

	in PLN '000		in EUR '000	
	2 quarters year-to-date from 01/01/05 to 30/06/05	2 quarters year-to-date from 01/01/04 to 30/06/04	2 quarters year-to-date from 01/01/05 to 30/06/05	2 quarters year-to-date from 01/01/04 to 30/06/04
SELECTED FINANCIAL DATA				
I. Net income from the sale of products, goods and materials	811 511	655 177	198 875	138 483
II. Profit (loss) on operating activity	24 552	12 135	6 017	2 565
III. Gross profit (loss)	32 278	25 164	7 910	5 319
IV. Net profit (loss)	28 687	22 966	7 030	4 854
V. Net operating cash flow	485	18 083	119	3 822
VI. Net investment cash flow	-32 245	9 492	-7 902	2 006
VII. Net financial cash flow	49 065	-27 738	12 024	-5 863
VIII. Total net cash flow	17 305	-163	4 241	-34
IX. Total assets	893 794	806 111	221 231	177 471
X. Liabilities and reserves for liabilities	322 929	446 568	79 931	98 315
XI. Long-term liabilities	22 625	21 686	5 600	4 774
XII. Short-term liabilities	274 614	407 537	67 972	89 722
XIII. Equity	570 865	359 543	141 300	79 156
XIV. Share capital	140 001	98 982	34 653	21 792
XV. Number of shares	28 000 000	19 796 016	28 000 000	19 796 016
XVI. Net profit (loss) per one ordinary share (in PLN / EUR)	1,02	1,16	0,25	0,26
XVII. Diluted profit (loss) per one ordinary share (in PLN / EUR)	1,02	0,00	0,25	0,00
XVIII Book value per share (in PLN / EUR)	20,39	18,16	5,05	4,00
XIX. Diluted book value per share (in PLN / EUR)	20,39	0,00	5,05	0,00
XX. Declared or paid dividend per share (in PLN / EUR)	0,00	0,00	0,00	0,00

ASSETS	as at 30/06/05 end of the quarter 2005	as at 31/03/05 end of the previous quarter 2005	as at the end of the previous year 31/12/2004	as at 30/06/04 end of the quarter 2004
I. Non-current assets	490 638	496 974	491 548	500 996
1. Intangible assets, including:	10 681	10 562	10 314	11 448
- goodwill	0	0	0	0
2. Property, plant and equipment (PPE)	28 843	29 754	29 537	29 467
3. Long-term receivables	0	0	0	0
3.1. From affiliated undertakings	0	0	0	
3.2. From other undertakings	0	0	0	
4. Long-term investments	445 622	452 066	447 166	456 026
4.1. Immovable property	11 040	11 246	11 246	11 452
4.2. Intangible assets	0	0	0	0
4.3. Long-term financial assets	434 582	440 820	435 920	444 574
a) in affiliated undertakings, including:	434 459	440 697	435 797	444 451
b) in other undertakings	123	123	123	123
4.4. Other long-term investments	0	0	0	0
5. Long-term prepayments and accrued income	5 492	4 592	4 531	4 055
5.1. Deferred tax assets	5 492	4 592	4 531	4 055
5.2. Other accruals and deferred income	0	0	0	0
II. Current assets	403 156	431 190	330 563	305 115
1. Inventories	20 497	27 760	18 460	19 753
2. Short-term receivables	326 235	332 681	307 494	277 883
2.1. from affiliated undertakings	76 812	80 072	67 811	73 187
2.2. from other undertakings	249 423	252 609	239 683	204 696
3. Short-term investments	55 462	68 655	3 644	6 468
3.1. Short-term financial assets	55 462	68 655	3 644	6 468
a) in affiliated undertakings	9 069	0	0	0
b) in other undertakings	25 859	4 953	16	0
c) cash and other money assets	20 534	63 702	3 628	6 468
3.2. Other short-term investments	0	0	0	0
4. Short-term prepayments and accrued income	962	2 094	965	1 011
Total Assets	893 794	928 164	822 111	806 111

LIABILITIES	as at 30/06/05 end of the quarter 2005	as at 31/03/05 end of the previous quarter 2005	as at the end of the previous year 31/12/2004	as at 30/06/04 end of the quarter 2004
I. Equity	570 865	556 332	368 374	359 543
1. Share capital	140 001	140 001	98 982	98 982
2. Called up share capital (negative figure)	0	0	0	0
3. Own shares (negative figure)	0	0	6 176	0
4. Capital reserve	325 565	308 512	157 186	157 186
5. Revaluation reserve	413	434	432	432
6. Other capital reserves	76 199	78 409	82 375	76 199
7. Profit (loss) brought forward	0	23 223	3 778	3 778
8. Net profit (loss)	28 687	5 753	19 445	22 966
9. Write-offs from net profit during the financial year (negative figure)	0	0	0	0
II. Liabilities and reserves for liabilities	322 929	371 832	466 089	446 568
1. Reserves for liabilities	21 495	20 170	19 955	12 051
1.1. Reserves for deferred income tax	325	502	214	0
1.2. Reserves for pensions and similar benefits	2 410	2 429	2 502	2 154
a) long-term	2 102	2 194	2 194	2 137
b) short-term	308	235	308	17
1.3. Other reserves	18 760	17 239	17 239	9 897
a) long-term	0	0	0	0
b) short-term	18 760	17 239	17 239	9 897
2. Long-term liabilities	22 625	29 044	35 185	21 686
2.1. towards affiliated undertakings	0	0	0	0
2.2. towards other undertakings	22 625	29 044	35 185	21 686
3. Short-term liabilities	274 614	317 147	405 830	407 537
3.1. Towards affiliated undertakings	155 776	170 218	125 390	133 041
3.2. Towards other undertakings	118 174	146 365	279 864	267 441
3.3. Special funds	664	564	576	7 055
4. Accruals and deferred income	4 195	5 471	5 119	5 294
4.1. Negative goodwill	0	0	0	0
4.2. Other accruals and deferred income	4 195	5 471	5 119	5 294
a) long-term	0	0	0	0
b) short-term	4 195	5 471	5 119	5 294
Total Liabilities	893 794	928 164	834 463	806 111

Book value	570 865	556 332	356 022	359 543
Number of shares	28 000 000	28 000 000	19 796 016	19 796 016
Book value per share (in PLN)	20,39	19,87	17,98	18,16
Diluted number of shares	28 000 000	28 000 000	28 000 000	
Diluted book value per share (in PLN)	20,39	19,87	12,72	

OFF-BALANCE SHEET ITEMS *	as at 30/06/05 end of the quarter 2005	as at 31/03/05 end of the previous quarter 2005	as at the end of the previous year 31/12/2004	as at 30/06/04 end of the quarter 2004
1. Contingent receivables	2 000	0	0	0
1.2. From other undertakings (as a result of)	2 000	0	0	0
- guarantees and warranties received	2 000	0	0	0
2. Contingent liabilities	26 668	29 455	24 527	14 596
1.1. Towards affiliated undertakings (as a result of)	25 421	28 208	24 527	14 596
- guarantees and warranties granted	25 421	28 208	24 527	14 596
1.2. Towards other undertakings (as a result of)	1 247	1 247	0	0
- guarantees and warranties granted	1 247	1 247	0	0
3. Other (as a result of)	9 400	9 400	9 400	11 040
- other commercial warranties	9 400	9 400	9 400	11 040
Total off-balance sheet items	38 068	38 855	33 927	25 636

No.	Specification	2nd quarter/2005 period from 01/04/05 to 30/06/05	2 quarters year-to- date/2005 period from 01/04/05 to 30/06/05	2nd quarter/2004 01/04/04 to 30/06/04	2 quarters year-to- date/2004 period from 01/01/04 to 30/06/04
A.	Net income from sale of products, goods and materials, including:	387 064	811 511	315 361	655 177
	<i>from affiliated undertakings</i>	87 413	194 808	78 838	156 492
	Net income from sale of products	21 723	38 369	12 940	28 127
	Net income from sale of goods and materials	365 341	773 142	302 421	627 050
B.	Costs of sold products, goods and materials, including:	322 905	694 991	283 114	581 494
	<i>to affiliated undertakings</i>	76 291	167 964	74 351	138 641
	Costs of manufacture of the products sold	65	171	79	152
	Value of goods and materials sold	322 840	694 820	283 035	581 342
C.	Gross profit (loss) on sales	64 159	116 520	32 247	73 683
D.	Selling costs	32 604	59 392	15 611	33 474
E.	Overheads	12 975	28 462	14 312	27 677
F.	Profit (loss) on sales	18 580	28 666	2 324	12 532
G.	Other operating income	1 826	3 993	4 056	7 470
	Profit on sale of non-financial fixed assets	14	49	35	38
	Subsidies	0	0	0	0
	Other operating income	1 812	3 944	4 021	7 432
H.	Other operating costs	4 871	8 107	5 846	7 867
	Loss on sale of non-financial fixed assets	0	0	0	0
	Revaluation of non-financial assets	244	1 006	501	1 124
	Other operating costs	4 627	7 101	5 345	6 743
I.	Operating profit (loss)	15 535	24 552	534	12 135
J.	Financial income	19 556	21 136	19 688	20 944
	Dividends and profit sharing, including:	14 567	14 567	19 767	19 767
	<i>from affiliated undertakings</i>	14 567	14 567	16 767	16 767
	Interest, including:	4 002	5 037	326	532
	<i>from affiliated undertakings</i>	3 522	3 589	-82	0
	Profit on sale of investments	299	299	14	40
	Revaluation of investments	333	333	0	0
	Other	355	900	-420	604
K.	Financial costs	10 254	13 410	5 135	7 914
	Interest, including:	758	3 074	2 618	4 893
	<i>for affiliated undertakings</i>	0	0	0	0
	Loss on sale of investments	0	0	0	0
	Revaluation of investments	6 100	6 100	1 375	1 512
	Other	3 396	4 236	1 142	1 509
I	Profit (loss) on business activities	24 837	32 278	15 086	25 164
M.	Result of extraordinary events	0	0	0	0
	Extraordinary profits	0	0	0	0
	Extraordinary losses	0	0	0	0
N.	Gross profit (loss)	24 837	32 278	15 086	25 164
O.	Income tax	1 903	3 591	138	2 198
	current part	2 980	4 441	271	2 331
	deferred part	-1 077	-850	-133	-133
P.	Other obligatory reductions of profit (increases of loss)	0	0	0	0
R.	Net profit (loss)	22 934	28 687	14 948	22 966

Net profit (loss) - annualised	22 934	28 687	14 948	22 966
Weighted average number of ordinary shares	28 000 000	19 796 016	19 796 016	19 796 016
Profit (loss) per ordinary share (in PLN)	0,82	1,02	0,76	1,16
Weighted average diluted number of ordinary shares	28 000 000	28 000 000		
Diluted profit (loss) per ordinary share (in PLN)	0,82	1,02		

STATEMENT OF CHANGES IN EQUITY	2nd quarter/2005	2 quarters year-to-date/2005	2004	2 quarters year-to-date/2004
	period from 01/04/05 to 30/06/05	period from 01/04/05 to 30/06/05	period from 01/01/04 to 31/12/04	period from 01/01/04 to 30/06/04
I. Equity at the beginning of the period (opening balance)	556 332	356 022	334 080	334 080
a) changes of the adopted accounting principles (policy)	0	0	3 487	3 779
b) corrections of basic errors	0	0	0	0
I.a. Equity at the beginning of the period (opening balance), after reconciliation to comparable data	556 332	356 022	337 567	337 859
1. Share capital at the beginning of the period:	140 001	98 982	98 982	98 982
1.1. Changes in share capital	0	41 019	0	0
a) increases (as a result of)	0	41 019	0	0
issue of shares	0	41 019	0	0
b) decreases (as a result of)	0	0	0	0
1.2. Share capital at the end of the period	140 001	140 001	98 982	98 982
2. Called up share capital at the beginning of period	0	0	0	0
2.1. Changes in called up capital	0	0	0	0
a) increases (as a result of)	0	0	0	0
b) decreases (as a result of)	0	0	0	0
2.2. Called up share capital at the end of period	0	0	0	0
3. Own shares at the beginning of period	0	-6 176	0	0
3.1. Changes in own shares	0	6 176	-6 176	0
a) increases (as a result of)	0	0	6 176	0
- purchase	0	0	-6 176	0
b) decreases (as a result of)	0	6 176	0	0
- sale	0	6 176	0	0
3.2. Own shares at the end of period	0	0	-6 176	0
4. Capital reserve at the beginning of period:	308 512	157 186	151 157	151 157
4.1. Changes in capital reserve	17 053	168 379	6 029	6 029
a) increases (as a result of)	17 409	168 742	6 118	6 118
- issue of shares at a premium	0	151 328	0	0
- distribution of profit	14 823	14 823	6 105	6 105
- positive difference from revaluation of fixed assets	377	382	13	13
Other increases	2 209	2 209	0	0
b) decrease (as a result of)	356	363	89	89
- negative difference from revaluation of fixed assets	356	363	89	89
4.2. Capital reserve at the end of period	325 565	325 565	157 186	157 186
5. Revaluation reserve at the beginning of period	434	432	648	648
a) changes of the adopted accounting principles (policy) (transformation balance sheet)	0	0	-292	-292
5.a Revaluation reserve after reconciliation to comparable data	434	432	356	356
5.1. Changes in revaluation reserve	-21	-19	76	76
a) increases (as a result of)	356	363	89	89
- transfer of the revalued fixed assets with regard to their liquidation or sale	356	363	89	89
b) decreases (as a result of)	377	382	13	13
- transfer of the revalued fixed assets with regard to their liquidation or sale	377	382	13	13
5.2. Revaluation reserve at the end of period	413	413	432	432
6. Other reserves at the beginning of period	78 409	82 375	76 199	76 199
6.1. Changes in other reserves	-2 210	-6 176	6 176	0
a) increases (as a result of)	0	0	6 176	0
- other increases	0	0	6 176	0
b) decreases (as a result of)	2 210	6 176	0	0
- sale of own shares	2 209	6 176	0	0
6.2. Other reserves at the end of period	76 199	76 199	82 375	76 199

7. Profit (loss) brought forward at the beginning of period	0	23 223	7 094	7 094
7.1. Profit brought forward at the beginning of period	0	23 223	7 094	7 094
a) changes of the adopted accounting principles (policy)	0	0	3 778	3 778
7.2. Profit brought forward at the beginning of period, after reconciliation to comparable data	23 223	23 223	10 872	10 872
a) increases (as a result of)	5 753	0	0	0
- distribution of profit brought forward	5 753	0	0	0
- distribution of profit brought forward	0			
...	0			
b) decreases (as a result of)	23 223	23 223	7 094	7 094
- distribution of profit brought forward	14 823	14 823	6 105	6 105
- dividend	8 400	8 400	989	989
7.3. Profit brought forward at the end of period	5 753	0	3 778	3 778
7.4. Loss brought forward at the beginning of period	0	0	0	0
a) changes of the adopted accounting principles (policy)	0	0	0	0
b) corrections of basic errors	0	0	0	0
7.5. Loss brought forward at the beginning of period, after reconciliation to comparable data	0	0	0	0
a) increases (as a result of)	0	0	0	0
b) decreases (as a result of)	0	0	0	0
- coverage of loss	0	0	0	0
- deferred income tax assets	0	0	0	0
7.6. Loss brought forward at the end of period	0	0	0	0
7.7. Profit (loss) brought forward at the end of period	5 753	0	3 778	3 778
8. Net result	22 934	28 687	19 445	22 966
a) net profit	4	28 687	19 445	22 966
b) net loss	0	0	0	0
c) write-offs from profit	0	0	0	0
II. Equity at the end of period (closing balance)	570 865	570 865	356 022	359 543
III. Equity after adjustments for the proposed distribution of profit (coverage of loss)	570 865	570 865	352 102	359 543

	2nd quarter/2005	2 quarters year-to-date/2005	2nd quarter/2004	2 quarters year-to-date/2004
	period from 01/04/05 to 30/06/05	period from 01/04/05 to 30/06/05	period from 01/04/04 to 30/06/04	period from 01/01/04 to 30/06/04
A. Operating cash flows				
I. Net profit (loss)	22 934	28 687	14 948	22 966
II. Total adjustments	-32 548	-28 202	-18 195	-4 883
1. Depreciation/amortisation	1 791	3 925	2 044	4 175
2. Foreign exchange gains (losses)	-365	-1 047	1 002	807
3. Interest and profit sharing (dividends)	-14 000	-11 527	-17 104	-14 524
4. Investment profit (loss)	5 383	5 348	846	817
5. Movements in reserves	1 324	1 539	1 827	1 974
6. Movements in inventories	7 263	-2 037	7 620	8 087
7. Movements in receivables	15 260	-13 827	14 359	5 850
8. Movements in short-term liabilities, with the exception of loans and credits	-48 159	-8 693	-30 555	-14 434
9. Movements in prepayments and accruals	-1 045	-1 883	2 191	2 515
10. Other adjustments	0	0	-425	-150
III. Net operating cash flows (I+/-II)	-9 614	485	-3 247	18 083
B. Investment cash flows				
I. Inflows	34 499	34 827	12 105	12 229
1. Sale of intangible assets and tangible fixed assets	43	371	35	52
2. Sale of investments in immovable property and intangible assets	0	0	0	0
3. From financial assets, including:	25 956	25 956	12 070	12 177
a) in affiliated undertakings	5 956	5 956	12 070	12 070
sale of financial assets	203	203	2 300	2 300
dividends and profit sharing	5 753	5 753	9 770	9 770
b) in other undertakings	20 000	20 000	0	107
sale of financial assets	20 000	20 000	0	107
dividends and profit sharing	0	0	0	0
repayment of long-term loans	0	0	0	0
interest	0	0	0	0
other financial inflows	0	0	0	0
4. Other investment inflows	8 500	8 500	0	0
II. Outflows	58 927	67 072	1 344	2 737
1. Purchase of intangible assets and tangible fixed assets	1 362	4 570	344	1 737
2. Investments in immovable property and intangible assets	0	0	0	0
3. On financial assets, including:	40 065	45 002	1 000	1 000
a) in affiliated undertakings	65	65	1 000	1 000
sale of financial assets	65	65	1 000	1 000
b) in other undertakings	40 000	44 937	0	0
purchase of financial assets	40 000	44 937	0	0
long-term loans	0	0	0	0
4. Other investment outflows	17 500	17 500	0	0
III. Net cash flows from investing activities (I-II)	-24 428	-32 245	10 761	9 492
C. Financial cash flows				
I. Inflows	18 738	231 830	55 400	81 251
1. Net inflows from issue of shares and other equity instruments, and additional contributions to equity	0	192 875	0	0
2. Credits and loans	20 910	38 918	10 477	11 718
3. Issue of debt securities	0	0	44 923	69 533
4. Other financial inflows	-2 172	37	0	0
II. Outflows	27 471	182 765	71 214	108 989
1. Purchase of own shares	0	0	0	0
2. Dividends and other payments to shareholders	0	0	0	0
3. Other outflows under distribution of profit than payments to shareholders	0	0	0	0
4. Repayment of credits and loans	27 488	164 981	13 399	21 945
5. Redemption of debt securities	0	15 000	55 152	82 152
6. Other financial liabilities	0	0	0	0
7. Payment of finance lease liabilities	0	0	0	0
8. Interest	567	2 784	2 663	4 892
9. Other financial outflows	-584	0	0	0
III. Net cash flows from financial activities (I-II)	-8 733	49 065	-15 814	-27 738

D. Total net cash flows (A.III+/-B.III+/-C.III)	-42 775	17 305	-8 300	-163
E. Balance sheet movements in cash and cash equivalents, including:	-43 168	16 906	-8 781	-644
movements due to foreign exchange gains/losses	-393	-399	-481	-481
F. Cash and cash equivalents at the beginning of period	63 902	3 822	15 249	7 112
G. Cash and cash equivalents at the end of period (F+/- D), including:	21 127	21 127	6 949	6 949
not fully disposable	93	378	147	386

Explanatory notes for the second quarter ending on 30th June 2005

Accounting principles applicable in preparation of periodical reports for the second quarter ending on 30 June 2005.

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

Detailed information regarding principles and the method of calculation of assets and equity and liabilities and measurement of financial result as well as a method of financial statements and comparable data in CIECH SA was included in the introduction to the Annual Report prepared as at 31st March 2004 publicly disclosed on 19th April 2005.

To present selected financial data, individual assets and equity and liabilities were calculated into EUR at an average exchange rate of **4.0401**, announced by the National Bank of Poland as at balance-sheet day (on 30th June 2005).. Each item of the profit and loss account has been converted to EUR at the exchange rate of **4.0805**, which constitutes an arithmetic average of the exchange rates, announced by the National Bank of Poland for EUR on the last day of each finished month. This was in the period from January to June 2005, respectively: 4.0503, 3.9119, 4.0837, 4.2756, 4.1212 and 4.0401 for the accounting period for two quarters of 2005 ending on 30th June 2005.

To present selected financial data, individual assets and equity and liabilities were calculated into EUR at an average exchange rate of **4.5422**, announced by the National Bank of Poland as at balance-sheet day (on 30th June 2004). Each item of the profit and loss account has been converted to EUR, at the exchange rate of **4.7311**, which constitutes an arithmetic average of the exchange rates announced by the National Bank of Poland for EUR on the last day of each finished month. This was in the period from January to June 2005, respectively: 4.7614, 4.8746, 4.7455, 4.8122, 4.6509, and 4.5422 for the accounting period for two quarters of 2004 ending on 30th June 2004.

Provisions and deductions updating the assets – for the period from 4th January 2005 – 30th June 2005.

The following corrections due to creation and release of provisions and deductions updating the values of assets and deductions updating the value of assets, are included in the non-consolidated financial statement of CIECH SA in the second quarter of 2005.

In PLN ,000	
Created provisions	
For employee benefits	1 170
For costs	511
For envisaged losses	2 000
Total	3 681

In PLN ,000	
Released and used provisions	
For employee benefits	2 784
For costs	157
For deferred tax	177
For restructuring	479
Total	3 597

In PLN ,000	
Impairment losses (increases)	
For Property, Plant and Equipment	90
For long-term financial assets	6 100
For inventories	142
For account receivables	572
Total	6 904

In PLN ,000	
Impairment losses (decreases)	
For account receivables	501
Total	501

In PLN ,000	
Deferred tax assets	
increases	900

Essential successes and failures of CIECH SA in the second quarter ended on 30 June 2005.

Ordinary General Shareholders' Meeting was held on 29th June 2005, during which Resolutions concerning the following issues were adopted:

- approval of the individual and consolidated financial statement and the report on the Management Board's activity for 2004
- distribution of the profit earned in 2004 totalling PLN 19,445,003.64 PLN 8,400,000 was allotted for the payment of the dividend and PLN 11,045,003.64 was allotted for the Company's reserve capital
- election of members of the Supervisory Board for the 5th term of office
- amendments to the Company's Articles of Association

Description of factors and events, especially of those untypical ones, which had an impact on the financial results achieved by the company.

Positive factors

- Continuation of good economic situation in the European glass industry (main consumer of soda ash).
- Improvement of the situation in the construction industry, which is a secondary consumer of chemical products.
- Continuation of a good situation of the artificial fertilizer industry, especially with respect to mixed and phosphate fertilizers, recording increasing output, export volumes and higher prices.

Negative factors

- Maintenance of high prices for coke resulting in high costs of producing soda ash despite that the average price level decreased in relation to the first quarter of 2005.
- Maintenance of a high PLN exchange rate (especially with respect to Euro) – making export by Ciech SA unfavourable
- Slowdown of the overall output and sales of the domestic chemical industry. (small growth - in relation to a high base – very good results achieved last year).

Description of the financial results

Selected financial information (PLN '000)

	Q2 2005	2 quarters of 2005 cumulative	Q2 2004 - comparable data	2 quarters of 2004 cumulative	Dynamics of the quarters
Net sales income	387 064	811 511	315 361	655 177	22..7%
Gross sales profit	64 159	116 520	32 247	73 683	99..0%
Operational profit	15 535	24 552	534	12 135	-
Net profit (loss)	22 934	28 687	14 948	22 966	53..4%
Equity	570 865	570 865	359 543	359 543	58..8%

Source: Ciech SA

Sales revenues

The net sales income earned by Ciech SA in the second quarter of 2005 was PLN 387,064 thousand. Income increased by approx. 23% in comparison to the same period of 2004. The main reasons for this growth were the structural changes in the CIECH Chemical Group as regards sale of soda products (outsourcing of sales service, purchase of raw materials and logistics from soda companies to Ciech SA).

Geographic structure of sales revenues

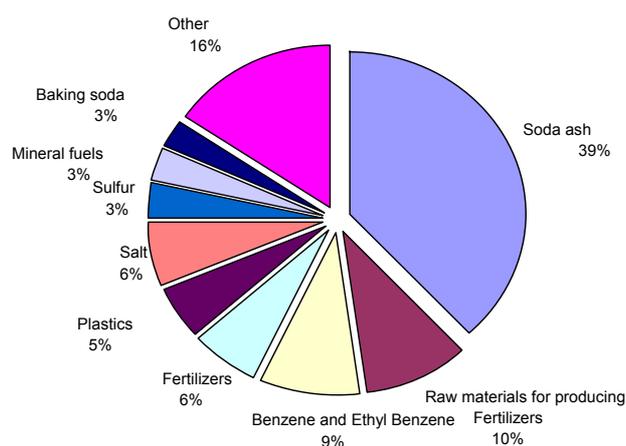
CIECH SA's product portfolio is characterised by a high degree of maturity and its sales are founded on strong relationships with its customers. The local market continues to be the major market, whilst the European market continues to be the major export market. Geographic proximity and lack of trade barriers result in the economies of the European countries being natural markets for CIECH SA. This signifies that the export margin depends on the economic situation in this region and EUR/PLN rate. Local sales dominated in the revenue structure in the second quarter (including import in the local market), which reached PLN 220,527 thousand, which constitutes 61% of total sale, whilst export sales reached PLN 166,537 thousand.

Trading structure of sales revenues

The revenue structure of CIECH SA reflects largely, the structure of sales of the Capital Group. Many of the products manufactured by the CIECH Chemical Group's member companies are sold through CIECH SA. As a result, CIECH SA's derives its income mostly from sales of the leading products of the CIECH Chemical Group, such as soda ash and ethyl benzene. Due to operational relations between CIECH SA and subsidiaries, including, among others, co-ordination of purchasing policy, an important position in the CIECH SA sales structure goes to supply of raw energetic materials (coal, ethylene) of subsidiaries of CIECH SA). CIECH SA acts as commission agent for goods manufactured outside the CIECH Chemical Group.

Sales structure of Ciech SA in the second quarter of 2005, including specification of main products and goods, is reflected by the following diagram.

Trading structure of sales revenues



Source: Ciech SA

Gross sales profit

Gross sales profit of CIECH SA in the second quarter of 2005 achieved a level of PLN 64,159 thousand. The result doubled in comparison to the same period of last year.

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

Operational profit

Operational profit of Ciech SA in the second quarter of 2005 was PLN 15,535 thousand. The profit increased by PLN 15,001 thousand in comparison to the profit earned in the same period of last year.

Net profit

The net profit in the second quarter of 2005 totalled PLN 22,934 thousand. The result increased by over 50% in comparison to the profit earned in the second quarter of 2004. The main source of the net profit in the second quarter of 2005 was the profit earned on sales, which totalled PLN 18,580 thousand. Revenues from the dividends were also significant (PLN 14,567 thousand).

Capital structure

Selected balance sheet items (PLN '000)

	30.06.2005	30.06.2004	2005/2004 dynamics	31.03.2005	dynamics Q II 2005/ Q I 2005
Non-current assets	490 638	500 996	-2.07%	496 974	-1..27%
Current assets	403 156	305 115	32.13%	431 190	-6..50%
including, among other things					
Provisions	20 497	19 753	3.77%	27 760	-26..16%
Account receivables	326 235	277 883	17.40%	332 681	-1..94%
Value of assets	893 794	806 111	10.88%	928 164	-3..70%
Equity	570 865	359 543	58..78%	556 332	2..61%
Reserves	21 495	12 051	78..37%	20 170	6.57%
Long-term liabilities	22 625	21 686	4.33%	29 044	-22..10%
Short-term liabilities	274 614	407 537	-32.62%	317 147	-13..41%

Source: Ciech SA

Equity of Ciech SA has increased at the end of the second quarter of 2005 in relation to the state as at 31 March 2005 by the amount of PLN 14,533 thousand. The source of the increase in the equity was the net profit earned in the second quarter of 2005.

Change in the status of reserves and impairment losses

An impairment loss on shares in Cheman totalling PLN 6,100 thousand was created in the second half of 2005. The creation of the impairment loss was dictated by the loss of company's goodwill caused by the loss incurred in the first quarter of 2005. The reserves created for court lawsuits increased in the second quarter by PLN 2 million and totalled PLN 12,000 thousand as at 30 June 2005.

Cash flows

Flows from operations in the second half of 2005 were negative and totalled PLN -9,614 thousand. The negative flows from operations resulted from temporary changes in the working capital and settlements within the group (prolongation of the period for which the trade credit was granted to subsidiaries)

The surplus of investment expenditures over investment revenues in the second quarter totalled PLN -24,428 thousand. The negative flow was caused, above all, by deposit and investment activities. Ciech SA, using the funds from the issue of shares - until they are allocated for strategic investments – purchased securities and granted loans to the companies belonging to the CIECH Chemical Group.

The flow from financial operations in the second quarter of 2005 totalled PLN -8,733 thousand. The main reason for the negative flow was the repayment of the investment loans (a total of PLN 6,210 thousand). Additionally, the flows took into account the changes in the technical status of the working capital loan, which increased the value of the revenues and expenditures related to financial operations.

Debts

The increase in the status of the reserves in relation to the status as at 31 March 2005 by PLN 1,325 thousand ensued mainly from the creation of reserves for anticipated losses. .

Level of liabilities (total of long-term and short-term) of CIECH SA as at 30 June 2005 was PLN 297,239 thousand. This means a drop in comparison to the status as at the end of the previous quarter by PLN 48,952 thousand. The major reason for this drop was: (a) a decrease in the level of trade liabilities (above all, an effect of decreased sales of the raw materials for manufacturing fertilizers and benzene in comparison to the previous quarter) and (b) the repayment of the investment loans

The debt ratio as at 30th June 2005 was 33.3%, which means a drop by approx. 38% in relation to that ratio as at 30th June 2004.

Financial leverage (the ratio of net debt to net debt plus equity measured at fair value) as at 30th June 2005 amounted to 4.5%, and the net debt totalled PLN 27.207 thousand. A year before this ratio was 30.3%, and the debt totalled PLN 156,026 thousand.

The current cash flow index at the end of June 2005 was 1.47, which means an improvement in comparison to 2004 when this index amounted to 0.75.

Selected financial indicators

	Q2 2005	Q 2 2004	2005/2004 dynamics
Return on sales ratio <i>sales profit / sales income</i>	4.80%	0..74%	548..6%
Net return on sales (ROS) ratio <i>net profit / sales income</i>	5.93%	4..74%	25..1%
Net return on equity (ROE) ratio <i>net profit / equity</i>	4.02%	4..16%	-3..4%
Current liquidity ratio <i>working capital / short-term liabilities</i>	1.47	0..75	96..0%
Quick ratio <i>(working capital - inventories) / short-term liabilities</i>	1.39	0..70	98..6%
Equity to assets ratio <i>equity / assets</i>	63..9%	44.6%	43..3%
Debt ratio <i>(long-term liabilities + short-term liabilities) / assets</i>	33..3%	53..2%	-37..5%
Financial lever <i>net debt* / (net debt* + equities)</i>	4..5%	30..3%	-85..0%

* net debt = financial liabilities - cash

Source: Ciech SA

Clarification regarding season type or periodical type of Company's activity.

The sales activities of Ciech SA mainly involve sale of raw chemicals. The raw-material markets are characterised by high periodicity, prompted by fluctuations in the world economies.

The largest fluctuations of the market prices related to these cycles concern petroleum-derived products such as benzene, toluene, and ethyl benzene, in these cases, in intervals ranging between 3 and 5 years, the price differences ranged from 50% to over 100%. As for non-organic chemicals which prevail in the sales of Ciech SA (soda ash, soda-derived products, multi-ingredient and phosphorous fertilizers), the differences in the market prices are smaller or even minute. In the 2004, it was characterised by an increase in the prices for various chemicals but it is anticipated that this growth will be halted in the future.

In the first six months of 2005, the market prices for petroleum-derived products were stabilised after last year's drop of several dozen percent in comparison to the record high prices observed in 2004.

As for the total revenue of Ciech SA, and as for the income earned on the sale of goods and materials and as for the income earned on the sale of products and services, no clear phenomenon of periodicity or season-ability can be observed. This ensues from a significant number of product lines (several thousand goods and product categories), whose mutual variation as regards the sales volume in each period is largely compensated on the overall revenue level. In effect, Ciech SA's revenues are not subject to clear seasonal fluctuations.

Sales season-ability appears in some product groups; however, the extent of this season-ability is not significant from the point of view of impact on the overall revenue of Ciech SA.

Examples of Ciech SA's goods, the sale of which is seasonal or periodic

Product group/Product	Nature of season-ability
Soda ash	The periodic production and sales fluctuations ensue from technological reasons. The technological lines are overhauled every two years, which results in temporary reduction of the soda's production volume.
Mineral fertilizers	Sales associated with the fertilizing cycle (there are two sales peaks: spring and autumn, summer months as well as October and November are dead months)
Calcium chloride	Sales associated with weather conditions. The sales peak falls onto the winter months

The value of the company's average monthly sales in the second quarter of 2005 was PLN 128 million. High level of periodicity and uniformity of sales was maintained in the next several months.

The season-ability phenomena related to the periodic fluctuations in supply and demand had a clear impact on the sales volume in the second quarter of 2005 as regards:

- mineral fertilizers
- raw materials for producing fertilizers
- pesticides

Sales in the second quarter are indicative of a large concentration of sales of pesticides. Because the growing season was late, the sales of raw materials for producing pesticides increased at the cost of the ready-made pesticides. A decisive factor behind the increase in the sale of fertilizers was a belated domestic demand for fertilizers caused by bad weather conditions and low grain prices, which reduced the farmers' abilities to invest in raw materials. This small domestic demand made it possible to obtain an extra volume of fertilizers for export from the key supplier.

Disclosures regarding issue, redemption and disbursement of debt and capital securities

During the second quarter of 2005 ending on 30th June 2005 the company did not issue, redeem, or disburse any debt or capital securities.

Disclosures regarding repaid or declared dividend total and per one share, with a breakdown into ordinary shares and preferred shares.

The Ordinary General Shareholders' Meeting of Ciech SA adopted a Resolution on 29th June 2005 to allot a portion of the profit earned in 2004 for the payment of the dividend to the company's shareholders. PLN 8,400 thousand were allotted for this purpose, which gives PLN 0.30 per share. The persons entitled to receive the dividend are shareholders who were the owners of the company as at 15th July 2005. The date of disbursement of the dividend has been set for 1st August 2005.

Information about the tenor of the resolution adopted by Ciech SA's Ordinary General Shareholders' Meeting was made public in the Current Report No. 83/2005 dated 30th June 2005.

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

No such events occurred

Consequence of changes in the business entity structure, including results of merger of business entities, take-over or sales of entities of the Capital Group, long-term investments, division, restructuring and discontinuation of activity.

Changes in the structure of Ciech SA occurred in the second half of 2005, which ensued from the following events:

On 06.06.2005 a compulsory repurchase of shares in Vitrosilicon SA from the shareholders holding less than 5% of the initial capital took place. Shares in Vitrosilicon SA were purchased by the current shareholders. Ciech SA purchased 753 shares valued at PLN 64.8 thousand. The direct interest of Ciech SA in the equity of Vitrosilicon SA as at 30th June 2005 was 60.4%, and the total interest (direct and indirect), together with the subsidiaries, was 96.37%.

By virtue of an agreement dated 16th June 2005, Ciech S.A. sold 100% of shares in Polcommerce Kft with a registered office in Budapest to its subsidiary Ciech-Polfa Sp. z o.o. - for the total value of PLN 203 thousand.

Starting in April 2005 the company started the process of transferring the sales of plastics and secondary materials to its subsidiary Cheman SA. This process will be completed by the end of 2005. The total revenue earned on the sale of these goods in the first quarter of 2005 totalled PLN 9.111 thousand, and the net sales margin totalled PLN 546 thousand.

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

During the first two quarters of 2005 ending on 30th June 2005, Ciech SA advanced guarantee of loan, opened in PeKaO SA bank to the subsidiary Cheman SA, with intention to provide security to letter of credits, opened for import suppliers, totalling PLN 2,000 thousand. In relation to this Company, the value of guarantee of the loan granted in September 2004 in Kredyt Bank SA Sieradz Division was increased by PLN 1,600 thousand. The guarantee granted to Cheman SA valued at USD 500 thousand was revoked in the second quarter of 2005. The reason for the revocation was the company's resignation from the intention to take out a loan at BRE Bank SA.

In January 2005 the Company granted loan guarantees, without specified deadline, taken out in BRE – Multibank SA by authorised persons, in accordance with the Resolution No. 3 of the Extraordinary General Shareholders' Meeting dated 17 August 2004, for the purchase of Employee Shares. This guarantee expires after the loans are fully settled.

A guarantee of PLN 1,200 thousand granted to the subsidiary Ciech Polfa for a short-term working capital loan taken out at Bank Handlowy SA expired on 1st May 2005.

Other information to the quarterly report for the quarter ending on 30th June 2005.

Realisation of the previously published results forecast for the given year

Ciech SA does not publish forecasts concerning individual results of the company. The Management Board's stance on the possible realization of the consolidated forecasts will be presented in the consolidated statement.

CIECH S.A.'s Shareholders holding at least 5% of shares / GA votes - current status

Information obtained by the Management Board of Ciech SA shows that:

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

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

	Status as at 05.05.05	Shares acquired	Shares sold	Status as at 04.08.05
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 S.A. (CUIM) Polska	1 504 961	-	-	1 504 961

The Management Board of Ciech SA received information¹ that at its meeting held on 17 July 2005 the Council of Ministers adopted the motion tabled by the Minister of the State Treasury regarding consent for non-public sales of shares of Ciech SA held by the State Treasury. Now the State Treasury holds 10,270,800 shares in the company, which equals to 36.68 % of the share capital.

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

Pursuant to the information possessed by the Management Board of Ciech SA as at 04.08.2005, the affiliates do not hold shares giving them over 5% of the voting powers at the GA.

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

	Status as at 05.05.05	Shares acquired	Shares sold	Status as at 04.08.05
Management Board	383 253	7 388	-	390 641
Supervisory Board	-	-	-	-

¹ Source: Communiqué announced after the meeting of the Council of Ministers - 19.07.2005, http://www.kprm.gov.pl/441_14293.htm

Procedures pending before courts, in arbitration proceedings, or public administration bodies as of 30.06.2005.

I. Ciech SA:

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

Action by Petro Carbo Chem Aktiengesellschaft (PCC)

PCC AG filed an action in 2000 to recover damages for 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 Circuit Court in Warsaw issued a preliminary judgment in favour of PCC AG (stating that PCC AG's claim was well founded), without specifically determining the amount of the damages. Ciech S.A. appealed against the preliminary judgment on 19.09.2003, on the grounds that the preliminary judgment was issued based on an erroneous legal findings of fact, and infringement of the substantive law by assuming that it was the intention of the parties to enter into an agreement. During a hearing held on 12.08.2004, the Appeals Court upheld the Circuit Court's preliminary judgment, confirming that PCC's claims were justified, without stating the amount of damages, which will be subject to further proceedings. In November 2004 CIECH S.A. filed another appeal, on the grounds of infringement of the substantive law, due to its incorrect interpretation and application, and violation by the Appeals Court of the principle of free assessment of evidence as defined in the EU directives. On 19th April 2005, Ciech S.A. received a final decision of the Supreme Court dismissing its appeal. Because the appeal was dismissed, the case returned before the District Court, which will continue, to the proceedings by determining the amount of damages owing to PCC AG. The date of the hearing before the District Court was scheduled for 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 S.A. and the sulphur mines in Tarnobrzeg and Grzybów. The current claim is for USD 3,872.9 thousand (PLN 12,207.00 thousand), following the claimant changing the claimed amount in the course of the proceedings by USD 88,295 (PLN 295 thousand). The claim amount comprises Comexport's lost profits on contractual quantities not delivered to Brazilian customers, losses from overstated freight costs, etc. In November 2003, Ciech S.A. answered the claim by filing for dismissal of Comexport's action, on the grounds of the force majeure certificates evidencing that the mines were closed down as part of restructuring of the sulphur industry, that the action has lapsed, and that the claim for damages is not supported by sufficient evidence. The Court of Arbitration appointed one Arbitrator to investigate into the dispute. The arbitrator determined the schedule for further proceedings. Each party filed two detailed pleadings supported by evidence.

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

The ruling of the Court of Arbitration at the International Chamber of Commerce in Paris is likely to be announced by the end of August 2005. Ciech S.A. is represented by a renowned law firm, which assessed Comexport's action as unfounded.

Action by Enapharm

In June 2004, the Liquidator for Enapharm, Algeria, filed a claim for USD 172,879.84 (equivalent to PLN 578,000) in damages concerning medication deliveries by Ciech S.A. between 1985 and 1991.

According to the claimant, Ciech S.A. did not replace expired medications that the claimant had not sold, in violation of the contract between the parties. Ciech S.A. claims that it was exempt from the replacement provision, in light of the claimant failing to make the payments due from its sales of the medications in the Algerian market.

The case is pending before an Algerian court. Ciech S.A. is represented by a local attorney, supervised by a well-respected Paris law firm. At the 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. No new date for the hearing has been set.

At 30.06.2005, 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 S.A., filed by its former employees terminated due to no fault of their own. The employees are demanding to be restored to work. The projections as to the result of those suits are good.

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

Amounts receivable claimed in courts or courts of arbitration

Ciech S.A. filed eight domestic suits against its trade debtors for the total of PLN 1,586,000. The projections are good.

The company created an impairment loss worth the full value of the obligation.

Administrative claims

Ciech SA is currently involved in a suit before the Supreme Administrative Court for the reimbursement of customs receivables totalling PLN 94 thousand. The projections are good.

The company created an impairment loss worth the full value of the obligation.

Bankruptcy proceedings

Receivables totalling PLN 12,921 thousand are being claimed in sixty domestic proceedings.

Ciech S.A 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), and 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 S.A.'s receivables are not privileged.

The company created an impairment loss for all the proceedings.

Execution and composition proceedings

Ciech S.A. is claiming PLN 27,035,000 from domestic debtors through thirty eight-execution proceedings. The largest claim (PLN 17,619,000) is the execution procedure against Sur5Net initiated in August 2004. To date, the measures taken by the enforcement officer have brought no results. Ciech S.A. filed for determination of the debtor's assets in a business intelligence procedure.

The projections as to the results of the other execution proceedings are different, depending on the debtors' assets.

PLN 24,000 is claimed in five composition proceedings. The projections are good.

The company created an impairment loss worth the full value of the receivables.

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 S.A Group of Companies

No claims were filed against Soda Mątwy S.A. or its subsidiaries that could significantly affect their business. The value of court cases (liabilities) amounts to PLN 62,000. Amounts receivable claimed via debt execution and 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 Soda Mątwy S.A., the chances to recover the debt are low.

A claim of PLN 5,663,000 plus statutory interest awarded to Soda Mątwy S.A. against the Brokerage House Sur5 Net is being pursued through execution proceedings. The execution procedure has been suspended after Soda

Małty S.A. filed for disclosure of Sur5. Net's assets. Soda Małty's other court cases include bankruptcy proceedings amounting to PLN 1,747,000 and composition proceedings amounting to PLN 211,000.

Soda Małty S.A. Group of Companies created an impairment loss for the proceedings worth PLN 32,558,000.

Janikosoda S.A. Group of Companies

No significant claims (liabilities) were filed against Janikosoda S.A. or its subsidiaries that could affect their business. Three complaints are pending resolution before the Supreme Administrative Court filed by Janikosoda S.A. against decision issued between 1999 and 2000 by the Chief Environmental Protection Inspector, imposing penalties on the company, for excessive emissions to the atmosphere in the total amount of PLN 2,330,000. The proceedings were suspended in 2002 on request of both parties.

The Janikosoda Group's other liabilities under court actions filed against it amount to PLN 331,000. The Janikosoda Group's claims against several dozen-trade debtors total PLN 214,000. Debt execution procedures 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.

Janikosoda S.A. Group of Companies created an impairment loss for the receivables worth PLN 3,670,000.

Vitrosilicon S.A.

No claims (liabilities) were filed against the company that could affect its business. The company is claiming the total of PLN 1,197,000 from trade debtors, including the largest claim pursued through execution proceedings for PLN 628,000, and PLN 502,000 pursued through bankruptcy proceedings.

Vitrosilicon S.A. created an impairment loss for all the proceedings.

Zakłady Chemiczne "Alwernia" S.A. Group of Companies

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 execution proceedings. PLN 687,000 was reported for bankruptcy proceedings, and PLN 63,000 was reported for composition proceedings.

The Alwernia Group created an impairment loss for all the proceedings.

Chemian S.A.

No claims (liabilities) were filed against Chemian S.A. that could affect its business. Chemian S.A. filed court cases against several dozen-trade debtors for the total of PLN 3,780,000, including PLN 1,875,000 claimed in execution proceedings and PLN 925,000 reported for bankruptcy proceedings.

Chemian S.A. created an impairment loss for all the proceedings.

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

No claims (liabilities) were filed against 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 created an impairment loss on that amount.

Petrochemia – Blachownia S.A. Group of Companies

No claims of material importance were filed against the Petrochemia Blachownia Group. Petrochemia-Blachownia S.A. is claiming PLN 458,000 from several dozen-trade debtors in execution proceedings. Petrochemia-Blachownia S.A. reported PLN 165,000 for bankruptcy proceedings.

It created 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.

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

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

Transaction party	Affiliation with the related party	Transaction	Material terms and conditions (PLN ,000)		Additional information
			Financial terms	Characteristic features of the contract deviating from generally applicable terms and conditions of similar agreements	
Soda Mątwy S.A.					
– Transoda Sp. z o.o.	Indirect subsidiary	Loan	T/N WIBOR + bank margin	none	Loan extended in 2004. Repayment by 31.12.2005. Debt balance as at 30.06.2005 – PLN 1,150,000
Chemian S.A.					
Ciech S.A.	Parent company	Realisation of transactions related to sales of plastics on behalf of Ciech S.A but to Chemian S.A.	PLN 135,000	none	The agreement is valid for three months since 01.04.2005
Ciech S.A.					
Chemia.com	Subsidiary	Organisation and cooperation in implementing the ERP system at IZCh Soda Mątwy	PLN 900,000	none	The agreement is valid from 01.06.2005 to 31.03.2006
Chemian S.A.	Subsidiary	Realisation of transactions related to the sale of plastics and semi-finished on behalf and for Ciech S.A.	PLN 135,000	none	The agreement is valid from 01.04.2005 to 31.12.2005
Chemian S.A.	Subsidiary	Sales agreement where Ciech S.A. sells and Chemian S.A. buys various chemical products	PLN 1,106,000	none	Agreement concluded on 15.04.2005
Chemian S.A.	Subsidiary	Sales agreement where Ciech S.A. sells and Chemian S.A. buys various chemical products	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 cooperation in implementing the ERP system based on the Oracle software platform. As the investor, Ciech S.A. will implement the system at 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 S.A.	Subsidiary	Loan	Annual interest rate of 6.60%	none	Loan of PLN 4,000,000 taken out on 09.05.2005 to finance the on-going business operations, repaid on 28.06.2005
Soda Mątwy S.A.	Subsidiary	Loan	Annual interest rate of 6.60%	none	Loan of PLN 4,500,000 taken out on 04.05.2005, repaid on 28.06.2005,

Transaction party	Affiliation with the related party	Transaction	Material terms and conditions (PLN ,000)		Additional information
			Financial terms	Characteristic features of the contract deviating from generally applicable terms and conditions of similar agreements	
					interest paid to Ciech S.A. - PLN 43,000
GZNF Fosfory S.A.	Subsidiary	Loan	Annual interest rate of 6.54%	none	Loan of PLN 4,500,000, to be repaid by 30.11.2005
GZNF Fosfory S.A.	Subsidiary	Loan	Annual interest rate of 6.54%	none	Loan of PLN 4,500,000, to be repaid by 31.12.2005

Information on loan sureties, loans or guarantees granted 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	do 31.03.2006 r.		Z.CH. Soda Mątwy S.A.	subsidiary
KREDYT BANK SA Sieradz Branch		4 500	do 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	do 31.08.2005	Payment to CIECH SA equal to 1% of the surety value	Cheman S.A - Warsaw	subsidiary
BANK HANDLOWY S.A.		4 800	do 01.05.2006	Payment to CIECH SA equal to 1% of the surety value	Ciech-Polfa Sp. z o. o.	subsidiary
PKN ORLEN S.A.		1 200	no fixed term	Payment to CIECH SA equal to 1% of the surety value	Cheman S.A - Warsaw	subsidiary
BRE - MULTIBANK S.A.		1 247	None – the surety expires on final loan settlement		Ciech S.A.'s employees	
BANK PKO SA First Branch in Warsaw		4 000	do 31.07.2005	Payment to CIECH SA equal to 1% of the surety value (PLN 2 million) + PLN 10,000 on increase	Cheman S.A.	subsidiary
BANK PKO SA First Branch in Warsaw		2 000	do 20.01.2006	Payment of PLN 10,000 to Ciech S.A.	Cheman S.A.	subsidiary
Total CIECH S.A.		25 682				
Petrochemia Blachownia S.A.						
Bank Ochrony Środowiska S.A.		2 000	to 31.12. 2005	none	ZK Zdzeszowice 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 S.A.		2 300				
Soda Mątwy S.A						
ING BSK Leasing S.A.		2 370	do 31.03.2007	none	Transoda Sp. z o. o.	indirect subsidiary
Total Soda Mątwy S.A.		2 370				

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				
Janikosoda S.A.						
BOŚ Poznań	EUR 2 557	10 329	to 16.11.2009	no fee	Vitrosilicon S.A.	subsidiary
Total Janikosoda S.A.		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 S.A						
National Fund for Environmental Protection and Water Management (NFOŚiGW)		1 800	to 31.12.2006	Real-estate taxes payable to the Town Office in Inowrocław	Town Office in Inowrocław	none
Total Soda Mątwy S.A.		1 800				

Obligee's name	Amount of total guarantee granted, backed in whole or in part		Guarantee period	Financial terms: guarantee fee due to the company	Principal	Affiliation between CIECH S.A. and the Principal
	currency	in '000 PLN				
Ciech S.A.						
RBP S.A. Warszawa	DKK 1 000	542	do 30.12.2005	Payment to CIECH SA equal to 1% of the guarantee value + reimbursement of banking costs	Danske Unipol A.S. - Denmark	subsidiary
RBP S.A. Warsaw	EUR 110	444	do 30.12.2005	Payment to CIECH SA equal to 1% of the guarantee value + reimbursement of banking costs	Polcommerce Gmbh - Austria	subsidiary
Total Ciech S.A		986				

Other information important to assess the HR, financial, economic situation, the profit, and any changes in those aspects of business, and information necessary to assess the capacity to meet obligations.

a. information necessary to assess the HR situation

In connection with the implementation of a new organisational structure starting on 1st January 2005, the employment streamlining process was continued in the second quarter of 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.

b. information necessary to assess the financial standing and the capacity to meet obligations

The company was paying all its obligations on time in the second quarter of 2005. There are no risks that the company will not meet its obligations. In the second quarter of 2005 the company invested a total of PLN 20 million in investment funds.

In the opinion of the Management Board, Ciech SA and other companies of the CIECH Chemical Group have the capability to finance the chemical industry investment programme presented in the prospectus.

Factors that can affect the results in the next quarter and description of the basic risks and uncertainties

- Commencement of the process of privatizing six largest state-owned chemical plants will lead to significant changes on the domestic chemicals market. CIECH S.A. intends to participate in the privatization process.
- Changes in the ownership structure of the petrochemical industry in Central Europe (Orlen-Unipetrol) and the start of new domestic polyethylene and polypropylene production facilities in P³ock (Basell Orlen Polyolefins) planned for the third quarter will lead to changes on the market to which Ciech SA will have to adjust itself.
- Prolongation of the period of customs-free quota on imports of potassium chloride from Eastern Europe (until April 2006), which will make it possible to maintain the competitiveness of this raw material imported by Ciech SA on the Polish market.

Material risk factors and threats and degree of exposure

The standing of those industries buying CIECH's products. The CIECH Group supplies most of its products to the following Polish industries: the chemical industry, the glass manufacturing industry, and the plastics industry. How those industries expand, depends on the general economic situation in Poland. Industrial production at fixed prices increased in the last 6 months only by 1.5% (by 12.3% in the entire 2004). Similarly, the growth dynamics of the chemical industry was +2.2% (9.7% in 2004) as regards production of chemical products and +3,3% (13.7% in 2004) as regards production of rubber and plastic products. It can be expected that the drop in the economic growth anticipated in 2005 in Poland (to approx. 3.5% of GDP from 5.4% in 2004) will be reflected by decelerated growth in the sales volume of the chemical industry. It should be noted though that this situation is the result of the so-called high base – exceptionally good economic results achieved last year thanks, largely, to Poland's accession to the European Union. On the other hand, though, recent assessment of the economic situation shows that one can expect the economic development to accelerate in the second half of 2005, especially in the construction industry.

Economic stagnation in Europe and worldwide

Ciech SA's business involves, largely, exporting of chemical products, the level and profitability of which depend on the global economic climate in Europe and worldwide. Deceleration of the global economic climate may lead to a decreased demand for raw materials on world markets, and thus affect the volume of products exported by 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. The raw-material markets are characterised by high cyclicity, 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, leading to declined demand. On the other hand, they 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 are due to, either high economic growth rate, or by economic slump. This will affect Ciech SA's trade in chemical raw materials.

Increased competitiveness in the soda segment

The leading products of the CIECH group include soda products manufactured by subsidiaries: JZS Janikosoda S.A. and IZCh Soda Małty S.A., and sold through Ciech SA. The production concentration processes taking place in Europe lead to increased competition between large, international chemical corporations manufacturing soda ash. Ciech SA intends to participate in the production concentration process by acquiring soda manufacturers.

Realisation of the phosphorus project

The growth strategy of Ciech SA and the CIECH Group includes a construction of another large manufacturing branch, i.e. manufacturing of phosphorus and multi-ingredient fertilizers. Ciech SA intends to carry out the above project together with ZCh Police S.A., after acquiring a majority stake in that company. Due to the lack of binding decisions, regarding the terms and conditions of this project, including the terms of purchasing shares in ZCh Police from the State Treasury, in the second stage of privatisation of that company. There is a risk that this project will be delayed and that it might not be carried out at all, or that the terms and conditions will change

causing Ciech SA to decide to abandon the project. In effect, Ciech SA might be forced to either significantly alter the scope of the project or allot the funds for another investment project.

Foreign exchange risk

Ciech SA earns approx. 44% of income on exports - mainly in Euro. High EUR/PLN exchange rates increase the profitability of the product sales in foreign markets. Moreover, a high EUR/PLN exchange rate leads to increase in exports by Ciech SA's trade partners, which leads to higher turnover being recorded by the company. Export made in USD is of less significance to the company's results. The USD/PLN exchange rate does not affect the company's results because they are naturally protected by imports made in USD, where they practically balance each other out. The company constantly monitors its foreign exchange risk, and utilises hedging for large transactions denominated in foreign currencies, such as forward and future contracts and hedge option strategies.

Warsaw, 4th August 2005

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

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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 S.A.

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