	(49)	0	0	0	0	0	0	10	(21 466)

01.01.-31.12.2004	01.01.-31.12.2004 r. according to PAS	depreciation of revaluated non-current assets	elimination of depreciation of non-current assets held for sale	extraction of perpetual freehold rights from the register	improvements spread over time	retirement and disposal of revaluated non-current assets	costs of new product launch	impairment losses on revaluated non-current assets	elimination of impairment losses on goodwill and negative goodwill	reclassification of profit/loss on disposal of all or a part of shares of subordinated entities to financing activities	reclassification of extraordinary gains/losses to other operating activities	adjustment of the profits/losses of minority interests	equity method accounting	other adjustments on transition to IFRS	01.01.-31.12.2004 according to IFRS
Net profit	**85 940**	**(11 104)**	**1 536**	**0**	**516**	**14**	**209**	**341**	**770**	**0**	**0**	**0**	**(1 024)**	**(50)**	**77 148**
Sales profit relative to discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit for the marketing year	**85 940**	**(11 104)**	**1 536**	**0**	**516**	**14**	**209**	**341**	**770**	**0**	**0**	**0**	**(1 024)**	**(50)**	**77 148**
including:															
Net profit attributable to the equity holders of the parent	79 250	(11 104)	1 536	0	516	14	209	341	770	0	0	658	(1 024)	(50)	71 116
Net profit attributable to minority interests	6 690	0	0	0	0	0	0	0	0	0	0	(658)	0	0	6 032

28. Management Board's Statement.

These condensed consolidated financial statements of the Ciech group have been approved by the Management Board at the CIECH Group's registered offices on May 16th, 2005.

Warsaw, May 16th, 2005.

……………………………..................................
Ludwik Klinkosz President of Ciech S.A.'s Management Board

………………………………………………………
Stefan Rojewski – Member of the Management Board of CIECH SA

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Jerzy Golis – Member of the Management Board of Ciech S.A.

………………………………………………………………………………
Kazimierz Przełomski – CFO, Commercial Representative of Ciech S.A.