

SELECTED FINANCIAL DATA		PLN'000		PLN'000	
		Q1 of 2005 from 2005-01-01 to 2005-03-31	Q1 of 2004 from 2004-01-01 to 2004-03-31	Q1 of 2005 from 2005-01-01 to 2005-03-31	Q1 of 2004 from 2004-01-01 to 2004-03-31
I	net revenues from sale of products, goods and materials	424 447	339 816	105 707	70 885
II	operational activity profit (loss)	9 017	11 601	2 246	2 420
III	gross profit (loss)	7 441	10 087	1 853	2 102
IV	net profit (loss)	5 753	8 018	1 433	1 672
V	operational activity net cash flows	10 099	21 330	2 515	4 449
VI	investment activity net cash flows	-7 817	-1 269	-1 947	-265
VII	financial activity net cash flows	57 798	-11 924	14 394	-2 487
VIII	total net cash flows	60 080	8 137	14 963	1 697
IX	total assets	928 164	829 775	227 285	174 855
X	liabilities and provisions for liabilities	371 832	484 191	91 053	102 032
XI	long-term liabilities	29 044	30 445	7 112	6 415
XII	short-term liabilities	317 147	440 306	77 662	92 784
XII	equity	556 331	345 584	136 232	72 823
XIV	share capital	140 001	98 982	34 283	20 858
XV	number of shares (in units)	28 000 000	19 796 016	28 000 000	19 796 016
XVI	net profit (loss) per one ordinary share (in PLN/EUR)	0,21	0,40	0,05	0,08
XVII	spread net profit (loss) per one share (in PLN/EUR)	0,21	0,40	0,05	0,00
XVII	accounting value per one share (in PLN/EUR)	19,87	17,46	4,86	3,68
XIX	spread accounting value per one share (in PLN/EUR)	19,87	0,00	4,86	0,00
XX	declared or paid out dividend per one share (in PLN/EUR)	0,00	0,00	0,00	0,00

BALANCE SHEET	AS AT 2005-03-31	AS AT 2004-12-31	AS AT 2004-03-31
ASSETS			
I. Tangible assets	496 974	491 548	503 845
1. Intangible fixed assets	10 562	10 314	11 361
- goodwill	0	0	0
2. Tangible fixed assets	29 754	29 537	30 609
3. Long-term account receivables	0	0	0
3.1. Consolidated entities	0	0	0
3.2. Other entities	0	0	0
4. Long-term investments	452 066	447 166	457 759
4.1. Real property	11 246	11 246	11 658
4.2. Intangible fixed assets		0	0
4.3. Long-term financial assets	440 820	435 920	446 101
a) in consolidate units, including	440 697	435 797	445 978
- shares or stocks in subsidiaries evaluated on the basis of property rights method	0	0	0
b) in other units	123	123	123
4.4. Other long-term investments			0
5. Long-term prepayments and accrued income	4 592	4 531	4 116
5.1. Diferred tax assets	4 592	4 531	4 116
5.2. Other preayments and accrued income		0	0
II. Current assets	431 190	330 563	325 930
1. Stocks	27 760	18 460	27 374
2. Short-term accounts receivables	332 681	307 494	282 245
2.1. Consolidated units	80 072	67 811	62 514
2.1. Other units	252 609	239 683	219 731
3. Short-term investments	68 655	3 644	15 249
3.1. Short-term financial assets	68 655	3 644	15 249
a) in consolidated units	0	0	0
b) in other units	4 953	16	0
c) cash and other financial assets	63 702	3 628	15 249
3.2. Other short-term investments	0	0	0
4. Short term prepayments and accrued income	2 094	965	1 062
total assets	928 164	822 111	829 775

BALANCE SHEET	AS AT 2005-03-31	AS AT 2004-12-31	AS AT 2004-03-31
EQUITY AND LIABILITIES			
I. Equity	556 332	356 022	345 584
1. Share capital	140 001	98 982	98 982
2. Called up share capital not paid (negative value)	0	0	0
3. Treasury shares	0	-6 176	0
4. Reserve funds	308 512	157 186	151 083
5. Revaluation capital reserve	434	432	430
6. Other capital reserves	78 409	82 375	76 199
7. (Accumulated loss) / retained profit brought forward	23 223	3 778	10 872
8. Net profit (loss)	5 753	19 445	8 018
9. Deductions from net profit in fiscal year		0	0
II. Liabilities and provisions for liabilities	371 832	466 089	484 191
1. Provisions for liabilities	20 170	19 955	10 224
1.1. Differed tax provision	502	214	0
1.2. Provision for retirement payments etc.	2 429	2 502	2 106
a) long-term	2 194	2 194	1 037
b) short-term	235	308	69
1.3. Other provisions	17 239	17 239	8 118
a) long-term	0	0	0
b) short-term	17 239	17 239	8 118
2. Long term liabilities	29 044	35 185	30 445
2.1. Consolidated units	0	0	0
2.2. Other units	29 044	35 185	30 445
3. Short-term liabilities	317 147	405 830	440 306
3.1. Consolidated units	170 218	125 390	119 248
3.2. Other units	146 365	279 864	314 128
3.3. Special funds	564	567	6 930
4. Accruals and diferred income	5 471	5 119	3 216
4.1. Negative goodwill	0	0	0
4.2. Other accruals and diferred income	5 471	5 119	3 216
a) long-term	0	0	0
b) short-term	5 271	5 119	3 216
total equity	928 164	822 111	829 775
accounting value	556	356 022	345
number of shares	28 000 000	19 796 016	19 796 016
accounting value per one share (in PLN)	19,87	17,98	17,46
spread number of shares	28 000 000	28 000 000	
spread number of shares per one share (in PLN)	19,87	12,72	

OFF-BALANCE SHEET ITEMS	AS AT 2005-03-31	AS AT 2004-12-31	AS AT 2004-03-31
1. Provisional accounts receivables	0	0	0
2. Provisional liabilities	29 455	24 527	20 644
1.1. For consolidated units	28 208	24 527	20 644
- for warranties and guarantees	28 208	24 527	20 644
1.2. For other units	1 247	0	0
- for warranties and guarantees	1 247	0	0
3. Other	9 400	9 400	23 415
3.1. Other provisional liabilities	9 400	9 400	0
3.2. Damage claims	0	0	23 415
Off Balance-sheet items	38 855	33 927	44 059

PROFIT AND LOSS ACCOUNT	Q1 2005 from 2005-01-01 to 2005-03-31	Q1 2004 from 2004-01-01 to 2004-03-31
I. Net sales revenue	424 447	339 816
- consolidated units	107 295	77 654
1. Net sales revenues - products	16 646	15 187
2. Net sales revenues - goods and materials	407 801	324 629
II. Cost of sold products, goods, sales	372 086	298 280
- consolidated units	91 673	64 290
1. Manufacture cost of sold products	106	73
2. Value of sold goods and materials	371 980	298 307
III. Gross profit (loss) on sale (I-II)	52 361	41 436
IV. Sales costs	26 788	17 863
V. General management costs	15 487	13 365
VI. Profit (loss) on sale (IV-V)	10 086	10 208
VII. Other operating revenues	2 167	3 414
1. Profit from intangible fixed assets disposal	35	3
2. Subsidies	0	0
3. Other operating revenues	2 132	3 411
VIII. Other operating costs	3 236	2 021
1. Loss from intangible fixed assets disposal	0	0
2. Updating of intangible assets value	762	623
3. Other operating revenues	2 474	1 398
IX. Profit (loss) on operating activity (VI+VII+VIII)	9 017	11 601
X. Financial revenues	1 580	1 256
1. Dividend and shares in profit, including:	0	0
- consolidated units	0	0
2. Interst, including:	1 035	206
- consolidated units	67	82
3. Profit on investment disposal	0	26
4. Updating of investment value	0	0
5. Other	545	1 024
XI. Financial costs	3 158	2 779
1. Interest, including:	2 316	2 275
- consolidated units	0	0
2. Loss from investment disposal	0	0
3. Updating of investment value	0	137
4. Other	840	367
XII. Profit (loss) on business activity (IX-X-XI)	7 441	10 078
XIII. Result of extraordinary events (XIII.1- XIII.2)	0	0
1. Extraordinary profits	0	0
2. Extraordinary losses	0	0
XIV. Other mandatory profit decrease (increase of loss)	7 441	10 078
XV. Current tax	1 688	2 060
a) current part	1 461	2 060
b) diferred part	227	0
XVI. Other mandatory decrease of profit (increase of loss)		0
XVII. Share in net profit (loss) of subordinated units evaluated on the basis of ownership rights method		0
XVIII. Net profit (loss) (XIV-XV-XVI+/-XVII)	5 753	8 018

net profit (loss) (anulated)	5 753	8 018
average number of ordinary shares	28 000 000	19 796 016
profit (loss) per one ordinary share	0,21	0,40
average spread number of ordinary shares	28 000 000	
Spread profit (loss) per one ordinary share	0,21	

LIST OF CHANGES IN EQUITY	Q1 2005 from 2005-03-31 to 2005-03-31	2004 from 2005-01-01 to 200-12-31	Q1 2004 from 2004-03-31 to 2004-03-31
I. Equity at the beginning of period	356 022	334 080	334 080
a) changes of accepted accounting principles (policy)	0	3 487	3 487
b) correction of basic errors	0	0	0
I.a. Equity at the beginning of period (BO), after agreement of data to comparable data	356 022	337 567	337 567
1. Share capitals at the beginning of period	98 982	98 982	98 982
1.1. Change in share capital	41 019	0	0
a) increases	41 019	0	0
- from issue of shares	41 019	0	0
b) decreases	0	0	0
1.2. Share capital at the end of period at the beginning of period	140 001	98 982	98 982
2. Called up share capital not paid	0	0	0
2.1. Changes in due contribution to share capital	0	0	0
a) increases	0	0	0
b) decreases	0	0	0
2.2. Called up share capital not paid - at the end of the period	0	0	0
3. Treasury shares at beginning of period	0	0	0
3.1. Change in treasury shares	-6 176	-6 176	0
a) increases	6 176	-6 176	0
- purchase	0	-6 176	0
b) decreases	6 176	0	0
- sales	6 176	0	0
3.2. Treasury shares at the end of period	0	-6 176	0
4. Reserve funds	157 186	151 157	151 157
4.1. Change in reserve funds	151 326	6 029	-74
a) increases	151 333	6 118	15
- positive difference from updating of tangible assets	5	13	15
- from profit share	0	6 105	0
- other increases	151 328	0	0
b) decreases	7	89	89
- negative difference from updating of tangible assets	7	89	89
4.2. Reserve funds at the end of period	308 512	157 186	151 083
5. Capital from updating of evaluation at beginning of period	432	648	648
a) changes of accepted accounting principles (policy) - transformation balance	0	-292	-292
5.a. Capital from updating of evaluation after agreement of comparable data	432	356	356
5.1. Change of capital from updating of evaluation	2	76	74
a) increases	7	89	89
- transfer on reserve funds of updated ST due to their liquidation or sale	7	89	89
b) decreases	5	13	15
- transfer on reserve funds of updated ST due to their liquidation or sale	5	13	15
5.2. Capital from updating of evaluation at the end of period	434	432	430
6. Other reserve funds at the beginning of period	82 375	76 199	76 199
6.1. Changes of other reserve funds	-3 966	6 178	0
a) increases	0	6 178	0
- other increases	0	6 178	0
b) decreases	3 966	0	0
- disposal of treasury shares	3 966	0	0
6.2. Other reserve funds at the end of period	78 409	82 375	76 199
7. Profit (loss) in previous periods at the beginning of period	23 223	7 094	7 094
7.1. Profit in previous years at the beginning of period	23 223	7 094	7 094
a) changes in accepted accounting principles (policy)	0	3 778	3 778
b) correction of basic errors	0	0	0
7.2. Profit in the previous years, at the beginning of period, after agreement of comparable data	23 223	10 872	10 872
a) increases	0	0	0
b) decreases	0	7 094	0
- share of profit from the previous years	0	6 105	0
- dividend	0	969	0
7.3. Profit from the previous years at the end of period	23 223	3 778	10 872
7.4. Loss from the previous years at the beginning of period	0	0	0
a) increases	0	0	0
b) decreases	0	0	0
7.5. Loss from the previous years at the beginning of period, after agreement of comparable data	0	0	0
a) increases	0	0	0
b) decreases	0	0	0
7.6. Loss from the previous periods at the end of period	0	0	0
7.7. Profit (loss) from the previous years at the end of period	23 223	3 778	10 872
8. Net result	5 753	19 445	8 018
a) net profit	5 753	19 445	8 018
b) net loss	0	0	0
c) deduction from profit	0	0	0
II. Equity at the end of period (closed balance-sheet)	556 332	356 022	345 584
III. Equity, including proposed share of profit (disbursement of loss)	556 332	352 102	345 584

CASH FLOW ACCOUNT	Q1 of 2005 from 2005-01-01 to 2005-03-31	I Q of 2004 from 2004-01-01 to 2004-03-31
A. Operating cash flows		
I. Net profit (loss)	5 753	8 018
II. Total corrections	4 346	13 312
1. Depreciation	2 134	2 131
2. Exchange rate differences profits (losses)	-682	-196
3. Interests and share in profit (dividends)	2 473	2 580
4. Profit (loss) from investment activity	-35	-29
5. Change in state of provisions	215	147
6. Change in state of reserves	-9 300	467
7. Change in state of accounts receivables	-29 087	-8 509
8. Change in short-term liabilities, excluding loans and credits	39 466	16 121
9. Change in state of prepayments and accrued income	-838	324
10. Other corrections	0	275
III. Operating net cash flows (I+/-II)	10 099	21 330
B. investment cash flows		
I. Investment cash inflow	328	124
1. Disposal of intangible fixed assets and tangible fixed assets	328	17
2. Disposal of investment in real properties and intangible fixed assets	0	0
3. From financial assets, including:	0	107
a) consolidated units	0	0
b) other units	0	107
disposal of financial assets	0	107
II. Investment cash outflow	8 145	1 393
1. Purchase of intangible fixed assets and tangible fixed assets	3 208	1 393
2. Investment in real properties and intangible fixed assets	0	0
3. For financial assets, including:	4 937	0
a) consolidated units	0	0
b) other units	4 937	0
other	4 937	0
4. Other investment cash outflow	0	0
III. Financial cash flows	-7 817	-1 269
C. Financial cash inflow		
	213 092	25 851
1. Net inflows from issue of shares and other capital instruments and contributions	192 875	0
2. Loans and credits	18 008	1 241
3. Issue of debt securities	0	24 610
4. Other financial inflows	2 209	0
II. Financial cash outflow	155 294	37 775
1. Purchase of treasury shares	0	0
2. Dividends and other payments to owners	0	0
3. Other than payouts to owners, cash outflows under share of profit	0	0
4. Disbursement of loans and credits	137 493	8 548
5. Redemption of debt securities	15 000	27 000
6. Under other financial liabilities	0	0
7. Payment of liabilities under financial leasing agreement	0	0
8. Interest	2 217	2 229
9. Other financial outflows	584	0
III. Net financial cash outflows (I-II)	57 798	-11 924
D. Net cash flows, total (A.III+/-B.III+/-C.III)	60 080	8 137
E. Balance sheet movement in cash, including:	60 074	8 137
change in cash under exchange rate differences	-6	0
F. Cash at the beginning of period	3 822	7 112
G. Cash at the end of period (F+/-D), including:	63 902	1 249
with limited disposal prospects	285	239

Additional information for the first quarter ending on 31 March 2005.

Accounting principles applicable in preparation of periodical report for the first quarter ending on 31 March 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 measurement of net financial result as at the balance-sheet day, including corrections due to provisions.

Detailed information regarding principles and 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 31 March 2004 publicly disclosed on 19 April 2005.

To present selected financial data, individual assets and equity and liabilities were calculated into EUR at an average exchange rate of **4.0837**, announced by the National Bank of Poland as at balance-sheet day (on 31 March 2005). Individual items of profit and loss account were calculated into EUR at an average rate of **4.0153**, which is arithmetic average of average rates agreed by the National Bank of Poland for EUR as at the last day of each month ended, in the period from January to March 2005, which are respectively: 4.0503, 3.9119 and 4.0837 for the period of financial statements for the first quarter 2005, ended on 31 March 2005.

To present selected financial data, individual assets and equity and liabilities were calculated into EUR at an average exchange rate of **4.7455**, announced by the National Bank of Poland as at balance-sheet day (on 31 March 2004). Individual items of profit and loss account were calculated into EUR at an average rate of **4.7939**, which is arithmetic average of average rates agreed by the National Bank of Poland for EUR as at the last day of each month ended, in the period from January to March 2004, which are respectively: 4.7614, 4.8746 and 4.7455 for the period of financial statements for the first quarter 2004, ended on 31 March 2004.

Provisions and deductions updating the assets – for the period from 1 January 2005 – 31 March 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 first quarter of 2005.

	PLN '000
Created provisions	
For deferred tax	288
For costs	114
For envisaged losses	1 855
Total	2 257
	PLN '000
Released and used provisions	
For NJ and retirement severance payments	73
For costs	134
For envisaged losses	1 855
Total	2 062
	PLN '000
Odpisy aktualizujące (zwiększenia)	
For account receivables	1 411
Total	1 411
	PLN '000
Income tax deferred tax	
increases	61
decreases	0

Essential successes and failures of CIECH SA in the first quarter ended on 31 March 2005.

On 19 May 2004 NWZA CIECH SA approved increase of share capital, which proceeded through public issue including C stocks at the amount not exceeding 8 203 984 with a par value of PLN 5 per each. On 10 February 2005 total stocks amount of 28.000.000 of CIECH SA was introduced to stock trading on the Stock Exchange in Warsaw including:

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

Total operating cash inflow for sale of all C ordinary shares was PLN 192,193, with issue price of PLN 24.00. On the closing the first quoting day, the price of 1 share of CIECH SA on a Stock Exchange in Warsaw was PLN 28.10.

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

In the 1st quarter of 2005 one of the basic macroeconomic, positive factors affecting activity of CIECH SA was Poland's accession to the European Union, which influenced revival of the local market and export of chemicals. The consequence of the accession, and accordingly more direct factors, which influenced CIECH SA activity were as follows:

- facilitate trade exchange between Poland and the EU (e.g. abolition of customs control),
- perspectives for improvement of Poland's agricultural condition, and hence increase of demand for agrochemicals in this economic sector.

Other positive factors

- continuation of well economic situation in the European glass industry (main consumer of calcid soda).
- Increase in the European prices of calcid soda by about 10% within the 1st quarter of 2005).
- Continuation of the local production level in chemical industry in relation to parallel quarter of 2004 (minimum increase dynamic comparable to production in total industry with respect to high base of the previous year – preceding accession of Poland to EU).

Other negative factors

- Continuation of high prices of coke (considerably higher than the parallel ones in the previous year) resulting in high production costs.
- Strengthening of PLN value and thus gradual decrease of export profitability of CIECH SA
- Considerable increase of oil prices (by about 1.3 within the quarter), which results in decrease of competitiveness of imported petrochemical raw materials by CIECH SA
- Continuation of low value of USD in relation to EUR (a negative impact on a pro-export chemical production of the Euro zone countries, which CIECH SA supplies with raw materials).

Description of the financial results

Figures in PLN '000

	I quarter 2005	I quarter 2004	Dynamics 2005/2004
Net sales revenue	424 447	339 816	24.90%
Operating costs	414 361	329 608	25,71%
Gross sales profit	52 361	41 436	26,37%
Net sales profit	10 086	10 208	-1,20%
Gross profit (loss)	7 441	10 078	-26,17%
Net profit (loss)	5 753	8 018	-28,25%

Source: Ciech SA

Sales revenues

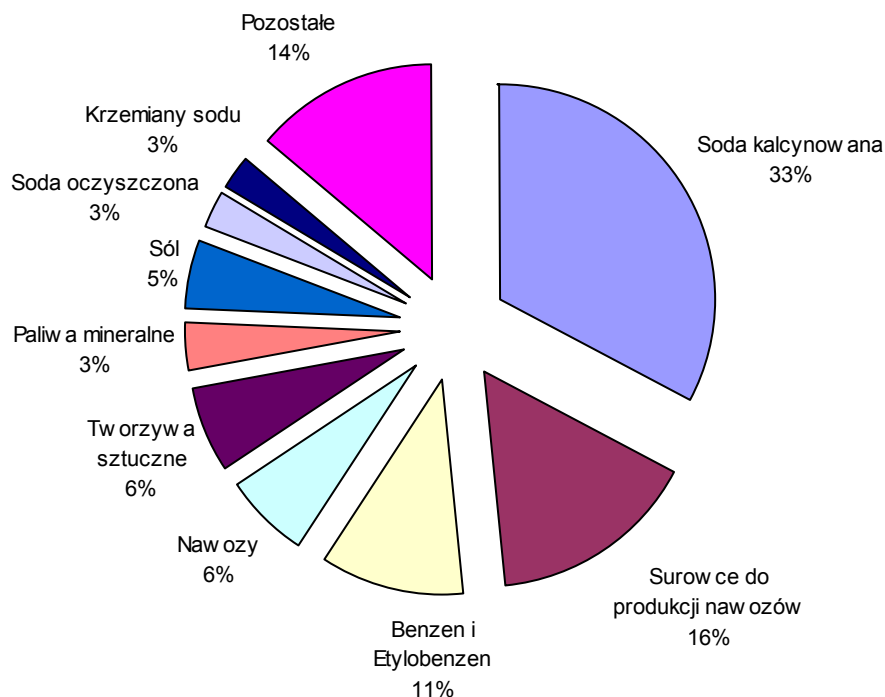
Values of net sales revenues of Ciech SA in the first quarter of 2005 were PLN 424,447 thousand. In relation to the first quarter of 2004 revenues has increased by 25%. The main reason of increase was reorganization carried out in CIECH Group within the scope of soda products trading (outsourcing of sales service, purchase of raw materials and logistics from soda companies to Ciech SA).

Geographic structure of sales revenues

Goods portfolio of CIECH SA is marked with high degree of maturity and therefore sales are shaped on the basis of solid relations with clients. The local market continues to be the major market, whilst the European market continues to be the major export market. Geographic nearness and lack of trade barriers result in the European countries economics being natural markets for CIECH SA This signifies, that the export margin depends on the economic situation in this region and EUR/PLN rate. In revenue structure the local sale dominated (including import in the local market), which reached PLN 259,199 thousand, which constitutes 61% of total sale, whilst export sale reached PLN 162,628 thousand.

Trading structure of sales revenues

Revenues structure of CIECH SA reflects to a great extent the structure of sales of the Capital Group. Considerable part of products manufactured in the Capital Group companies is sold through CIECH SA. As a result, in the revenue structure of CIECH SA the sales of main products of the Capital Group has dominated. These included: calcid soda and ethylobenzen. Due to operating relations between CIECH SA and subsidiaries, including among others co-ordination of purchasing policy, an important position in the CIECH SA sale structure goes to supply of raw energetic materials (coal, ethylene) of subsidiaries dependant to CIECH SA). Consignment agency is performed by CIECH SA in case of goods manufactured outside Capital Group. Sales structure of Ciech SA in the first quarter of 2005, including specification of main products and goods is reflected by the following diagram.



Gross sales profit

Gross sales profit of CIECH SA in the first quarter of 2005 achieved level of PLN 52,361 thousand. In relation to the parallel period of 2004 this figure signifies a 26% increase.

Increase in sales profit in the first quarter of 2005, in relation the first quarter of 2004 resulted from restructuring of soda products sales in the Capital 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 quarter of 2005 was PLN 9,017 thousand. In relation to profit achieved in the parallel period of the previous year a 22% decrease was recorded. The main source of net profit of the first quarter of 2005 was – like in the parallel period of the previous year – sales profit at the amount of PLN 10,086 thousand.

Net result

Net profit in the first quarter of 2005 was PLN 5,753 thousand. In relation to profit achieved in the first quarter of 2004 the result decreased by PLN 2,265 thousand.

Capital structure

In PLN '000

	31 Mar 2005	31 Dec 2004	dynamics 2005/2004
Fixed assets	496 974	491 548	1.10%
Working capital, including	431 190	330 563	30.44%
Provisions	27 760	18 460	50.38%
Account receivables	332 681	307 494	8.19%
Value of assets	928 164	822 111	12.90%
Equities	556 332	356 022	56.26%
Provisions	20 170	19 955	1.08%
Long-term liabilities	29 044	35 185	-17.45%
Short-term liabilities	317 147	405 830	-21.85%

Source: Ciech SA

Equity of Ciech SA has increased at the end of the first quarter of 2005 in relation to the state as at 31 December 2004 by the amount of PLN 200,310 thousand. A decisive impact on change in equity of Ciech SA had: (a) C shares issue and (b) net profit worked out in the first quarter of 2005.

Debts

Level of liabilities (total of long-term and short-term) of CIECH SA as at 31 March 2005 was PLN 346,191. This signifies decrease in relation to the state as at 31 December 2004 by the amount of PLN 94,824 thousand. Decisive reason of decrease of liabilities was repayment of short-term loans, following receipt of cash ensuing from issue of shares (to date of commencement of scheduled canvassing, cash ensuing from issue of shares were applied to disbursement of current bank liabilities).

Debt ratio (calculated as relation of debt to balance-sheet sum) as at 31 March 2005 was 40%., which signifies decrease by 31% in relation to debt ratio as at 31 March 2004.

Financial lever (relation of debt to debt plus equities as calculated in accordance with accounting value) as at 31 March 2005 was -1.8%. This signifies, that as a result of cash inflow ensuing from issue of shares, cash disposed of by the Company exceeds bank liabilities. This ratio as at 31 December 2004 was at the level of 34.1% in the previous year.

Ratio of current cash flow (calculated as a quotient of total current assets and total short-term liabilities) was at the end of March 2005 1.36, which signifies improvement in relation to 2004, when this ratio was equal to 0.74.

	1st quarter 2005	1st quarter 2004	dynamics 2005/2004
Margin ratio of basic activity	2.38%	3.00%	-20.7%
Net margin ratio	1.36%	2.36%	-42.4%
Current cash flow ratio	1.36	0.74	83.8%
Increased cash flow ratio	1.27	0.68	86.8%
Current debts ratio	40.1%	58.3%	-31.2%

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

Level of achieved revenues and financial results of Ciech SA depends to a great extent on the level of economic situation in general.

Due to the fact, half of revenues of the Group are achieved owing to sales of inorganic chemical products, markets of which are known from stability, fluctuations of revenues and results of the Group are relatively small.

Level of sales in individual quarters is marked by a considerable evenness as per year. Lack of periodic variation in Company sales and evenness of revenues as per year results from:

- Stable sales structure of the Company;
- Considerable participation in sales of products of production companies operating under auspices of CIECH Capital Group;

- Minor sensitivity of sales for change in demand ensuing from minor participation in sales of ready products to final consumer;
- High loyalty ratio ensuing from considerable participation in regular clients' turnover;
- Variation of directions of the market activities (export, import and local sale).

Goods with visible impact of season are as follows:

- o Fertilizers;
- o Raw materials for fertilizer production;
- o Plant protection agents.

Total participation in sales revenues from the aforementioned goods was 23% in 2005.

Sales structure for aforementioned goods in 2004

(distribution of sales in subsequent quarters - % of participation in the annual sale)

	Q I	Q II	Q III	Q IV
Fertilizers	23.4%	9.5%	50.3%	16.8%
Raw materials for fertilizer production	32.8%	13.4%	35.4%	18.3%
Plant protection agents	19.3%	61.4%	14.7%	4.5%

Concentration of sales of fertilizers takes place in the III quarter of the year. This results from increased use of fertilizers owing to intensification of agricultural works in autumn. Majority of plant protection agents are used in the 2nd quarter of the year, in the period of intense growth. Impact of season on general sales trends of the Company is relatively small, while other factors overlap, which considerably modify strength and direction of seasonal fluctuations.

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

Share capital increase took place on 15 February 2005 by the amount of PLN 41,020 thousand, which resulted from issue of C shares at a value PLN 5 per each.

In the period specified herein cancellation of shares did not transpire.

On 22 March 2005 CIECH SA redeemed promissory notes issued in the previous periods at the par value of PLN 15,000 thousand, due to deadline determined for that very day.

Within the 1st quarter of 2005 ended on 31 March 2005 the Company did not issue any debt securities such as: bonds, promissory notes and short-term securities.

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

The CIECH SA Board of executives will forward a petition to the Common General Shareholders Meeting of Ciech SA to allocate the amount of PLN 3.920 thousand of worked out net profit for 2004 to pay dividend for shareholders, which constitutes PLN 0.14 for one share. C shares will participate in dividend, starting with payout of profit intended for share for the financial year 2004, from 1 January 2004.

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

On 19 April 2005 CIECH SA received the final decision of the Supreme Court, which dismissed cancellation regarding a case brought to the court by PCC AG for failure to perform the contract for shares endorsement of Petrochemia Blachownia Sp. z o.o. A detailed description of the case is included in item "Proceedings in the Court, a relevant authority to carry out arbitrary proceedings or the public administration authorities pursuant to the state as at 31 March 2005". Due to dismiss of cancellation the case returned to the District Court, where further proceeding will continue, to agree the updated amount of claim for PCC AG. The date of proceeding in the District Court was scheduled on 25 May 2005.

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.

In the 1st quarter of 2005 CIECH SA failed to merger or take-over other business entities. Sales of capital group entities, long-term investments and discontinuation of any activity did not transpire as well.

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

Within the 1st quarter of 2005 ending on 31 March 2005 CIECH SA advanced guarantee of loan, opened in PKO SA bank to the subsidiary Cheman SA, with intention to provide security to letter of credits, opened for import suppliers. In 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.

In January 2005 the Company granted loan guarantees, without specified deadline, incurred in BRE – Multibank SA by authorised persons, in accordance with the Resolution No. 3 of NWZA dated 17 August 2004, for purchase of Employee Shares.

Other information to the quarterly report ending 31 March 2005.

Performance of formerly published prognosis of results for the particular year.

Ciech SA does not publish forecast regarding non-consolidated results. In 17 January 2005 (current statements No. 5/2005) financial forecast was published for CIECH Capital Group for 2005, in accordance with the Polish Accounting Principles. The CIECH SA board of executives has envisaged achieving the following results on the consolidated level:

- revenues PLN 2,200 million
- net profit PLN 104 million

A commentary of the forecast performance shall be published in a quarterly consolidated report.

CIECH SA shareholders, with at least 5% of shares/votes on Shareholders Meeting – updated state

- State Treasury represented by the State Treasury Minister – 10,270,800 shares, which constitutes directly 36.68 % of CIECH SA share capital; number of votes 10,270,800 which constitutes directly 36.68% of participation in the total number of votes at General Meeting.
- Franklin Templeton Investments with registered office in Great Britain – 2,000,000 shares, which constitutes 7.14% of CIECH SA share capital; number of votes 2,000,000, which constitutes 7.14% of participation in the total number of votes at the General Meeting.
- Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK – 1,450,000 shares, which constitutes 5.18% of CIECH SA share capital; number of votes 1,450,000, which constitutes 5.18% of participation in the total number of votes at the General Meeting.
- Otwarty Fundusz Emerytalny PZU „Złota Jesień” – 1,712,732 shares, which constitutes 6.12% of CIECH SA share capital; number of votes 1,712,732, which constitutes 6.12% of participation in the total number of votes at the General Meeting;
- Commercial Union Investment Management SA (CUIM) Polska – 1,504,961 shares, which constitutes 5.37% of CIECH SA share capital; number of votes 1,504,961, which constitutes 5.37% of participation in the total number of votes at the General Meeting.

Change in ownership structure of substantial stake of shares/votes of CIECH SA (at least 5%).

	As at 14 Dec. 05	Purchased shares	Sold shares	As at 05 May 05
State Treasury	10,270,800	-	-	10,270,800
Franklin Templeton Investments with registered office in Great Britain	-	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

Change in ownership structure of substantial stake of shares/votes of CIECH SA in possession of related undertakings.

Pursuant to information advised by CIECH SA board of executives, Polskie Towarzystwo Ubezpieczeniowe SA (Polish Insurance Association SA) sold part of shares to CIECH SA and currently shares in possession of PTU SA authorize to less than 5% of votes at the CIECH SA General Shareholders Meeting.

Change in state of CIECH SA shares in possession of the members of the Board of Executives and Supervisory Board.

	As at 14 Dec. 05	Purchased shares	Sold shares	As at 05 May 05
Board of Executives	383,253	-	-	383,253
Supervisory Board	-	-	-	-

Proceedings in court, relevant authorities for arbitrary proceedings or public administration authorities pursuant to state as at 31 March 2005.

I. CIECH SA :

Liabilities of CIECH SA (local and foreign) announced to court or arbitrary proceedings.

Claims of Petro Carbo Chem Aktiengesellschaft (PCC AG)

The object of the claim brought by PCC AG in 2000 is a claim for repayment of damage of PLN 21,364 thousand and EUR 13,861.45 (equivalent to PLN 57 thousand) due to failure to perform the contract for endorsement of shares of Petrochemia Blachownia Sp. z o.o., as provided for in the preliminary contract concluded on 9 July 1999. On 27 May 2003 the District Court in Warsaw passed a preliminary verdict by accepting the claim of PCC AG as justified to the principle, without specifying the amount of the claim itself at the same time. Ciech SA lodged an appeal to the preliminary verdict on 19 September 2003, blaming the preliminary verdict on an erroneous legal assessment of established physical circumstances and violation of substantive law by assumption that the Parties intended to conclude the Contract. During proceedings held on 12 August 2004 the Court of Appeal maintained in power a sued preliminary verdict of the District Court, i.e. confirmed legitimacy of PCC AG claims, without announcement of the amount of damage, which will be subject to further proceedings. In November 2004 Ciech SA lodged cancellation, whilst raising reproach of substantive law violation, by erroneous interpretation thereof and wrongly application and exceeding by the District Court the principles of unrestrained assessment of evidence as non-compliant with EU directives.

On 19 April 2005 Ciech SA received the final decision undertaken by the Supreme Court, which dismissed the cancellation.

As a result of cancellation dismissal, the case returned to the District Court, where further proceeding will continue to establish updated amount of damage for PCC AG. The proceedings in the District Court were scheduled on 25 May 2005.

Claims of Comexport

The object of the suit brought by Comexport (Brazil) in September 2003 to the Arbitrary Court by the International Commercial Chamber in Paris are damage claims under non-recourse performance of supplies of Polish sulphur to Brazil in the years 1996-1999. The claim was directed to Ciech SA and Sulphur Mines in Tarnobrzeg and Grzybów. The value of the dispute object is currently USD 3,872,943 (equivalent to PLN 12,207 thousand), while the plaintiff decreased the damage in the course of proceedings by the amount of USD 88,295 (equivalent to PLN 278 thousand). The aforesaid amount include: lost profits of Comexport under failure to supply to the Brazilian recipients the quantities provided for in the contract, losses under increased costs of freight. In November 2003 Ciech SA submitted reply to the suit and requested dismissal of Comexport claims; by announcement of force majeure certificate confirming liquidation of mines and restructuring of sulphur industry, a reproach of claims prescription and failure to record damage claims. The Arbitrary Court appointed one arbiter to acknowledge a dispute. Following acknowledge of the case the arbiter agreed a programme of further proceeding. Each of the Parties submitted two detailed pleadings including evidence.

On 22 April 2005 the proceeding in the Arbitrary Court by the International Chamber of Commerce in Paris was held, with presence of the representatives of Comexport and Ciech SA and their plenipotentiaries in the pleadings. Sued Sulphur Mines in Tarnobrzeg and Grzybów did not participate in the arbitrary proceeding in course nor did they appoint representatives for the proceedings. Ciech SA appealed for dismissal of a suit brought by Comexport and reimbursement of costs of proceedings, sustaining to date reproaches announced in the pleadings and submitted documents. Comexport sustained claims recorded in the suit.

A verdict of the Arbitrary Court by the International Chamber of Commerce in Paris is expected within 1-2 months. Ciech SA is represented in the proceedings by an acknowledged legal office, which in the previous legal opinion deemed Comexport claim as illegitimate.

Claim of Enapharm

The object of the suit brought in June 2004 by a liquidator of Enapharm in Algeria is the amount of USD 172,879.84 (equivalent to PLN 545 thousand), which constitutes damage for supply of medicines by Ciech SA in the years 1985-1991. In plaintiff's opinion, Ciech SA did not exchange medicines unsold by the recipient, which expired – into medicines apt for use – which it was liable for in accordance with the contract. However, Ciech SA claims that it was released from this liability, while the plaintiff failed to further the amounts due for medicines sold in the Algerian market.

The case is proceeding in the Algerian court. Ciech SA is represented by a local barrister, who is supervised by an acknowledged chamber in Paris. On a subsequent proceeding, held in March 2005, the court consented to plaintiff's request and appointed a court expert to issue an opinion as to legitimacy of claimed damage amounts.

For 31 March 2005, in the Company accounting register there is a provision for possible claims under aforementioned court proceedings at the total amount of PLN 10,000 thousand.

Employees claims

There are currently five employee proceedings against Ciech SA brought by former employees dismissed due to reasons the Company is liable for. The objects of disputes are claims for reinstatement to work. The prognosis as to the result of aforementioned proceedings is positive.

Ciech SA claims (local and international)

Claims filed to court proceeding or arbitrary proceeding

Under reimbursement of amounts due for goods and other, Ciech SA conducts seven civil procedures for payment at the total amount of PLN 440 thousand. Prognosis is positive.

Claims sought in administration proceeding

Ciech SA conducts three cases in the Supreme Arbitrary Court under reimbursement of wrongly collected excise and reimbursement of customs amounts due at the total amount of PLN 427 thousand. Prognosis is positive.

Claims under bankruptcy proceedings

Claims at the total value of PLN 19,453 thousand were brought to local bankruptcy proceedings (fifty seven proceedings). Claims at the total USD 724,464 and EUR 418,868 (total equivalent to PLN 3,994 thousand) were brought by Ciech SA to bankruptcy proceedings conducted abroad, the largest of which are the following: Chemapol – Prague (PLN 1,094 thousand), Euroftal N.V. Belgium (PLN 853 thousand), Petrimex – Bratislava (PLN 709 thousand), WMW – Novosibirsk (PLN 581 thousand). Prognoses as to bankruptcy proceedings are negative, due to the fact that Ciech SA claims are not preferred ones.

Claims under enforcement and settlement proceedings

In the local enforcement proceedings (twenty nine proceedings) Ciech SA seeks the amount of PLN 26,791 thousand from its debtor. The largest one (PLN 17,619 thousand) is the enforcement proceeding against Sur5Net instigated in September 2004. So far, the actions undertaken by a debt collector did not bring any results. Ciech SA undertook an attempt to estimate assets of the debtor in course of commercial information. Prognoses as to other enforcement proceedings are variable respective to the assets of debtors. Within the scope of settlement proceedings the amount included is PLN 43 thousand. Prognoses as to settlement proceedings are positive.

The following exchange rate was applied in calculation of liabilities expressed in foreign currency:

USD exchange rate	3.1518
EURO exchange rate	4.0837

II. Subsidiaries

Soda Małwy SA Capital Group

With respect to Soda Małwy SA and its subsidiaries, no claims have yet been reported (liabilities), which could substantially affect their activities. Passive cases (liabilities) are closed within the amount of PLN 62 thousand. However, debt claimed from debtors by Soda Małwy SA and its subsidiaries during executive proceedings constitute the amount of PLN 27,477 thousand, of which the largest amount i.e. PLN 21,814 thousand are claims towards B. Lepiarz under amounts due for goods. According to Soda Małwy SA information – prognoses are unfavourable. In executive proceedings there is also a verdict to Soda Małwy SA against brokerage office Sur5 Net of PLN 5,663 thousand including statutory interest. Executive proceeding is suspended due to Soda Małwy SA filing a suit for disclosure of Sur5 Net assets. Other cases undertaken by GK Soda Małwy are bankruptcy proceedings at the total amount of PLN 1,116 thousand and settlement proceedings at the total amount of PLN 206 thousand.

Soda Mątwy SA Capital Group has created Updated deduction for pending legal proceedings of PLN 32,558 thousand.

Janikosoda SA Capital Group

There are no substantial claims (liabilities) against Janikosoda SA and its subsidiaries, which could impact their activity. There are three proceedings underway in the Supreme Administrative Court being the result of complaint lodged by Janikosoda SA against issued decisions by the General Inspectorate of Environmental Protection in the years 1999-2000, which imposed penalties on Janikosoda SA of PLN 2,330 thousand under excess of acceptable emission of air pollutants. Proceedings regarding aforesaid issues have been suspended since 2002 at a joint request of the parties. The total amount of other liabilities of GK Janikosoda under passive proceedings is PLN 531 thousand. Debt claimed by GK Janikosoda in the civil court proceedings against dozens of debtors in relation to trade activity reaches PLN 361 thousand. In executive proceeding debt claimed reach the amount of PLN 2,119 thousand, of which the largest position of PLN 2,104 thousand is a verdict against B. Lepiarz. In the bankruptcy proceeding the amount claimed is PLN 376 thousand, whilst the amount of PLN 464 thousand is claimed in settlement proceedings.

Janikosoda SA Capital Group has created Updated deduction of PLN 3,402 thousand.

Vitrosilicon SA

The Company has not recorded any claims (liabilities), which could impact its trading activity. The Company claims debt under supplies and services from its debtor of PLN 1,165 thousand, of which the largest position constitute executive proceedings of PLN 609 thousand, whilst bankruptcy proceedings PLN 470 thousand.

Vitrosilicon SA has created an updated deduction for all pending proceedings.

Chemical Plant „Alwernia” SA Capital Group

The Alwernia Capital Group has not recorded any claims (liabilities), which could impact its operational result. GK Alwernia SA claims debt under goods and damage in lawsuits and executive proceedings at the total amount of PLN 584 thousand. The claim filed in the bankruptcy proceeding is PLN 687 thousand.

Chemical Plant “Alwernia” SA Capital Group has created an updated deduction for all pending proceedings.

Chemian SA

Chemian SA has not recorded any claims (liabilities), which could impact its operational result. The Company Chemian SA claims debt under trading activity in the lawsuits against dozens of debtors at the total amount of PLN 3,009 thousand, of which the amount of PLN 1,362 thousand is claimed in the executive proceedings, whilst in bankruptcy proceedings PLN 826 thousand. Under active legal cases Chemian SA claims the amount of PLN 821 thousand, which constitutes amounts due for goods and services.

Chemian SA has created an updated deduction for all pending proceedings.

GZNF „Fosfory” Sp. z o.o. Grupa Kapitałowa

The Companies of the Fosfory Capital Group have not recorded any claims (liabilities), which could impact its trading activity. GK Fosfory claims debt from its debtors of PLN 4,357 thousand, in the course of lawsuits, executive and bankruptcy proceedings, for which an updated deduction has been created.

Petrochemia – Blachownia SA Capital Group

GK Petrochemia Blachownia has not recorded any claims (liabilities), which could impact its activity. Petrochemia-Blachownia SA claims debt under supplies and services from its debtors at the total amount of PLN 543 thousand, which is subject to executive proceeding. Petrochemia-Blachownia SA has claimed the amount of PLN 168 thousand to bankruptcy proceedings.

Updated deduction has been created for all aforementioned amounts due.

Ciech Service Sp. z o.o.

The Company is a defendant party in an employee dispute for payment of the amount of PLN 100 thousand plus statutory interest in the course of complaint lodged by a former employee.

The Company has created an updated deduction for the whole amount due.

Information regarding entering by CHIECH SA or one of its subsidiaries to one or more contracts with affiliated entities, which are not typical or routine contracts
(in accordance with information disclosed by the companies)

Name of entity , the contract was concluded with	Relation between the company and the Party in contract	Object of the contract	Essential terms of the contract (PLN '000)		Additional information
			Financial condition	Essential terms specific for this agreement, in particular those different from commonly applied for this kind of agreement	
Soda Mątwy SA					
Transoda Sp.zo.o	Indirect subsidiary	Loan grant	T/N WIBOR + margin 0,7%	none	Loan granted in 2004. Debt balance as at 31 March 2005 – PLN 1,500,000.

Information on granting by CIECH SA or its subsidiary loan guarantees or granting a warranty.
(in accordance with information forwarded by the companies)

Granted guarantees

Name of entity granted a guarantee	Amount of guaranteed loans, which are guaranteed in whole or in a specified part		Guarantee period	Financial terms on basis of which the guarantee was granted, including remuneration of the company for the guarantee	The Entity, which liabilities are subject to guarantee	Type of relations between CIECH SA and the entity, which took a loan.
	currency	PLN '000				
CIECH SA						
NFOŚIGW in Warsaw		4 185	to 31.03.2006 r.		Z.CH. Soda Mątwy SA	subsidiary
KREDYT BANK SA Sieradz Division		4 500	to 31.08.2005	Payment of charge for CIECH SA of 1% of guarantee value	Chemana SA - Warsaw	subsidiary
KREDYT BANK SA Sieradz Division		3 750	to 31.08.2005	Payment of charge for CIECH SA of 1% of guarantee value	Chemana SA - Warsaw	subsidiary
BANK HANDLOWY SA		1 200	to 01.05.2005	Payment of charge for CIECH SA of 1% of guarantee value	Ciech-Polfa Sp. z o. o.	subsidiary
BANK HANDLOWY SA		4 800	to 01.05.2006	Payment of charge for CIECH SA of 1% of guarantee value	Ciech-Polfa Sp. z o. o.	subsidiary
PKN ORLEN SA		1 200	Timely unrestricted	Payment of charge for CIECH SA of 1% of guarantee value	Chemana SA - Warsaw	subsidiary
BRE BANK SA	USD 500	1 576	to 14.10.2005	Payment of charge for CIECH SA of 1% of guarantee value	Chemana SA - Warsaw	subsidiary
BANK PKO SA I Warsaw Division		4 000	to 31.07.2005	Payment of charge for CIECH SA of 1% of guarantee value (calculated from PLN 2 million) + PLN 10,000 for increase	Chemana SA	subsidiary

Name of entity granted a guarantee	Amount of guaranteed loans, which are guaranteed in whole or in a specified part		Guarantee period	Financial terms on basis of which the guarantee was granted, including remuneration of the company for the guarantee	The Entity, which liabilities are subject to guarantee	Type of relations between CIECH SA and the entity, which took a loan.
	currency	PLN '000				
BRE – Multibank SA		1 247	Timely unlimited – guarantee expires following final calculation of loan		Employees of Ciech SA	
BANK PKO SA I Warsaw Division		2 000	to 20.01.2006	Payment of charge for CIECH SA of PLN 10,000	Chemana SA	subsidiary
Total CIECH SA		28 458				
Petrochemia Blachownia SA						
Bank Ochrony Środowiska SA		2 000	to 31.12. 2005	none	ZK Zdzieszowice Sp. z o.o.	Non-consolidated
Bank PKO BP SA		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	to 31.03.2007	none	Transoda Sp. z o. o.	Indirect subsidiary
Total Soda Mątwy SA		2 370				
Janikosoda SA						
BOŚ Poznań	EUR 2 697	11 013	to 16.11.2009	Without remuneration	Vitrosilicon SA	subsidiary
Total Janikosoda SA		11 013				
Alwernia SA						
Alwernia Chrom Sp.zo.o	USD 400	1 596	to 31.01.2005	deposit 1%	Alwernia Chrom Sp. z o. o.	Indirect subsidiary
Total Alwernia SA		1 596				
Total amount of guaranteed loans		45 737				

Name of entity granted a guarantee	Amount of guaranteed loans, which are guaranteed in whole or in a specified part		Guarantee period	Financial terms on basis of which the guarantee was granted, including remuneration of the company for the guarantee	The Entity, which liabilities are subject to guarantee	Type of relations between CIECH SA and the entity, which took a loan.
	currency	PLN '000				

Soda Mątwy SA						
NFOŚiG W		1 800	to 31.12.2006	Claims due to the Municipal Office in Inowrocław under real property tax.	Municipal Office in Inowrocław	Non-consolidated
Total Soda Mątwy SA		1 800				

Udzielone gwarancje

Name of entity granted a guarantee	Amount of guaranteed loans, which are guaranteed in whole or in a specified part		Guarantee period	Financial terms on basis of which the guarantee was granted, including remuneration of the company for the guarantee	The Entity, which liabilities are subject to guarantee	Type of relations between CIECH SA and the entity, which took a loan.
	currency	PLN '000				
Ciech SA						
RBP SA Warszawa	DKK 1 000	548	to 30.12.2005	Payment of charge for CIECH SA of 1% of guarantee value + disbursement of bank expenses	Danske Unipol A.S. - Denmark	
RBP SA Warszawa	EUR 110	449	to 30.12.2005	Payment of charge for CIECH SA of 1% of guarantee value + disbursement of bank expenses	Polcommerce GmbH - Austria	
Total Ciech SA		997				

Other essential information for assessment of economic and financial situation, financial result and changes thereof, and essential for assessment of the possibility to fulfil liabilities.

a. essential information for assessment of staff capacity

The new organisational structure, based on task division between Corporate Centre and business divisions, such as Sodowa and FosChem was implemented on 1 January 2005 in Ciech SA

The Corporate Centre carries out tasks, which impact the value of the whole Capital Group. It works out a development strategy for the CIECH Capital Group, monitors and provides assessment of the level of task performance, carries out Public Relations tasks to build up a good name in front of clients and financial institutions, and introduces unanimous standards of management over the whole group within financial planning and investment policy.

Divisions: Sodowa and FosChem are business entities. They constitute an operating activity of the group. Assessment of their activity is undertaken within product segments of the Group, and not on the basis of particular companies acting under their auspices, while creating clear responsibility for products, from manufacture to sale.

With respect to implementation of a new organisational structure in the first quarter of 2005 the recruitment optimising process commenced. The process proceeded in accordance with the agreement concluded with the unions, functioning within Ciech SA. The Agreement does not affect the expenses schedule accepted by the Company beforehand.

Within the project, a number of protective undertakings for leaving employees were anticipated: trainings, funding of trainings, and assistance in job search. There is a counselling office within the Company's facilities, which offers its assistance to job seekers.

b. essential information for assessment of financial situation and essential for assessment of the possibility to fulfil liabilities

The financial situation of Ciech SA was affected largely by issue of C shares in the first quarter. Total amount of cash from issue was PLN 192,193,116.00, as per issue price of PLN 24.00

The cash ensuing from issue are intended to fund investment plans of Ciech SA in accordance with investment programme envisaged in the issue prospect. Due to a specified time provided until cash ensuing from issue has been used, for the time of cash disposal, the CIECH Board of executives has undertaken measures aiming to use cash.

These actions were aimed to:

- Reduction of short-term liabilities – loans and cashing of promissory notes issued
- Decrease of value of short-term loans securities
- Effective and safe use of surplus

In accordance with the Board's intention, in the period of three subsequent years, about 20% of worked out net profit will be paid to shareholders as a dividend. The level of paid out dividend will depend on the level of assets generated by the Issuer and forecast investment expenses.

In the Board's opinion the Company is capable of funding the investment plan in the chemical branch as presented in the issue prospect.

Factors, which could affect the results in the subsequent quarter and deduction of the basic risks and uncertainties.

External factors

- **Economic situation in Europe and worldwide and situation in the chemical branch** – fluctuations in general economic situation affect development prospects of chemical sector in individual countries in the world the level of business activity in the chemical branch is reflected directly in demand for chemical products and chemical trading; since export is very important in CIECH SA activity, where most sales take place, the economic situation on the international markets is very significant for export prospects of the Company;
- **Economic situation in Poland and situation in branches, which are recipients of the Company's products** – The largest direct recipients of CIECH SA products on the local market include branches: chemical, glass industry and plastic industry. Development of these economic sectors is mostly dependant on the economic situation in Poland; statistics data point out, that chemical production is strongly, positively correlated with a general economic and industrial situation; CIECH SA anticipates , that the pace of economic growth in Poland (in 2004 GDP increase of 5.3%) shall be reflected in sales increase in chemical sector. In the event, the positive forecast proceeds, within the scope of further economic growth, maintenance of a favourable situation can be expected also in branches, which are direct recipients of CIECH SA products, which shall in turn result in maintenance of high demand for products manufactured CIECH Group.
- **Agricultural financial condition** – part of CIECH SA revenues, which include fertilizers and plant protection agents goes to the agricultural sector. Demand generated in this sector affects sales prospects of CIECH SA products. Demand for agricultural products depends largely on financial capacities of farmers and changes in structures of the agricultural sector. According to CIECH SA demand for mineral fertilizers shall maintain on a stabile level, with a growth of significance of multi-ingredient fertilizers. Improvement of financial condition in agricultural sector shall be reflected by increase of demand for agricultural products manufactured by Ciech Capital Group, including in particular multi-ingredient fertilizers, and subsequently by increase of revenues of CIECH SA In the scope of agricultural products;
- **Exchange rate PLN/Euro relations** – export sale activity of CIECH SA is undertaken mostly in Euro. Strong Euro increases profitability of export sale of CIECH SA and other producers of the chemical branch in Poland. In case of depreciation of the local currency in relation to Euro, an increase of value of revenues and profitability of export sales undertaken by CIECH SA in Euro, can be expected. However, in the event the local currency consolidates in relation to Euro, a decrease of export profitability and negative influence on value of export sales undertaken by CIECH SA is anticipated. CIECH SA continues to monitor an exchange rate risk level, whilst in respect of large contracts executed in foreign

currencies applies protective measures such as specified period contracts and facultative protective strategies;

- **Poland's accession to the EU structures** – Accession of Poland to the EU structures has initiated changes in functioning and competing conditions of the local business entities, on the local and European markets. The main, negative in the long run, factors essential to the Companies of the chemical sector (related to accession to the EU) include as follows:
 - a. Requirement to register chemical products,
 - b. Integrated permits,
 - c. Requirements related to environmental protection..

Products manufactured or imported to EU in a specified quantity will be subject to registration in a so-called REACH system. Requirements related to registration of chemicals will result in costs incurred by the local producers and importers of chemicals, which are as follows: registration procedure, research and laboratory work expenses, costs related to keeping documentation. Detailed solutions provided for in the relevant EU directive for the rate of charges related to REACH system have not been specified yet. According to CIECH SA additional costs related to registration system will affect mostly small producers.

Main positive factors related to accession to the European Union include as follows:

- a. customs liquidation for some chemical products,
 - b. European Union mediation in settlements of trading disputes with the countries outside EU.
- **Rates of maritime freights** – Following the period of sudden increase of maritime freight rates in 2004 (increase from dozens to hundreds of percent) stability of maritime freight rates proceeded in 2005. These rates affect considerably a return of CIECH SA activity in the scope of trading of raw materials and fertilizers. Stability of rates shall add to improvement of CIECH SA competitiveness in trading with use of maritime transport.

Internal factors

- **Investment technological projects, including: construction of monohydrate installation, increase of production capacity of silicones and silicon dioxide and construction of the second production line of glass hollow blocks, foundation of a nationwide salt distribution system** - Objectives of technological projects planned by the Ciech Capital Group is to increase quality and properties of manufactured products (monohydrate project), increase of production capacity of highly profitable products (silicones, hollow blocks), and introduction of new products to the market, which might take position of the market leaders (fodder phosphorans). The project concerning salt shall enable the Ciech Capital Group to enter the salt distribution market and create the Company's trade mark. Project will include purchase of the plant to salt confection as well as establishment of a nationwide distribution network. These projects will have a significant impact on maintenance of competitiveness and consolidate the position on the market in the selected segments of the Ciech Capital Group operational activity. In case of scheduled technological projects CIECH SA expects as follows: to maintain dominant position on calcid soda market in Poland, growth of sales and return on silicon products, consolidation of position in agrochemical sector and to earn a significant position on salt distribution market. Failures to carry out the assumed projects can result in decrease of position of Ciech Group in calcid soda market and discontinue improvement of sales return.
- **Internal consolidation of soda division** – The project related to consolidation of soda segment will involve as follows: (i) reaching 100% of shares in two CIECH SA subsidiaries - JANIKOSODA SA and SODA MAŃWY SA, due to repurchase of a few percent of block of shares of those companies from the State Treasury and minor shareholders, (ii) continuation of cost restructuring. This project and implementation of operating improvement projects will ensure further decrease of unit costs of calcid soda production, which will impact the increase of competitiveness if the Ciech Capital Group in the soda segment. CIECH SA anticipates, that reaching 100% of shares in the capital of soda companies will transpire till the end of 2005, and soon afterwards the prospects and advisability of incorporation of soda companies into Ciech SA structures will become subject to a detailed analysis.
- **Prospects to carry out development strategies, in particular related to establishment of other divisions.** In the scope of development strategy undertaken by CIECH Group it is intended to establish the remaining three divisions, apart from the soda division already founded, which will include the most crucial fields of chemical sectors, which are as follows: phosphorus division, inorganic division and organic division. With respect to this issue, the intention of CIECH SA is to participate in privatisation of selected enterprises in Poland, including enterprises within the group of a so-called "great chemical merger". In the event, the capital investments in selected enterprises transpire, a significant increase of revenues and financial results of CIECH Group can be expected.

- **Quality and stability of management staff and employees** – the position of CIECH SA on the market, in the chemical sector has been won to the greatest extent by high quality management staff and medium level personnel. All actions undertaken within this scope by CIECH SA aim to maintain stability of the personnel and constant development of qualities. A large proportion of Company's products constitute mass products (calcium soda, salt), which market position depends mainly on consistency in quality and supplies. This condition might be fulfilled exclusively by high quality and stable personnel. Development strategy prospects can be fulfilled, once the stability of key personnel of CIECH SA is ensured, to guarantee an appropriate quality level of products and services. According to CIECH SA, the personnel policy ensures stability and career prospects to all employees, as well as a constant development of their qualifications. Therefore, according to CIECH SA, a high level of management staff and personnel will be maintained in the future, which will be reflected by positive results in quality of products and operational efficiency of CIECH SA