Condensed Consolidated Financial Report of the Ciech Group for the second quarter of 2005 prepared in compliance with International Financial Reporting Standards

SELECTED FINANCIAL DATA

	in thousands of Polish zlotys		*in thousands of Euros*	
	01.01-30.06.2005	**01.01-30.06.2004**	**01.01-30.06.2005**	**01.01-30.06.2004**
Net income from sales	1,079,188	1,078,738	264,474	228,010
Operating profit (loss)	51,633	82,737	12,654	17,488
Profit (loss) before taxes	71,699	66,843	17,571	14,128
Net profit (loss)	55,329	50,860	13,559	10,750
Net cash flows from operating activities	17,865	56,175	4,378	11,874
Net cash flows from investing activities	-48,682	-31,765	-11,930	-6,714
Net cash flows from financing activities	57,182	-12,507	14,013	-2,644
Total net cash flow	26,365	11,903	6,461	2,516
Total Assets	1,691,653	1,581,301	418,716	348,135
Long-term liabilities	107,540	113,389	26,618	24,963
Short-term liabilities	504,504	657,213	124,874	144,690
Equity	1,079,609	810,699	267,223	178,482
Share capital	140,001	98,982	34,653	21,792
Profit (loss) per share (in PLN / EUR)	1.94	2.53	0.48	0.53

CONSOLIDATED PROFIT AND LOSS ACCOUNT

in thousands of Polish zlotys	01.01-30.06.2005	01.04-30.06.2005	01.01-30.06.2004			01.04-30.06.2004
			Continued operations	Discontinued operations	TOTAL	
Net income from sales	**1,079 188**	**537,165**	**1,075,438**	**3,300**	**1,078,738**	**535,141**
Cost of sales	-826,213	-409,491	-796,092	-3,083	-799,175	-408,034
Gross profit/loss on sales	***252,975***	***127,674***	***279,346***	***217***	***279,563***	***127,107***
Other operating income	10,480	4,346	15,778	0	15,778	8,799
Selling costs	-107,884	-57,004	-107,957	-18	-107,975	-48,531
Administrative expenses	-78,019	-38,982	-81,479	0	-81,479	-43,367
Other operating expenses	-25,919	-16,324	-23,150	0	-23,150	-17,355
Operating profit/loss	***51,633***	***19,710***	***82,538***	***199***	***82,737***	***26,653***
Financial income	31,380	9,921	5,259	0	5,259	1,610
Financial costs	-16,559	-9,531	-17,943	0	-17,943	-11,742
Net financial income / costs	***14,821***	***390***	***-12,684***	***0***	***-12,684***	***-10,132***
Share of the net profits of subsidiaries evaluated using the equity method	5,245	265	-3,210	0	-3,210	-2,335
Profit/loss before taxes	**71,699**	**20,365**	**66,644**	**199**	**66,843**	**14,186**
Income Tax	-16,370	-5,488	-15,945	-38	-15,983	-6,249
Net profit/loss	***55,329***	***14,877***	***50,699***	***161***	***50,860***	***7,937***
Sales profit/loss relative to discontinued operations	0	0	0	0	0	0
Profit for the marketing year	***55 329***	***14 877***	***50 699***	***161***	***50 860***	***7,937***
including:						*0*
Net profit/loss of shareholders of the parent company	49,942	13,776	46,197	161	46,358	7,793
Net profit/loss of minority shareholders	5,387	1,101	4,502	0	4,502	144
Earnings per share (in PLN)	1.94	-	2.53	0.01	2.54	-

* no operations were discontinued in 2005 and in the second quarter of 2004.

CONSOLIDATED BALANCE SHEET

in thousands of Polish zlotys	**30.06.2005**	**31.12.2004**	**30.06.2004**	**01.01.2004**
ASSETS				
Non-current assets				
Property, plant and equipment	781,895	780,171	770,940	777,959
Perpetual leasehold rights	1,019	1,023	1,101	884
Intangible assets:	17,069	18,046	19,217	19,898
- goodwill	1,774	4,582	4,644	4,706
Investment property	11,167	11,842	12,065	12,290
Long-term receivables	126	85	464	701
Investments in associates and joint ventures evaluated using the equity method	37,640	32,565	32,928	38,029
Other long-term investments	32,048	31,855	32,505	37,633
Deferred income tax assets	2,876	2,376	2,401	2,694
Total non-current assets	**883,840**	**877,963**	**871,621**	**890,088**
Current assets				
Inventories	174,406	137,668	129,168	135,460
Short-term investments	26,038	1,174	6,565	281
Income tax receivable	426	8,008	6,371	5,246
Trade and other receivables	509,359	511,596	488,877	414,779
Cash and cash equivalents	62,943	36,144	43,641	31,344
Non-current assets held for sale	34,641	35,058	35 058	35,080
Total current assets	**807,813**	**729,648**	**709,680**	**622,190**
T o t a l A s s e t s	**1,691,653**	**1,607,611**	**1,581,301**	**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	0	18
Revaluation reserve	0	0	0	0
Other reserves	78,457	84,633	84,633	84,633
Exchange differences on translation of subordinated entities	799	-807	3,398	3,197
Retained earnings	598,785	555,448	531,355	484,626
Equity attributable to the equity holders of the parent	**969,370**	**719,451**	**703,684**	**656,772**
Minority interest	110,239	105,512	107,015	104,409
Total equity	**1,079,609**	**824,963**	**810,699**	**761,181**
Liabilities				
Borrowings and other debt instruments	35,292	52,029	46,892	68,195
Employee benefits	24,260	24,096	22,876	21,745
Provisions (other short-term)	22,384	22,953	18,887	21,557
Deferred tax provision	25,604	26,699	24,734	24,997
Total non-current liabilities	**107,540**	**125,777**	**113,389**	**136,494**
Overdraft facility	79,412	144,106	164,596	146,192
Borrowings and other debt instruments	60,856	105,562	185,162	100,087
Trade and other payables	334,085	380,117	286,391	352,685
Income tax liability	944	584	791	723
Provisions (short-term employee-benefit provisions and other provisions)	29,207	26,502	20,273	14,916

in thousands of Polish zlotys	30.06.2005	31.12.2004	30.06.2004	01.01.2004
Liabilities relative to non-current assets held for sale	0	0	0	0
Total current liabilities	**504,504**	**656,871**	**657,213**	**614,603**
Total payables	**612,044**	**782,648**	**770,602**	**751,097**
T o t a l l i a b i l i t i e s	**1,691,653**	**1,607,611**	**1,581,301**	**1,512,278**

OFF-BALANCE SHEET ITEMS

in thousands of Polish zlotys	30.06.2005	30.06.2004
1. Contingent receivables	**3,800**	**2,300**
- guarantees and bonds received	3,800	1,300
- other off-balance sheet receivables	0	1,000
2. Contingent liabilities	**37,692**	**43,635**
- guarantees and bonds granted	11,468	14,139
- other off-balance sheet liabilities	26,224	29,496
3. Other	**12,379**	**3,404**
- other	12,379	3,404
Total off-balance sheet items	**53,871**	**49,339**

CONSOLIDATED CASH FLOW STATEMENT

in thousands of Polish zlotys	01.01-30.06.2005	01.01-30.06.2004
Profit (loss) for the period	**55,329**	**50,860**
Adjustments	0	0
Depreciation	53,945	51,187
Recognition / reversal of impairment losses	2,703	-3,593
Gains / losses on foreign exchange differences	-2,094	-159
Investment property revaluations	0	0
Gains / losses on investing activities	-18,643	-15,487
Gains / losses on disposal of non-current assets	-312	163
Interest and dividends	4,667	26,954
Input income tax	16,370	15,983
Gains / losses on shares in entities valuated using the equity method	-5,245	3,210
Operating profit before changes in current assets and reserves	**106,720**	**129,118**
Changes in receivables	40,138	-56,225
Changes in inventories	-54,956	6,681
Changes in current liabilities	-60,992	-2,507
Changes in reserves and employee benefits	-1,769	2,186
Net cash generated from operations	**29,141**	**79,253**
Interest paid	-4,032	-9,194
Income taxes paid	-12,170	-13,516
other adjustments	4,926	-368
Gains / losses on disposal of discontinued operations	0	0
Net cash from operating activities	**17,865**	**56,175**
Cash flows from investing activities		
Inflows (in "+")		
Disposal of intangible assets and property, plant and equipment	2,017	1,682
Disposal of a subsidiary	70	0
Disposal of investments	25,305	2,313
Dividends received	1,127	756

in thousands of Polish zlotys	**01.01-30.06.2005**	**01.01-30.06.2004**
Interest received	618	200
Other inflows	25,594	2,833
Outflows (in "-")		
Acquisition of intangible assets and property, plant and equipment	-58,308	-32,178
Acquisition of subsidiary (net of cash acquired)	-65	-1,000
Purchase of investment property	0	0
Purchase of other investments	-44,979	-6,365
Research and development expense	0	0
Other inflows	-61	-6
Net cash used in investing activities	**-48,682**	**-31,765**
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	64,730	61,586
Other financial inflows	183	69,634
Outflows (in "-")		
Purchase of treasury shares	0	0
Dividends paid and other payments to equity holders	0	0
Dividends paid to minority interest holders	-1,055	-901
Repayment of borrowings	-180,555	-55,702
Redemption of debt securities	-15,000	-82,152
Payment of finance lease liabilities	-2,281	-2,242
Other financial outflows	-1,715	-2,730
Net cash used in financing activities	**57,182**	**-12,507**
Total net cash flow	**26,365**	**11,903**
Cash at beginning of period	36,144	31,344
Impact of foreign exchange differences	297	402
Cash at end of period	**62,806**	**43,649**
Cash at end of period (as disclosed in the balance sheet)	62,943	43,641
foreign exchange differences	-137	8
Cash at end of period (as disclosed in the cash flow statement)	**62,806**	**43,649**

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	Exchange differences on translation of subordinated entities	Retained earnings	**Equity attributable to the 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
Decreases from retirement and disposal of non-current assets				-18					-18	-4	-22
Changes in the Group's composition								1,245	1,245	0	1,245
Exchange differences on translating foreign operations							201		201	126	327
Net profit / (loss)								46,358	46,358	4,502	50,860
Payment of dividend to shareholders								-917	-917	-2,143	-3,060
Profit-based bonus payments								-181	-181	-19	-200
Other increases								252	252	144	396
Other decreases								-28	-28	0	-28
Equity at (end of period): 30/06/2004	98,982	-14,684	0	0	0	84,633	3,398	531,355	703,684	107,015	810,699

in thousands of Polish zlotys	Share capital	Treasury shares	Share premium reserve	Equity components relative to assets held for sale	Revaluation reserve	Other reserves	Exchange differences on translation of subordinated entities	Retained earnings	**Equity attributable to the 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
Error corrections									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								5	5		5
Changes in the Group's composition									0	-46	-46
Exchange differences on translating foreign operations							1 606		1,606	910	2,516
Net profit / (loss)								49,942	49,942	5,387	55,329
Payment of dividend to shareholders								-8,400	-8,400	-1,387	-9,787
Issue of share capital	41,019		151,328						192,347		192,347
Disposal of treasury shares		18,805				-3,966			14,839		14,839
transfer of the reserve capital to retained profit						-2,210		2,210	0		0
Other decreases								-420	-420	-137	-557
Equity at (end of period): 30/06/2005	140,001	0	151,328	0	0	78,457	799	598,785	969,370	110,239	1,079,609

Additional information for the condensed consolidated financial report of the Ciech Chemical 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 second quarter of 2005 ended 30th June 2005 comprises the financial statements of Ciech S.A. and its subsidiaries (jointly called "Ciech Chemical Group"; the "Group"), and the Group's interests in associates and joint ventures. The Ciech Chemical Group's parent company is Ciech S.A.

Consolidated entities evaluated using the equity method in the second quarter of 2005, comparative figures for the second quarter of 2004 and the year 2004.

Name of the Company / Group	Consolidation method as at 30.06.2005 and Ciech SA's control	Consolidation method as at 31.12.2004 and Ciech SA's control	Consolidation method as at 30.06.2004 and Ciech SA's control
1) Ciech SA	Parent company	Parent company	Parent company
2) Ciech - Polfa SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
3) Ciech Petrol Sp. z. o. o.	Entity merged with Cheman SA.	Ciech SA's subsidiary, fully consolidated until the merger with Cheman SA, i.e. until 9th July 2004.	Fully consolidated subsidiary of Ciech SA
4) **Przedsiębiorstwo Chemiczne Cheman SA**	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA Since July 9th, 2004, after the merger with Ciech Petrol Sp. z o.o., also fully consolidated.	Fully consolidated subsidiary of Ciech SA
5) Petrochemia-Blachownia Group	Fully-consolidated lower-tier Capital Group	Fully-consolidated lower-tier Capital Group	Fully-consolidated lower-tier Capital Group
5.1) Petrochemia-Blachownia SA	Lower-tier group parent (controlled by Ciech SA)	Lower-tier group parent (controlled by Ciech SA)	Lower-tier group parent (controlled by Ciech SA)
5.2) Bl-Trans Sp. z o.o.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
6) Soda Mątwy Group	Fully-consolidated lower-tier Capital Group	Fully-consolidated lower-tier Capital Group	Fully-consolidated lower-tier Capital Group
6.1)Inowrocławskie Zakłady Chemiczne SODA MĄTWY SA	Lower-tier group parent (controlled by Ciech SA)	Lower-tier group parent (controlled by Ciech SA)	Lower-tier group parent (controlled by Ciech SA)
6.2) Transoda Sp. z o.o.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
6.3) Elektrociepłownie Kujawskie Sp. z o.o.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
6.4) Polskie Towarzystwo Ubezpieczeń SA	Indirect lower-tier associate of CIECH SA valuated using the equity method.	Indirect lower-tier associate of CIECH SA valuated using the equity method.	Indirect lower-tier associate of CIECH SA valuated using the equity method.
7.) Janikowskie Zakłady Sodowe Janikosoda SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
7.1) Polskie Towarzystwo Ubezpieczeń SA	Indirect lower-tier associate of Ciech SA valuated using the equity method.	Indirect lower-tier associate of Ciech SA valuated using the equity method.	Indirect lower-tier associate of Ciech SA valuated using the equity method.
8) Fosfory Group	Fully-consolidated lower-tier Capital Group	Fully-consolidated lower-tier Capital Group	Fully-consolidated lower-tier Capital Group
8.1) Gdańskie Zakłady Nawozów Fosforowych Fosfory Sp. z o.o.	Lower-tier group parent (controlled by Ciech SA)	Lower-tier group parent (controlled by Ciech SA)	Lower-tier group parent (controlled by Ciech SA)

Name of the Company / Group	Consolidation method as at 30.06.2005 and Ciech SA's control	Consolidation method as at 31.12.2004 and Ciech SA's control	Consolidation method as at 30.06.2004 and Ciech SA's control
8.2) Agrochem Sp. z o.o. Dobre Miasto	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
8.3) Agrochem Sp. z o.o. Człuchów	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
9) Alwernia Group	Fully-consolidated lower-tier Capital Group	Fully-consolidated lower-tier Capital Group	Fully-consolidated lower-tier Capital Group
9.1) Zakłady Chemiczne Alwernia SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
9.1) Alwernia Chrom Sp. z o. o	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
10) Polsin Pte. Ltd.	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
11.) Daltrade Plc.	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
12) Vitrosilicon SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
14) Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.	Jointly controlled entity of CIECH SA - accounted for using the equity method.	Jointly controlled entity of CIECH SA - accounted for using the equity method.	Jointly controlled entity of CIECH SA - accounted for using the equity method.
15) Zach-Ciech Sp. z o.o.	Associate of Ciech SA valuated using the equity method; in liquidation from March 11th, 2005. An impairment loss was recognised for the entity in liquidation.	Associate of Ciech SA evaluated using the equity method; in liquidation from March 11th, 2005. An impairment loss was recognised for the entity in liquidation.	Associate of Ciech SA evaluated using the equity method
16) Zakłady Tworzyw i Farb Sp. z o.o.	-	Associate of Ciech SA - accounted for using the equity method till the day of sale on June 13th, 2004.	Associate of Ciech SA - accounted for using the equity method till the day of sale on June 13th, 2004.

The area of business activity of the parent company and its subsidiaries is:

- **Parent company - Ciech SA**

The core business of the parent company as defined in the Articles of Association 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 SA**
- manufacture of other inorganic basic chemicals,
- manufacture of household and technical glassware,
- manufacture of plastic packing goods,
- manufacture of other plastic products,

- **JZS Janikosoda SA**
- production of salt,
- manufacture of industrial gas,
- manufacture of other inorganic basic chemicals,
- manufacture of other chemical products n.e.c.

- **Ciech – Polfa SA**
- 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, raw 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 evaluated using the equity method.

- Jointly-controlled company - Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o., Bydgoszcz
- Associated company "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 (June 30th, 2005) by the national Bank of Poland to be 4 0401. Individual items of the profit and loss account were calculated into EURO at an average rate which is arithmetic mean of average rates determined by the National Bank of Poland for EURO as at the last day of each month, i.e. from January to June 2005, which are respectively: 4.0503 ; 3.9119; 4.0837; 4.2756; 4.1212; 4.0401. The mean exchange rate for the second quarter of 2005 is 4.0805.

2. Statement of Compliance

These condensed financial statements were prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU. IFRS lay down 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 June 30th 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 this condensed financial statement explains the impact of IFRS application on the balance-sheet items and the net profit of the CIECH Group.

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 the condensed financial statement in compliance with IFRS requires the Management Board to exercise professional judgement, estimates, and objectives that impact the adopted accounting principles and the measurement of the assets, liabilities, income, and expenses. All estimates and the related assumptions are based on a historical experience 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 in a continuous 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 Board's professional judgements that have a significant impact on the consolidated financial statement, and the estimates bearing a high risk of significant changes in the future periods, are elaborated on in Sections 10.14 and 21 of this condensed financial statement.

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 agreed 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 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

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 in foreign currency translations".

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 at 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:
- 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;
- The Group designated as available-for-sale assets on initial recognition; or
- 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. The acquisition price includes the price for the purchase of assets (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 a 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 of the fixed assets, this can be done at the moment new expenditures are borne.

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) 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

e) 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 book value 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 book value 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 are recognised in the income statement at the moment they are 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 expenses	2 - 5	years
Patents and licences	2 - 10	years
Other	2 - 5	years

f) 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).

g) 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 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.

h) 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 production underway 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.

i) 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.

j) Impairment of assets

The book value 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 value 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 units (unit group's) other assets, an 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 adoption of 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.

k) 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 profit and loss account.

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 the 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, 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, 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.

l) 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.

m) Reserves
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.

n) Trade and other receivables
Trade and other receivables are carried at cost.

o) Income
(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 collectibility 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.

p) 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.

q) 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.

r) 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:
Soda Segment
Power Generation Segment
Organic Segment.
Petrochemical Segment
Agro-Chemical Segment
Pharmaceutical Segment
Segment of silicates and glass products
Inorganic Segment
Discontinued Operations
Other Operations

s) 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.

t) 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 SA and the Group companies in the second quarter of 2005.

An Ordinary General Meeting of Shareholders of Ciech SA, which took place on 29th June 2005, adopted the Resolutions concerning:

- the approval of the individual and consolidated financial statement as well as the Management Board's reports on the activity of Ciech SA and the Ciech Group for 2004;
- division of profit recorded in 2004 in the amount of PLN 19,445,003.64;
- appointment of the members of the Supervisory Board for the 5th term
- amendments to the Articles of Association of the Company .
- on discharging members of the Management Board and members of the Supervisory Board

In the second quarter of 2005 the Ciech Group is running investment projects in accordance with the adopted investment plan for 2005.The main investment projects include:

- construction of a monohydrate system which will make it possible to manufacture heavy "monohydrate" soda;
- construction of the feed phosphate system;
- construction of a second production line for hollow glass bricks;
- construction of a BT fractional extraction distillation system.

The implementation of these projects will allow the Ciech Group to strengthen its market position, to launch new products and to give an opportunity to look for new markets for the products.

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

During two quarters of 2005 the Ciech Group recorded a net profit of PLN 55,329,000, the balance sheet amount was PLN 1,691,653,000, and cash increased by PLN 26,366,000. The table below presents the selected financial data and the basic financial ratios for two quarters of 2005 and 2004.

Selected financial information
in '000 PLN

	2 quarters 2005	2 quarters 2004	2005/2004 dynamics
Net income from sales	**1,079,188**	**1,078,738**	0.04%
Cost of sales	-826,213	-799,175	3.38%
Gross sales profit	252,975	279,563	-9.51%
Selling costs	-107,884	-107,975	-0.08%
Overhead costs	-78,019	-81,479	-4.25%
Other Operating Income / Expense	-15,439	-7,372	109.43%
Operating profit	51,633	82,737	-37.59%
Financial income / expense	14,821	-12,684	-
Share in the profit of subsidiaries	5,245	-3,210	-
Income Tax	-16,370	-15,983	2.42%
Net profit	**55,329**	**50,860**	8.79%
Net profit of minority shareholders	5,387	4,502	19.66%
Net profit attributable to the equity holders of the parent	**49,942**	**46,358**	7.73%
EBITDA	105,578	133,924	-21.17%
Net earnings per share	1.94	2.53	-23.32%
Net profit margin	4.63%	4.30%	7.69%
EBIT%	4.78%	7.67%	-37.62%
EBITDA %	9.78%	12.41%	-21.20%
Current ratio	1.60	1.08	48.28%
Quick ratio	1.26	0.88	42.14%
Total debt ratio	36.18%	48.73%	-25.76%
Equity to assets ratio	63.82%	51.27%	24.48%

Calculation principles:
net earnings per share – net earnings per ordinary shareholders of the parent company / weighted average number of ordinary shares in the given period (pursuant to the definition of IAS 33 "Earnings per share")
net return – net profit for the shareholders in the parent company for a given period / net income from sales of products, services, goods and materials in a given period,
EBIT% – operating profit for a given period / net income from sales of products, services, goods and materials in a given period,

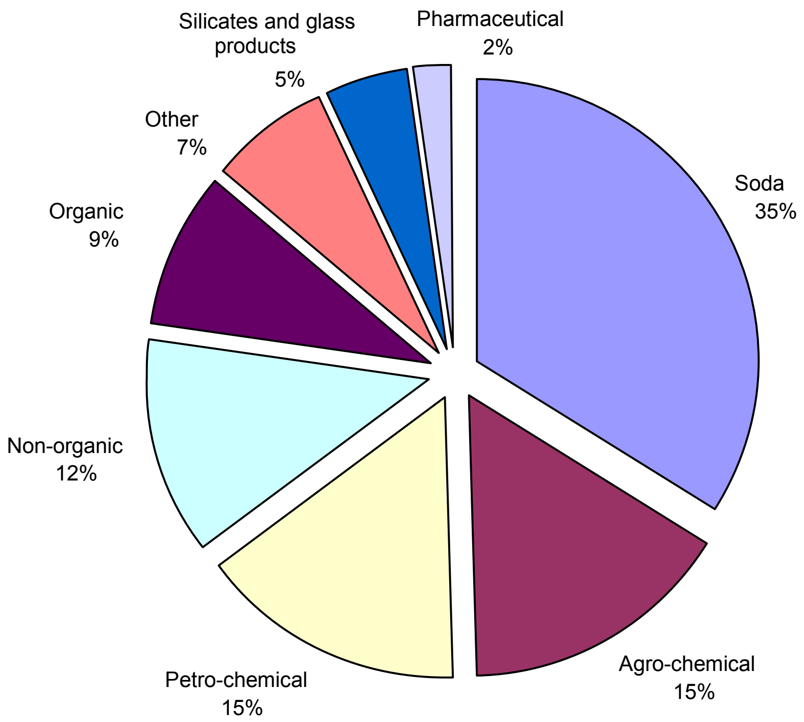
EBITDA% – (operating profit + depreciation for a given period) / net income from sales of products, services, goods and materials in a given period,
current ratio – current assets at the period-end / current debt at the period-end,
quick ratio – current assets less inventories at the period-end / current debt at the period-end,
total debt ratio – short- and long-term debt at the period-end / total assets at period-end,
equity to assets ratio – total equity as at period-end / total assets as at period-end

Income from sales

The Group's net consolidated sales for the two quarters of 2005 were PLN 1,079,188,000, which was similar to the sales income achieved in the same period of 2004.Note that the first two quarters of 2004 were 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 six months of 2004 was PLN 4.73, whereas the average EUR/PLN exchange rate this year was PLN 4.07). Another factor contributing to the sales increase in the two quarters of 2005 was the growth in chemical-product prices compared to the same period of 2004, especially noticeable in the soda industry.
The income from sales in Q2 totalled PLN 537,165,000 and was lower by nearly 1% than the income earned in Q1, which mainly ensued from lower sales of phosphate fertilisers (seasonability effect).

Structure of the income from sales

Income in the first two quarters of 2005 by business segment looked 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 domestic income in the first two quarters of 2005 was PLN 600 million, accounting for 56% of the total income, and the income from foreign markets was PLN 479 million, accounting for 44% of the Group's total income. The largest share of the CIECH Group's revenues in the first two quarters of 2005 (86%) was generated by the five main business segments: the soda segment, the agro-chemical segment, the petrochemical segment, inorganic chemicals, organic chemicals.

Soda Segment

The soda segment's share in the Group's total sales in the first two quarters of 2005 was 35%. The parent Ciech S.A. company plays a key role in the sales operations, processing the total sales of the output manufactured by the subsidiaries Soda Mątwy SA and Janikosoda SA. The main product in this segment is soda ash, which accounts for 74% of sales in this segment. The Group’s companies are the sole manufacturers of soda in Poland. The drop in the sales of the soda segment in comparison to the first two quarters of 2004 was caused by: lower internal demand and lower export profitability (disadvantageous exchange rates).

Agro-Chemical Segment

The agro-chemical segment accounted for 15% of the Group's sales income in the first two quarters of 2005. It is the home segment of the parent Ciech SA which exports fertilisers and imports raw materials 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 84% of the segment income. The growth of sales in the segment in comparison to the first two quarters of 2005 was caused by an increase in fertiliser export sales by Ciech SA which was caused by an acquisition of additional goods from the suppliers' countries and increased import of raw materials for fertiliser production. Domestic fertiliser sales by the subsidiary Fosfory Sp z o.o. dropped in comparison to the first two quarters of 2004 due to a shorter fertilisation period ensuing from the fact that snow was covering the ground for a longer period of time.

Petrochemical Segment

The petro-chemical segment accounted for 15% of the Group's sales income in the first two quarters of 2005. The key product here is ethyl benzene, 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 drop in the revenues in this segment was caused by lower production volume at Petrochemia Blachownia which was caused by a temporary reduction of production of ethyl benzene resulting from unfavourable sales prices and successive withdrawal of Ciech SA from the liquid fuel market.

Inorganic segment

The inorganic segment accounted for 12% of the Group's sales income in the first two quarters of 2005. The subsidiary - Alwernia SA - which manufactures phosphorus and chromium compounds, is the main manufacturer in this segment; the company imported raw materials and exported some of its products through Ciech SA. The main commodity of this segment is sodium tripolyphosphorus, which accounts for 39% of the segment's income. Sales in the segment were maintained on a similar level as the sales in the first two quarters of 2004. The segment's production structure is gradually changing by reducing the production volume of chromium compounds in favour of other inorganic products in the segment.

Organic segment.

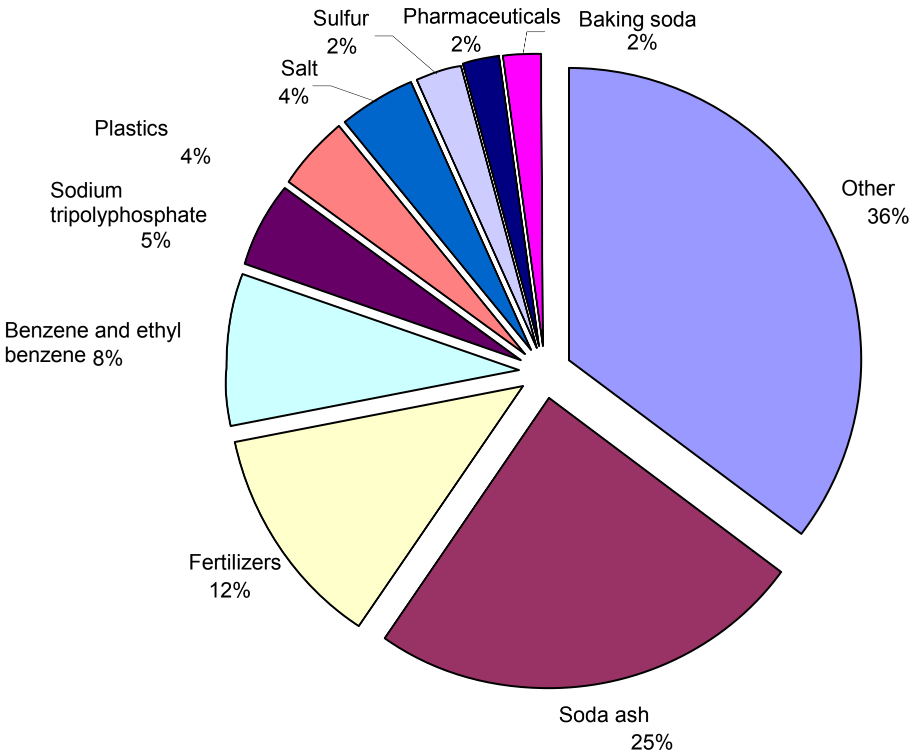
The organic segment accounted for 9% of the Group's sales income in the first two quarters of 2005. The key player in that segment is Ciech SA, which renders exports agency services, usually on a consignment basis. The main products in the segment are plastics which account for 50% of the segment's revenue each. Other contributors to the segment revenues are epichlorohydrin and isocyanides (TDI); Ciech SA exported those products on a consignment basis in the first two quarters of 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 epichlorohydin export volumes.

Silicates and glass products segment

The silicates and glass products segment accounted for 5% of the Group's sales income in the first two quarters of 2005. Vitrosilicon SA, which manufactures silicates, glass blocks, and glass lanterns, is the main manufacturer in this segment. Vitrosilicon SA is the only manufacturer of glass blocks in Poland. Glass blocks and lanterns accounted for approx. 51% of the segment's income and contributed the most to the segment's revenue in the first two quarters of 2005. Silicates are mainly sold for export, usually via Ciech SA. The growth of sales in the segment in comparison to the first two quarters of 2004 was caused by an increase in sales of all product groups in the segment, resulting from good market growth and higher demand.

The figure below shows the Group's sales income distribution by leading products.

Figure 1. Sales income distribution by leading product shares.



Source: Ciech SA

Gross sales profit

The consolidated gross sales profit for the first two quarters of 2005 was PLN 252,975,000 and was lower by approx. 10% than the profit earned in the same period of 2004. The six-month result was mainly affected by the disadvantageous exchange rates (average EUR/PLN exchange rate in the first two quarters of 2005 was 4.07 while it was 4.72 in the same period of 2004) and a significant increase in the prices of the manufacturing raw materials.
The increase in raw material prices was compensated by a reduction in the raw material usage and an increase in the soda-product prices at the beginning of 2005.
The gross sales profit in the second quarter of 2005 was PLN 127,674,000 and was higher than the profit earned in the first quarter by PLN 2,373,000. The main reason for this increase was the ability to raise the soda-product prices while observing a drop in coke prices.

Operating profit (EBIT)

The operating profit in the first two quarters of 2005 was PLN 51,633,000. This means a 38% drop in comparison to the same period of last year. The decrease in the profit ensued from (a) a decrease in the gross sales profit (by PLN 26,588,000) and (b) higher loss on other operations (by PLN 8,067,000 – mainly due to the creation of the reserve for anticipated losses and revaluation write-downs). Furthermore, a deduction of goodwill of Cheman SA valued at PLN 2,826,000 had a negative impact on the results of other operations. The drop in the value of EBIT was somewhat reduced by a reduction of overhead expenses which decreased by PLN 3,460,000 and by programmes to improve operating capacity aimed at reducing the usage of raw materials and at reducing the costs. The financial effects of these programmes are estimated at PLN 8 million for the first quarter of 2005.

Net profit

The consolidated net profit for the first two quarters of 2005 was PLN 55,329,000.The net profit for the shareholders of the parent company was PLN 49,942,000.The net profitability reached a level of 4.63% (4.30% the year before). The share of minority interests in the net profit was PLN 5,387,000.The main source of profit - similarly to last year - was the result attained on core business (gross sales profit less sales costs and overhead costs). A positive balance of income and costs of financial operations worth PLN 14,821,000 had a positive impact on the net profit. The profit achieved on financial activities ensued, above all, from the sale of CIECH SA's shares by the Group entities in a public offering (the profit on the transaction was PLN 17,815,000). The loss recorded by the subsidiary Cheman SA (PLN 6.5 million) had an adverse effect on the net profit.

Capital structure

	30.06.2005	30.06.2004	2005/2004 dynamics
Value of assets	**1,691,653**	**1,581,301**	7.0%
Non-current assets	883,840	871,621	1.4%
Working capital, including:	807,813	709,680	13.8%
- inventories	*174,406*	*129,168*	*35.0%*
- trade and other receivables	*509,359*	*488,877*	*4.2%*
- cash and cash equivalents	*62,943*	*43,641*	*44.2%*
Parent's equity	**969,370**	**703,684**	**37.8%**
Minority interest	110,239	107,015	3.0%
Equity	**1,079,609**	**810,699**	**33.2%**
Long-term liabilities	107,540	113,389	-5.2%
Short-term liabilities	504,504	657,213	-23.2%

Equity

The consolidated equity of the shareholders of the parent company of the Ciech Group totalled PLN 969,370,000 at the end of Q2 and was higher than the year before by PLN 265,686,000. The decisive reason for the increase in equity was the acquisition of funds from the issue of shares in the amount of PLN 192,347,000, as well as the generation of a net profit of shareholders of the parent company for two quarters of 2005 in the amount of PLN 49,942,000.

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

The Group's non-current assets as at June 30th, 2005 constituted 52% of the balance sheet amount and equalled to PLN 883,840,000. Their share decreased in comparison to the level from the year before despite of the growth of the value of the non-current assets by PLN 12,219,000. The reason for this was high growth of the current assets. Non-current assets were comprised, above all, of: property, plant and equipment which accounted for over 88% of non-current assets.

Current assets

The Group's current assets as at June 30th, 2005 accounted for 48% of the total assets. The following dominated in the current assets structure: (a) trade and other receivables – 63% of the current assets, (b) inventories – 22% of the current assets and (c) cash and cash equivalents – 8%. In comparison to 30.06.2004, the value of the current assets increased by 13.8%, which ensued from increases in: (a) inventories (by PLN 45,238,000), (b) trade and other receivables (by PLN 20,482,000), (c) short-term investments (by PLN 19,473,000) and (d) cash and cash equivalents (by PLN 19,302,000). The increase in inventories ensued mainly from the import of a larger batch of phosphorus stock to take advantage of the temporary price decreases and the good dollar exchange rates (Fosfory, Alwernia). The increase in the level of short-term investments and in the value of cash ensued mainly from the income earned on the issue of shares in February 2005.

Consolidated debt

The total short-term and long-term debt of the Ciech Group as at June 30th, 2005 stood at PLN 612,044,000, which was 21% less than as at June 30th, 2004. Long-term debt accounted for 18% of the total debt and was PLN 5,849,000 lower than as at June 30th, 2004.

Short-term debt decreased by PLN 152,709,000 compared to June 30th, 2004.The drop in the debt amount ensued mainly from the repayment of bank loans. Bank debt accounted for 28%, and trade and other debt accounted for 66% of the total short-term debt.

Net debt as at June 30th, 2005 (comprising bank loans, other loans, and other financial liabilities less cash) amounted to PLN 112,617,000 (PLN 353,009,000 the year before). Such a considerable reduction in net debt ensued from the repayment of some of the current borrowings while observing an increase in cash (mainly thanks to the obtainment of cash from the share issue). Also for this reason the Group's debt index (calculated as the ratio of net debt to the balance sheet amount) decreased from 22.3% to 6.7% in comparison to June 30th, 2004.

The financial leverage (the ratio of net debt to the sum of net debt and total equity) was equal to 9.4% as at June 30th, 2005. The year before this same index was 30.3% .

The current ratio, calculated as the ratio of total current assets to short-term debt, amounted to 1.6, which means a significant improvement in liquidity compared to the value observed the year before when that ratio stood at 1.1.

Cash flows

The net cash flows after the first two quarters of 2005 amounted to PLN 26,365,000. Net cash from operating activities was PLN 17,865,000.Apart from the net profit plus depreciation, the level of cash flow was most affected by changes in the working capital: (a) increase in inventories (PLN -54,956,000), (b) decrease in debt (PLN -60,992,000) and (c) decrease in receivables (PLN +40,138,000). The balance between the revenue and the expenses related to investments was negative and amounted to PLN 48,682,000. The most important expenses in the first two quarters were expenditures on non-current assets in production companies and expenses related to deposits made by Ciech SA after receiving funds from the issue of shares. The greatest revenues were made up of the funds obtained from the sale of Ciech SA's own shares by the Ciech Group of Companies as well as money earned on Ciech SA's deposits. The main source of the increase in cash levels were cash flows related to financial activity, whose balance amounted to PLN 57,182,000. The funds mainly came from share issues, which were partially used to pay off current loans.

Cash as disclosed in the cash-flow statement at the end of June 2005 totalled PLN 62,806,000.

7. Income and profits/losses by business segments.

Sales revenue by business segment.

in thousands of Polish zlotys	**2 quarters 2005**	**2 quarters 2004**
Soda Segment	365,963	379,081
Petrochemical Segment	166,054	176,025
Agro-Chemical Segment	166,817	131,004
Inorganic Segment	133,970	133,274
Organic Segment.	96,179	146,494
Segment of silicates and glass products	51,812	46,590
Pharmaceutical Segment	24,499	22,336
Power Generation Segment	3,118	2,155
Other	70,776	38,479
Discontinued Operations	0	3,300
TOTAL	**1,079,188**	**1,078,738**

Profit/loss by business segment

01.01.-31.06.2005	Soda Segment	Power Generation Segment	Organic Segment.	Petrochemical Segment	Agro-Chemical Segment	Pharmaceutical Segment	Segment of silicates and glass products	Inorganic Segment	Discontinued Operations	Other Operations	Eliminations (consolidation adjustments)	TOTAL
Revenue from third parties	361,206	2,441	94,377	166,054	165,296	24,494	51,825	131,965	0	71,176	0	1,068,834
Income from inter-segment sales	23,790	105,117	1,860	79,702	5	42	115	2,989	0	12,911	-216,177	10,354
Total revenue	**384,996**	**107,558**	**96,237**	**245,756**	**165,301**	**24,536**	**51,940**	**134,954**	**0**	**84,087**	**-216,177**	**1,079,188**
Segment profit/loss	**92,631**	**6,272**	**11,046**	**7,065**	**30,691**	**1,139**	**6,220**	**19,375**	**0**	**6,229**	**-4,678**	**175,990**
Unallocated (expenses) / income												-124,357
Operating profit												**51,633**
Net finance income (costs)												14,821
Share of profit of associates	0	0	0	0	0	0	0	0	0	5,245	0	5,245
Tax												-16,370
Profit on discontinued operations												0
Net profit												**55,329**

01.01.-31.06.2004	Soda Segment	Energy Segment	Organic Segment.	Petrochemical Segment	Agro-Chemical Segment	Pharmaceutical Segment	Segment of silicates and glass products	Inorganic Segment	Discontinued Operations	Other Operations	Eliminations (consolidation adjustments)	TOTAL
Revenue from third parties	375,013	2,105	144,039	176,025	130,818	22,336	46,590	132,650	3,300	37,648	0	1,070,524
Income from inter-segment sales	24,093	103,281	2,502	69,636	186	76	89	1,430	0	8,672	-201,751	8,214
Total revenue	**399,106**	**105,386**	**146,541**	**245,661**	**131,004**	**22,412**	**46,679**	**134,080**	**3,300**	**46,320**	**-201,751**	**1,078,738**
Segment profit/loss	**123,866**	**13,090**	**21,850**	**9,955**	**5,466**	**1,811**	**9,212**	**63,247**	**217**	**16,200**	**-5,622**	**259,292**
Unallocated (expenses) / income												-176,555
Operating profit												**82,737**
Net finance income (costs)												-12,684
Share of profit of associates	0	0	0	0	0	0	0	0	0	-3,210	0	-3,210
Tax												-15,983
Profit on discontinued operations												0
Net profit												**50,860**

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

in '000 PLN

Figures for the period from 01.01.2005 to 30.06.2005	Purchase	Disposal
a) Fixed assets, including:	19,119	3,544
land, buildings, structures, and land- and water engineering facilities	1,993	875
machinery and equipment	13,942	495
vehicles and other means of transport	2,112	1,851
other fixed assets	1,072	323
b) fixed assets under construction	34,436	0
c) Advances on PPE under construction (net)	2,703	0
Total property, plant and equipment	**56,258**	**3,544**

Parent company - Ciech SA
Ciech SA purchased PPE for the total of PLN 2,240,000, including PLN 1,667,000 spent on purchases of machinery and equipment, and PLN 536,000 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 950,000.PLN 521,000 was covered from the entity's own resources, originally allocated to purchase vehicles. The debt balance related to the purchase of non-current assets as at June 30th, 2005 totalled PLN 655,000. The value of contracts resulting in future commitments concerning the purchase of PPE amounts to PLN 327,000.

Przedsiębiorstwo Chemiczne Cheman SA
Cheman SA purchased PPE for the total of PLN 2,387,000, including PLN 2,065,000 spent on purchases of PPE under construction. As at 30.06.2005, the entity's commitment to purchase PPE was PLN 45,000.

Fosfory Group
GZNF Fosfory Sp. z o.o. (lower-tier parent) purchased PPE under construction worth PLN 4,733,000.The entity's purchase commitment at June 30th, 2005 was PLN 717,000.The purchase of non-current assets was financed with own funds. The value of contracts resulting in future commitments concerning the purchase of PPE amounts to PLN 5,932,000.The value of advance payments transferred for the purpose of purchasing PPE is PLN 978,000.

Janikowskie Zakłady Sodowe Janikosoda SA
The entity spent PLN 14,668,000 of its own resources to purchase PPE under construction. The Company also purchased technical equipment and machinery for the amount of PLN 4,927,000.

Petrochemia Blachownia Group
Petrochemia-Blachownia SA (lower-tier parent) purchased PPE under construction worth PLN 5,089,000 using its own resources.

Ciech – Polfa Sp. z o.o.
The entity purchased PPE worth PLN 604,000.PLN 444,000 was covered from the entity's own resources, originally allocated to purchase vehicles.

Soda Mątwy Group
IZCH Soda Mątwy SA (lower-tier parent) purchased machinery and equipment worth PLN 6,510,000 and PPE under construction worth PLN 6,700,000.Commitments to purchase PPE as at June 30th, 2005 stood at PLN 3,910,000, and pertained to the purchase of goods and services related to the continuation of modernisation and replacement projects. The value of contracts resulting in future commitments concerning the purchase of PPE amounts to PLN 10,371,000.The value of advance payments transferred for the purpose of purchasing PPE is PLN 2,703,000.

Vitrosilicon SA
PPE purchased are financed from the entity's own resources. The entity spent PLN 1,173,000 to continue its investments. The value of contracts resulting in future commitments concerning the purchase of PPE amounts to PLN 452,000.The value of advance payments transferred for the purpose of purchasing PPE is PLN 43,000.

9. Information concerning default in debt repayment or any violations of borrowing contract provisions not subsequently adjusted.

Not applicable.

10. Provisions and revaluation write-downs on assets – from 01.01.2005 to 30.06.2005

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

Provisions recognised in Q2 2005	*PLN ,000*
Deferred tax provision	2,481
Provision for severance pays, leaves, bonuses, reimbursements, etc.	4,501
Provision for expected losses	3,855
Provision for expected commitments (expenses)	1,576
Total	**12,413**

Provisions reversed in Q2 2005	*PLN ,000*
Deferred tax provision	1,269
Provision for severance pays, leaves, bonuses, reimbursements, etc.	3,866
Provision for expected losses	1,978
Reclamation provision	568
Restructuring provision	530
Provision for commitments (expenses)	1,081
Total	**9,292**

Impairment losses on assets (increase) recognised in Q2 2005	*PLN ,000*
Impairment losses on receivables	4,308
Impairment losses on inventories	401
Impairment losses on PPE and intangible assets	90
Total	**4,799**

Impairment losses on assets (decrease) in Q2 2005	*PLN ,000*
Impairment losses on receivables	1,852
Impairment losses on inventories	1,150
Impairment losses on PPE and intangible assets	633
Impairment losses on short-term financial assets	550
Total	**4,185**

Deferred tax assets in Q22005	*PLN ,000*
Increase	2,791
Decrease	993

11. Seasonality and cyclicality of the operations of Ciech SA and the Ciech Group.

The CIECH Group's level of income and financial performance depends to a large extent 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
- Significant number of product and goods groups

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

Examples of the Group's products and goods, the sale of which is of seasonal or cyclic character

Product group/Product	Character of seasonality
Soda ash	Fluctuations in manufacture and sales of cyclic character result from technological reasons. Technological lines are renovated every 2 years, which causes temporary decrease in soda production.
Mineral fertilizers	The sales connected with the work cycle related to fertilising (there are two peak periods of sales: spring and autumn, summer months as well as October and November are dead periods)
Calcium chloride	Sales related to weather conditions. The sales peak comes in winter months.
Glass lanterns	Higher sales around religious holidays
Glass blocks	Sales associated with the construction cycle. Sales increase in the summer months and decrease from December to February

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:

- 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

The trading activity of the Ciech Group involves to a large extent the chemicals that are raw materials. The raw-material markets are characterised by high cyclicality, prompted by fluctuations in the world economies.
The biggest fluctuations of market prices connected with those cycles concern oil-related products such as benzene, toluene, ethyl benzene. In those cases in the periods of several years (3-5 years) the differences in prices range from 50% to over 100%. With regard to inorganic chemicals, which are dominating items in the turnover of Ciech SA (soda ash, soda-based products, mixed and phosphate fertilizers) the differences in market prices are lower or slight. The prices of many chemicals increased in 2004 but it is anticipated that the price growth will come to a halt in the near future.

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

In the second quarter of 2005 that ended on June 30th, 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.

The Ordinary General Meeting of Shareholders of Ciech SA resolved by virtue of the resolution no. 9 dated June 29th, 2005 to allot PLN 8,400,000 from the net profit made by Ciech SA in 2004 to pay the dividend to the Shareholders equal to PLN 0.30 per share. The dividend for 2004 was paid to the shareholders who were holding Company's shares on July 15th, 2005. The dividend shall be paid on August 1st, 2005.

14. **Unrecognised events occurring after June 30th, 2005 that may have a significant impact on the future financial performance of the Ciech Group.**

The aforementioned events did not take place in the second quarter of 2005.

15. **Effects of changes in the organisational structure of the Ciech Group, including business mergers, 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 Q2 2005 at the Ciech Group, nor were any operations discontinued.

A compulsory buyout of shares in Vitrosilicon SA from shareholders holding less than 5% of the share capital took place on June 6th, 2005. Shares in Vitrosilicon SA were acquired by the current shareholders, i.e. Ciech SA (acquired 753 shares), Janikosoda SA (acquired 248 shares), and Soda Mątwy SA (acquired 248 shares). As on the day this statement was being published, the share of each company in the share capital of Vitrosilicon SA was: Ciech SA - 60.4%; Janikosoda S.A - 19.8%; Soda Mątwy SA - 19.8%.

On June 14th, 2005 Ciech SA sold its shares in its subsidiary Polcommerce Kft based in Budapest (not subject to consolidation) to its subsidiary Ciech Polfa Sp. z o.o. for the price of PLN 203,000 (the profit on this transaction was PLN 0.00)

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

The contingent receivables as at June 30th, 2005 amounted to PLN 3,800,000, which means an increase by PLN 1,000,000 in comparison to December 31st, 2004. The increase in the value of contingent receivables was caused by an issue of a guarantee to secure customs and tax receivables of Ciech SA pursuant to art. 74 of the Community Customs Code worth PLN 2,000,000 and the expiry of the customs guarantee worth PLN 1,000,000 issued by Alwernia SA.

The value of liabilities as at June 30th, 2005 amounted to PLN 37,692,000, which means a decrease of PLN 3,095,000 in comparison to December 31st, 2004. Including a drop in contingent liabilities for guarantees and sureties by PLN 1,857,000. Other contingent liabilities decreased in comparison to the end of 2004 by PLN 1,238,000 (Alwernia SA as well as Fosfory Sp. z o.o. discounted some of its bills of exchange). In January 2005 the Company granted loan guarantees without specific deadlines worth PLN 1,247,000, taken out at BRE-Multibank SA by Ciech SA employees entitled to purchase shares in the company (employee shares) as part of a closed public offering. The guarantee expires on final loan settlement

Other off-balance sheet items as at June 30th, 2005 amounted to PLN 12,379,000 and increased in comparison to December 31, 2004 by PLN 2,424,000, including by PLN 754,000 in operational leasing caused by the fact that Cheman SA concluded a new agreement with Volkswagen Leasing Polska for a passenger car as well as by the value of Vitrosilicon's discounted foreign bills of exchange.

17. **Assets held for sale**

The Management Board of Ciech SA 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 of Ciech Group was PLN 104 million.

After the first six months the annual forecast concerning the revenue from the Group's sales was completed in 50% and the Group's net profit of PLN 55 million in approx. 53%.

Relevant factors affecting the Group's net profit included, on one hand, unfavourable exchange rates (PLN/EUR) which diminished the profitability of export and one-time events, i.e. Cheman's net loss and the associated impairment of goodwill and poorer operational results in the petro-chemical segment and, on the other hand, positive factors included operational results of the soda segment (increase in prices for soda products and decrease in prices for raw materials - coke and coal) and financial income from the sale of shares in Ciech SA by subsidiaries as part of the public offering in February 2005.

The Management Board is analysing the assumptions of the forecast and the perspectives for the second half of the year. The assessment of how the forecast is being realised or adjusted (+/-) will be presented in the next quarterly report.

19. Ciech SA's Shareholders holding at least 5% shares /GA votes as at 16.08.2005.

Pursuant to the notifications received by the Company under Art. 147 section 1 of the Law on public trade in securities:

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

An Ordinary General Meeting of Shareholders of Ciech SA was held on June 29th, 2005. The list of shareholders holding at least 5% of shares / votes during that Meeting was published in the Current Report 84/2005.

Pursuant to the information held by the Management Board of Ciech SA as at 16.08.2005, its affiliates do not hold the number of shares that would be sufficient to entitle them to more than 5% of the total number of votes at the General Meeting.

Changes in the ownership structure of significant blocks of shares / votes of Ciech SA (at least 5%).

	At 16.05.05	Shares acquired	Shares sold	As at August 16th, 2005
State Treasury	10,270,800	-	-	10,270,800
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'	1,712,732	-	-	1,712,732
Commercial Union Investment Management SA (CUIM) Polska	1,504,961	-	-	1,504,961

The Management Board of Ciech SA received information that[1] during the meeting held on July 17th, 2005 the Council of Ministers accepted the motion tabled by the Minister of the State Treasury regarding consent for a non-public sale of shares in Ciech SA, constituting the property of the State Treasury. The State Treasury currently holds 10,270,800 shares in the Company, which directly constitutes 36.68% of the share capital.

[1] Source: Announcement after the meeting of the Council of Minister - 19.07.2005, http://www.kprm.gov.pl/441_14293.htm

20. Changes in Ciech SA 's shares held by Management Board or Supervisory Board Members

	As at 16.05.05	Shares acquired	Shares sold	As at August 16th, 2005
Management Board	383,253	7,388	-	390,641
Supervisory Board	-	-	-	-

21. Procedures pending before courts, in arbitration proceedings, or public administration bodies as at June 30th, 2005.

I. Ciech SA :

Debt recovery (domestic and international) court actions or arbitration proceedings pending against Ciech SA

Claim 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 56,000) 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 District 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 compensation itself. Ciech SA appealed against the preliminary judgment on 19.09.2003, on the grounds that the preliminary judgment was issued on the basis of 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 Court of Appeal upheld the District Court's preliminary judgment, confirming that PCC's claims were justified, without stating the amount of damages, which will be subject to further proceedings. In November 2004, Ciech SA filed another appeal, on the grounds of infringement of the substantive law due to its incorrect interpretation and application, and violation by the Court of Appeal of the principle of free assessment of evidence as defined in the EU directives. On April 19th, 2005 Ciech SA 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 of damages owing to PCC AG. The date of the hearing before the District Court was scheduled on 14th October 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 1996 to 1999.The sued parties were Ciech SA and the sulphur mines in Tarnobrzeg and Grzybów. The current claim is for USD 3,872,943 (equivalent of PLN 12,959,000), following the claimant changing the claimed amount in the course of the proceedings by USD 88,295 (equivalent of PLN 295,000). 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 SA 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 SA. The sued sulphur mines in Tarnobrzeg and Grzybów did not participate in the arbitration procedure, nor did they appoint any attorneys. Ciech SA 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. After closing of the proceedings, the arbitration proceedings ended.
The judgement of the Court of Arbitration at the International Chamber of Commerce in Paris is expected to be passed by the end of August 2005. Ciech SA is represented by a reputable law firm which assessed Comexport's action as unfounded.

Action by Enapharm

In June 2004 the Liquidator for Enapharm in Algeria filed a claim for US $172,879.84 (equivalent to PLN 578,000) in damages concerning medication deliveries by Ciech SA between 1985 and 1991.
According to the claimant, Ciech SA did not replace expired medications that the claimant had not sold, in violation of the contract between the parties. Ciech SA 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 SA 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. The new date of the hearing was not established.

As at June 30th, 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 12,000,000.

Employee claims

Six cases are currently pending against Ciech SA, filed by its former employees terminated due to no fault of their own. The employees are demanding to be reinstated. The projections as to the result of those suits are good.

Ciech SA's (domestic and international) debt

Amounts receivable claimed in courts or courts of arbitration

Ciech SA filed eight civil suits against its domestic trade debtors for the total of PLN 1,586,000. The forecast is good. The Company established a revaluation write-down on the above mentioned amount.

Administrative claims

Ciech SA filed a case before the Supreme Administrative Court (NSA) for reimbursement of customs receivables in the total amount of PLN 94,000. The projections concerning the judgement are positive. The Company established a revaluation write-down on the above mentioned amount.

Bankruptcy proceedings

The total of PLN 12,921,000 is being claimed in sixty domestic bankruptcy proceedings. Ciech SA is claiming USD 724,465 and EURO 418,868 (totalling PLN 4,116,000) via international bankruptcy proceedings, with the largest claims being the bankruptcy proceedings for Chemapol – Prague (PLN 1,139,000), Euroftal N.V., Belgium (PLN 844,000), Petrimex – Bratislava (PLN 753,000), WMW – Novosibirsk (PLN 618,000). The projections as to the results of the bankruptcy proceedings are not good, as Ciech SA 's receivables are not privileged. The Company created a revaluation write-down for all pending proceedings.

Enforcement and composition proceedings

Ciech SA is claiming PLN 27,035,000 from domestic debtors through thirty eight enforcement proceedings. The largest claim (PLN 17,619,000) is in the enforcement proceedings against Sur5Net initiated in August 2004. To date, the measures taken by the enforcement officer have brought no results. Ciech SA 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 24,000 is claimed in five composition proceedings. The projections are good. The Company established a 100% write-down on the above mentioned amounts.

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

USD exchange rate	3.3461
EURO exchange rate	4.0401

II. Subsidiaries

Soda Mątwy SA Group

No claims were filed against Soda Mątwy SA 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 enforcement or court proceedings by Soda Mątwy S.A. and its subsidiaries amount to PLN 27,477,000, with the largest claim of PLN 21,814,000 pending against the company B. Lepiarz for unpaid deliveries of goods. According to the information of Soda Mątwy SA– projections are not good.

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 enforcement proceedings. The enforcement proceedings 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 1,747,000 and composition proceedings amounting to PLN 211,000.
The Soda Mątwy SA Group recognised impairment losses against all pending claims equal to PLN 32,558,000.

Group of Janikosoda SA

No significant claims (liabilities) were filed against Janikosoda S.A. or its subsidiaries that could affect their business. Three complaints are pending before the Supreme Administrative Court filed by Janikosoda S.A. against decisions 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 331,000.The Janikosoda Group's claims against several dozen trade debtors total PLN 214,000.Debt enforcement proceedings are pending to recover the total of PLN 2,115,000, including the largest claim for PLN 2,102,000 against B.Lepiarz. PLN 376,000 is being claimed through bankruptcy proceedings, and PLN 263,000 was reported for composition proceedings.
The Group of Janikododa SA recognised an impairment loss of PLN 3,670,000.

Vitrosilicon SA

No claims (liabilities) were filed against the company that could affect its business.. The company is claiming the total of PLN 1,197,000 from debtors for deliveries and services, including the largest claim pursued through enforcement proceedings for PLN 628,000, and PLN 502,000 pursued through bankruptcy proceedings.
Vitrosilocon SA recognised an impairment loss on all the proceedings pending.

Group of Zakłady Chemiczne "Alwernia" SA

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 406,000 through court actions and enforcement proceedings.The amount of PLN 687,000 was claimed in bankruptcy proceedings, and the amount of PLN 63,000 was claimed in composition proceedings.
The Group of Zakłady Chemiczne Alwernia SA recognised impairment losses against all the proceedings pending.

Cheman SA

No claims (liabilities) were filed against Cheman SA that could affect its business. Cheman SA filed court cases against several dozen trade debtors for the total of PLN 3,780,000, including PLN 1,875,000 claimed in enforcement proceedings and PLN 925,000 reported for bankruptcy proceedings.
Cheman SA recognised an impairment loss on all the proceedings pending.

Group of GZNF 'Fosfory" Sp. z o.o.

No claims (liabilities) were filed against the companies belonging to the Fosfory Group that could affect its business.. The Fosfory Group is claiming the total of PLN 5,868,000 in court actions, execution and bankruptcy proceedings, and recognised an impairment loss on that amount.

Group of Petrochemia – Blachownia SA

No claims of material importance were filed against the Petrochemia Blachownia Group. Petrochemia-Blachownia SA instituted enforcement proceedings for debt from several debtors in connection with the conducted business activity for the total amount of PLN 458,000. Petrochemia-Blachownia SA reported the amount of PLN 165,000 to 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 SA or its subsidiaries (as per the information submitted by the entities).

Transaction party	Affiliation with the party to the transaction	Subject of the 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 SA					
Transoda Sp. z o.o.	Indirect subsidiary	Loan	**T/N WIBOR + bank margin of 0.7%**	none	Loan extended in 2004. Repayment due date: 31.12.2005.Balance outstanding as at 30.06.2005 – PLN 1,150,000.
Cheman SA					
Ciech SA	Parent company	Conducting transactions with regard to trade in plastics on behalf of Ciech SA, but for the benefit of Cheman SA.	PLN 135,000	none	The agreement is valid during a period of three months, starting from 01.04.2005
Ciech SA					
Chemia.com	Subsidiary	Organisation and co-operation in the implementation of the ERP system in IZCH Soda Mątwy	PLN 900,000	none	Agreement is valid for the period from 01.06.2005 to 31.03.2006
Cheman SA	Subsidiary	Trade transactions for plastics and semi-finished-products for and on behalf of Ciech SA.	PLN 135,000	none	Agreement is valid for the period from 01.04.2005 to 31.12.2005
Cheman SA	Subsidiary	Sales agreement for various chemical goods between Ciech SA as the Seller and Cheman SA as the Buyer.	PLN 1,106,000	none	Agreement concluded on 15.04.2005
Cheman SA	Subsidiary	Sales agreement for various chemical goods between Ciech SA as the Seller and Cheman SA as the Buyer.	PLN 1,043,000	none	Agreement concluded on 18.04.2005
Ciech Polfa Sp. z o..o	Subsidiary	Sale of property, plant and equipment	PLN 326,000	none	The sale was made in January and March
Soda Mątwy S.A	Subsidiary	Agreement concerning co-operation with regard to the implementation of the ERP system based on the Oracle.platform. Ciech SA as an investor will make the system implemented in Soda Mątwy by 31.05.2006	PLN 4,777,000	none	Agreement concluded on 06.06.2005
Ciech Polfa	Subsidiary	Sale of shares in Polcommerce Kft. Budapest	Sales price PLN 203,000	none	
Janikosoda SA	Subsidiary	Loan	Annual interest of 6.60%	none	A loan of PLN 4,000,000, taken on 09.05.2005, in order to finance the current operations of the company, repaid on 28.06.2005
Soda Mątwy SA	Subsidiary	Loan	Annual interest of 6.60%	none	A loan of PLN 4,500,000 taken on 04.05.2005,

Transaction party	Affiliation with the party to the transaction	Subject of the 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	
					repaid on 28.06.2005, the amount of interest paid to Ciech SA - PLN 43,000
GZNF Fosfory SA	Subsidiary	Loan	Annual interest of 6.54%	none	A loan of PLN 4,500,000, repayment by 30.11.2005
GZNF Fosfory SA	Subsidiary	Loan	Annual interest of 6.54%	none	A loan of PLN 4,500,000, repayment by 31.12.2005

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

Obligee's name	Amount of loan 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 '000 PLN				
Ciech SA						
NFOŚiGW, Warsaw		4,185	31.03.2006		Z.CH. Soda Mątwy SA	subsidiary
KREDYT BANK SA 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 SA 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 SA		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 SA		1,200	no fixed term	payment to Ciech SA equal to 1% of the surety value	Cheman S.A - Warsaw	subsidiary
BRE - MULTIBANK SA		1,247	none – the surety expires on final loan settlement		Employees of Ciech SA	
BANK PKO SA First Branch in Warsaw		4,000	31.07.2005	Payment to Ciech SA equal to 1% of the surety value (PLN 2 million and up) + PLN 10,000 on increase	Cheman SA	subsidiary
BANK PKO SA First Branch in Warsaw		2,000	01.05.2005	Payment of PLN 10,000 to Ciech SA	Cheman SA	subsidiary

Obligee's name	Amount of loan 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 '000 PLN				
Total CIECH SA		**25,682**				
Petrochemia Blachownia SA						
Bank Ochrony Środowiska SA		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
Total Petrochemia Blachownia SA		**2,300**				
Soda Mątwy SA						
ING BSK Leasing SA		2,370	31.03.2007	none	Transoda Sp. z o.o.	indirect subsidiary
Total Soda Mątwy SA		**2,370**				
Janikosoda SA						
BOŚ Poznań	EUR 2,557	10,329	to 16.11.2009	no fee	Vitrosilicon SA	subsidiary
Total Janikosoda SA		**10,329**				
Total loans guaranteed		**40,681**				

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 '000 PLN				
Soda Mątwy SA						
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 SA		**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 SA and the Principal
	currency	in '000 PLN				
Ciech SA						

RBP SA Warsaw	DKK 1,000	542	30.12.2005	payment to CIECH SA equal to 1% of the surety value + reimbursement of banking costs	Danske Unipol A.S. - Denmark	subsidiary
RBP SA Warsaw	EUR 110	444	30.12.2005	payment to CIECH SA equal to 1% of the surety value + reimbursement of banking costs	Polcommerce Gmbh - Austria	subsidiary
Total CIECH SA		**986**				

24. Additional information

When selecting entities for consolidation, the Management Board of the parent company 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 SA's share of the entity (indirect + direct)	Net income from sale of goods and materials and from financing activities **	Balance-sheet total of the entity/ Group**	Net profit / loss	Ciech SA's income (%)	Ciech SA's balance-sheet total (%)	Dependence on Ciech SA
1) Chemia.com SA	100.00%	1 855	955	123	0.22%	0.10%	Subsidiary
2) Polcommerce GmbH, Austria	100.00%	13,586	6,439	252	1.63%	0.70%	Subsidiary
3) Ciech-Service Sp. z o.o.	100.00%	1,992	1,985	48	0.24%	0.22%	Subsidiary
4) Boruta-Kolor Sp. z o.o.	100.00%	9,194	20,911	-7	1.10%	2.28%	Subsidiary
5) Ciech Polfa Group							
5.1.) Polcommerc Ltd., Hungary	100.00%	1,367	1,246	54	0.16%	0.14%	Indirect subsidiary
6) Soda Mątwy Group							
6.1.) Soda-Med. Sp. z o.o.	90.96%	483	2,833	13	0.06%	0.31%	Indirect subsidiary
7) Janikosoda Group							
7.1.) Jantrans - Janikowo Sp. z o.o.	90.31%	6,397	10,899	19	0.86%	1.30%	Indirect subsidiary
8) Nordiska Unipol AB	97.78%	1,094	1,032	168	0.77%	1.19%	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%	1,106	1,604	16	0.13%	0.17%	Indirect subsidiary
10) Chemiepetrol GmbH	60.00%	17,628	5,084	474	2.12%	0.55%	Subsidiary
11) Danske UmipolA/S	55.00%	11,540	3,409	777	1.39%	0.37%	Subsidiary

** out of business*

*** year-to-date income (January 1st, 2005 to June 30th, 2005), balance-sheet total as at June 30th, 2005.*

Total value	Non-consolidated entities	Ciech Group (without eliminations)	% share
in balance-sheet totals	56,447	2,370,414	2.38%
Net income from sale of goods and products and from financing activities	66,244	1,949,470	3.40%

The equity accounting method was not applied to the indirect associate Ciech: Suomen Unipol Oy and the associated company - 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 SA's direct shareholding in the entity	Ciech SA's share of the entity (indirect + direct)	Equity as at 30.06.2005 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%	783	132	0
2) InChem Sp. z o. o.*	50.00%	50.00%	1,313	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	24,307	11,249	599
2) InChem Sp. z o. o.*	9,262	2,631	7,917

* 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 SA wrote down the whole of impairment loss on the acquisition cost of the company.Ciech SA's Management resolved to commence to withdraw capital from that company.

Ciech SA 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 SA
– ZAO-Polfa Ciech, Russia, in liquidation, 65.00 % shares/votes held directly by Ciech SA
– Polsin-Karbid Sp. z o. o in liquidation, 22.76% shares/votes held by Ciech S.A, shares/votes (direct+indirect) via Ciech SA and Polsin Pte.Ltd.
– K. Foster & Son Ltd.- loss of control, 46.51%, shares/votes held indirectly by Ciech SA through Daltrade Plc.
– Polfa Nigeria - lost control, no contact with the company, 20% share held directly by Ciech SA
– Zach-Ciech Sp. z o.o in liquidation, 35.65% shares/votes held directly by Ciech SA

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

General Meetings of Shareholders of the Ciech Group of Companies were held in the second quarter of 2005, which discharged members of the Management Boards and Supervisory Boards. Due to the fact that the term of office of the Management Boards in some of the companies has lapsed, Management Boards of an unchanged composition were re-elected for the next term of office.

Because a new organizational structure was introduced at Ciech SA, the process of optimizing the employment level was continued in 2005. The streamlining was based on an agreement signed with the trade unions active at Ciech SA. The agreement has no 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

In the 2nd quarter of 2005 the Company fulfilled all its obligations according to their maturity dates. There are no threats that may impact the fulfilment of obligations by the Company. In the 2nd quarter of 2005 the Company deposited a total of PLN 20 million at various investment funds.

The Management believes that the Group is fully capable of financing the investment project described in the prospectus.

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

Situation in the industries of the recipients of the Company's products
Ciech SA 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 increase in industrial production at fixed prices recorded in 6 months of 2005 increased merely by 1.5% (in the whole 2004 by 12.3%). Similarly, the dynamics of the chemical industry was +2.2% (9.7% in 2004) with regard to the manufacture of chemical products, and +3.3% (13.7% in 2004) with regard to the manufacture of rubber and plastics products. One may expect that lower pace of economic growth in Poland, which is predicted to occur in 2005 (to about 3.5% GDP from 5.4% in 2004) should be reflected in lower dynamics of sales in the chemical sector. One should remember, however, that the situation results from the so called high base - exceptionally good economic results in the previous year, connected largely to the accession of Poland to the EU. On the other hand, recent analyses indicate that the economic growth will be quicker in Poland in the second half of 2005, including in the construction industry in particular.

Economic situation in Europe and worldwide
Ciech SA's commercial activities rely to a large extent on chemical product exports, the level and profitability of which depend on the global economic situation in Europe and worldwide. A global economic slump could affect the demand for raw materials in international markets, thus reducing the exports turnover of Ciech SA.

Situation in the raw materials market
A major portion of the Ciech SA's turnover is generated from imports of chemical raw materials to Poland. 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. 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 Ciech SA's trade in chemical raw materials.

Increase of competition in the soda segment
The main products of the Ciech Group include soda products manufactured by the subsidiaries: JZS Janikosoda SA and IZCh Soda Mątwy SA, and sold by Ciech SA. The processes of concentration of production, which can be more and more often observed in Europe, contribute to the increase of competition from big, over-regional chemical corporations that manufacture soda ash. Ciech SA intends to take part in the concentration of production by making acquisitions of soda industry manufacturers.

Realisation of the phosphorus project
The Ciech SA's and the Ciech Group's growth strategy includes the construction of the second, large production division, i.e. production of phosphorous and multi-ingredient fertilisers. Ciech SA plans to carry out this project jointly with ZCH Police SA, after acquiring a majority stake in this company. Since the decisions concerning the privatisation of this company have been put off, there is a risk that the realisation of this project will be delayed.

Foreign exchange risk
Approximately 44% of Ciech SA's income is from exports, mainly denominated in Euro. High EUR/PLN exchange rates increase the profitability of the product sales in foreign markets. Moreover, high EUR/PLN exchange rates are good for export sales by Ciech SA's trade partners, which translates into an increase in the Company's export volumes. The export denominated in USD is of much lower importance for the results of the Company. The exchange rate of USD has no impact on the profit of the Company, because it is secured by a similar volume of imports denominated in USD. The Company 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.

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

As 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:

<u>Revaluation of non-current assets</u>: 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.

Costs of launching of new production: Ciech Group presents the costs of launching new production settled 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. With regard to the above, the amount of activated costs of launching of new production was presented as a decrease of equity as at the day of starting to use IFRS.

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

Goodwill: Pursuant to IFRS 3 "Business combinations", the Ciech Group ceased to depreciate goodwill from January 1st, 2004. The value of write-downs was reversed in correspondence with the profit and loss account for 2004.According to IAS 36 "Impairment of assets" the Ciech Group conducted tests concerning impairment of goodwill recognized under assets as at January 1st, 2004, and as at December 31st, 2004. The results of the tests did not lead to adjustments.

Negative goodwill: Pursuant to IFRS 1 "First time adoption of the International Financial Reporting Standards" and IFRS 3 "Business combinations", the negative goodwill recognized as at January 1st, 2004, was deducted in correspondence with equity. Revaluation write-down of negative goodwill for 2004 was reversed in correspondence with the profit and loss account.

Equity method measurement: with regard to the fact that the companies valuated using the equity method adjust their individual financial statements to IFRS requirements, the value of their shares was changed at the level of the consolidated financial statement.

Reclassification of the Privatisation Reserve to equity: the earmarked privatisation funds presented under short-term liabilities were reclassified on 01.01.2004 to equity (reserve capital).

The table below shows:
- reconciliation of equity as at 30.06.2004 determined in accordance with the Polish Accounting Standards and the equity determined as of the same date in accordance with IFRS
and
- reconciliation of the net profit for the period 01.01.-30.06.2004 determined in accordance with the Polish Accounting Standards and the net profit determined in accordance with IFRS.

specification	as at June 30th, 2004
equity according to PAS previously published	**534,229**
Auditor's adjustment*	-13,686
revaluation of non-current assets	148,049
non-current assets held for sale	896
goodwill	3,448
negative goodwill	34,784
minority interest	96,951
depreciation of investment property	-846
reclassification of earmarked fund	6,176
valuation using equity method	1,162
Other	-464
equity according to IFRS	**810,699**

specification	for the period 01.01-30.06.2004
net profit according to PAS published previously	**47,999**
Auditor's adjustment*	2,293
revaluation of non-current assets	4,867
non-current assets held for sale	896
goodwill	3,448
negative goodwill	-3,180
minority interest	4,338
valuation using equity method	-382
other	315
net profit according to IFRS	**50,860**

* A detailed description of the Auditor's adjustments has been presented in item 17 "Information concerning the change of accounting principles (policy)" of the Ciech Group's consolidated financial statement for the financial year 2004 (published on 16.05.2005)

Reconciliation of equity as of the day of the switch to IFRS (01.01.2004) and the reconciliation of equity and the net profit presented in the last annual financial statement prepared in accordance with the Polish Accounting Standards was presented in item 27 of the condensed consolidated financial statement of the Ciech Group for Q1 of 2005 prepared in accordance with IFRS (published on 16.05.2005).

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 August 16th, 2005.

Warsaw, August 16th, 2005

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Ludwik Klinkosz – President of the Management Board of Ciech SA

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Stefan Rojewski – Member of the Management Board of Ciech SA

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Jerzy Golis – Member of the Management Board of Ciech SA

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Kazimierz Przełomski – CFO, Commercial Representative of Ciech SA