



**EXTENDED CONSOLIDATED
QUARTERLY REPORT
OF THE CIECH GROUP
for Q4 2006**

CONSOLIDATED SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	4 quarters year-to-date from 01/01/06 to 31/12/06	4 quarters year-to-date from 01/01/05 to 31/12/05	4 quarters year-to-date from 01/01/06 to 31/12/06	4 quarters year-to-date from 01/01/05 to 31/12/05
Net sales income	2,155,014	2,209,545	552,700	549,193
Operating profit (loss)	147,119	143,555	37,732	35,681
Profit (loss) before tax	152,242	143,001	39,046	35,544
Total net profit (loss)	151,036	117,853	38,736	29,293
Net profit (loss) of shareholders of the parent company	150,737	111,584	38,660	27,735
Net profit (loss) of minority shareholders	299	6,269	77	1,558
Net operating cash flows	176,989	113,363	45,393	28,177
Net cash flows from investing activities	(489,589)	(117,430)	(125,566)	(29,188)
Net cash flows from financing activities	346,330	67,847	88,824	16,864
Total net cash flows	33,730	63,780	8,651	15,853
Total assets	2,701,143	1,635,132	705,038	423,631
Long-term liabilities	462,039	109,998	120,599	28,498
Short-term liabilities	1,046,550	506,003	273,165	131,096
Total equity	1,192,554	1,019,131	311,274	264,037
Equity attributable to shareholders of the parent company	1,089,549	969,641	284,388	251,215
Minority interest	103,005	49,490	26,886	12,822
Share capital	164,115	164,115	42,836	42,519
Profit (loss) per ordinary share (in PLN/EUR)	5.40	4.16	1.39	1.03

INDIVIDUAL SELECTED FINANCIAL DATA	in thousand PLN		in thousand EUR	
	4 quarters year-to-date from 01/01/06 to 31/12/06	4 quarters year-to-date from 01/01/05 to 31/12/05	4 quarters year-to-date from 01/01/06 to 31/12/06	4 quarters year-to-date from 01/01/05 to 31/12/05
Net income from sales of products, goods and materials	1,640,910	1,588,892	420,847	394,927
Operating profit (loss)	107,134	58,395	27,477	14,514
Gross profit (loss)	204,505	43,479	52,450	10,807
Net profit (loss)	166,557	41,900	42,717	10,414
Net operating cash flows	66,390	49,226	17,027	12,235
Net cash flows from investing activities	(361,353)	(34,324)	(92,677)	(8,531)
Net cash flows from financing activities	296,305	30,346	75,994	7,543
Total net cash flows	1,342	45,248	344	11,247
Total assets	1,384,531	903,176	361,383	233,996
Liabilities and provisions for liabilities	656,295	319,097	171,303	82,672
Long-term liabilities	205,963	18,527	53,759	4,800
Short-term liabilities	414,789	271,314	108,266	70,292
Equity	728,236	584,079	190,080	151,324
Share capital	140,001	140,001	36,542	36,272

I. CONSOLIDATED FINANCIAL STATEMENT OF THE CIECH CHEMICAL GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT <i>in thousand PLN</i>	01.01.-31.12.2006			01.01.-31.12.2005			01.10.-31.12.2006			01.10.-31.12.2005		
	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL
Net sales income	2,140,817	14,197	2,155,014	2,088,689	120,856	2,209,545	604,457	1,164	605,621	434,711	105,754	540,465
Own costs of sales	(1,646,631)	(12,872)	(1,659,503)	(1,600,897)	(109,085)	(1,709,982)	(480,884)	(1,221)	(482,105)	(321,771)	(95,345)	(417,116)
Gross profit/loss on sales	494,186	1,325	495,511	487,792	11,771	499,563	123,573	(57)	123,516	112,940	10,409	123,349
Other operating revenue	43,305	512	43,817	49,865	2,576	52,441	17,567	(1,070)	16,497	32,473	2,528	35,001
Costs of sales	(154,602)	(3,430)	(158,032)	(179,701)	(8,580)	(188,281)	(37,658)	(2,024)	(39,682)	(43,693)	(5,675)	(49,368)
General management costs	(160,130)	-	(160,130)	(157,095)	(10,019)	(167,114)	(44,132)	-	(44,132)	(39,605)	(10,019)	(49,624)
Other operating costs	(73,109)	(938)	(74,047)	(42,545)	(10,509)	(53,054)	(24,041)	(697)	(24,738)	(14,266)	(10,284)	(24,550)
Operating profit/loss	149,650	(2,531)	147,119	158,316	(14,761)	143,555	35,309	(3,848)	31,461	47,849	(13,041)	34,808
Financial revenue	18,838	-	18,838	31,365	3,394	34,759	726	-	726	(1,085)	3,394	2,309
Financial costs	(15,626)	-	(15,626)	(37,894)	(791)	(38,685)	(6,724)	-	(6,724)	(13,798)	(791)	(14,589)
Net financial income / costs	3,212	-	3,212	(6,529)	2,603	(3,926)	(5,998)	-	(5,998)	(14,883)	2,603	(12,280)
Share in the net profit of subordinates valued using the equity method	1,911	-	1,911	3,372	-	3,372	1,205	-	1,205	(3,363)	-	(3,363)
Profit/loss before tax	154,773	(2,531)	152,242	155,159	(12,158)	143,001	30,516	(3,848)	26,668	29,603	(10,438)	19,165
Income tax	(28,015)	-	(28,015)	(24,595)	(553)	(25,148)	(1,074)	-	(1,074)	1,832	(553)	1,279
Net profit/loss	126,758	(2,531)	124,227	130,564	(12,711)	117,853	29,442	(3,848)	25,594	31,435	(10,991)	20,444
Sales profit/loss relative to discontinued operations	-	26,809	26,809	-	-	-	-	-	-	-	-	-
Net profit for the financial year	126,758	24,278	151,036	130,564	(12,711)	117,853	29,442	(3,848)	25,594	31,435	(10,991)	20,444
including:												
Net profit/loss of shareholders of the parent company	126,564	24,173	150,737	124,253	(12,669)	111,584	30,193	(3,848)	26,345	32,770	(10,949)	21,821
Net profit/loss of minority shareholders	194	105	299	6,311	(42)	6,269	(751)	-	(751)	(1,335)	(42)	(1,377)
Earnings per share (in PLN):												
Basic	4.53	0.87	5.40	4.30	(0.14)	4.16	1.04	(0.08)	0.96	1.01	(0.14)	0.87
Diluted	4.53	0.87	5.40	4.15	(0.14)	4.01	1.04	(0.08)	0.96	0.86	(0.14)	0.72

CONSOLIDATED BALANCE SHEET
in thousand PLN

	CONSOLIDATED BALANCE SHEET	31.12.2006	31.12.2005
<i>in thousand PLN</i>			
ASSETS			
Fixed assets			
Property, plant and equipment	1,168,087	704,458	
Right to perpetual usufruct	1,427	733	
Intangible assets, including:	332,086	21,588	
- goodwill	299,968	39	
Investment property	14,351	15,552	
Long-term receivables	37	166	
Investments in associates and co-subsidiaries valued using the equity method	42,220	39,431	
Other long-term investments	40,488	25,752	
Deferred income tax assets	9,375	10,141	
Total fixed assets	1,608,071	817,821	
Current assets			
Inventories	245,081	132,450	
Short-term investments	614	269	
Income tax receivables	9,857	5,324	
Trade and other receivables	702,075	493,591	
Cash and cash equivalents	134,066	101,216	
Fixed assets held for sale	1,379	84,461	
Total current assets	1,093,072	817,311	
Total Assets	2,701,143	1,635,132	

	31.12.2006	31.12.2005
LIABILITIES		
Equity		
Share capital	164,115	164,115
Treasury shares	(6,124)	-
Share premium reserve	151,328	151,328
Equity components relative to assets held for sale	-	-
Revaluation reserve	11,273	3,543
Other reserve capital	79,154	78,683
Exchange differences on translation of subordinates	(995)	(248)
Retained earnings	690,798	572,220
Equity attributable to shareholders of the parent company	1,089,549	969,641
Minority interest	103,005	49,490
Total equity	1,192,554	1,019,131

Liabilities		
Liabilities in respect of loans, borrowings and other debt instruments	316,607	49,305
Employee benefits	48,534	25,821
Other long-term provisions	39,870	21,609
Other long-term liabilities	41,790	-
Deferred tax provision	15,238	13,263
Total long-term liabilities	462,039	109,998
Overdraft facility	14,309	12,976
Liabilities in respect of loans, borrowings and other debt instruments	275,921	124,190
Trade and other liabilities	652,163	314,329
Liabilities in respect of income tax	28,418	995

LIABILITIES	31.12.2006	31.12.2005
Provisions (short-term employee-benefit provisions and other provisions)	75,739	30,659
Liabilities related to fixed assets held for sale	-	22,854
Total short-term liabilities	1,046,550	506,003
Total liabilities (creditors)	1,508,589	616,001
Total Liabilities	2,701,143	1,635,132

OFF-BALANCE SHEET ITEMS

in thousand PLN	31.12.2006	31.12.2005
1. Contingent receivables	-	1,500
- guarantees and sureties received	-	1,500
- other off-balance sheet receivables	-	-
2. Contingent liabilities	41,675	29,939
- guarantees and sureties granted	41,277	4,719
- other off-balance sheet liabilities	398	25,220
3. Other	1,734	907
- other	1,734	907
Total off-balance sheet items	43,409	32,346

CONSOLIDATED CASH FLOW STATEMENT
in thousand PLN

CONSOLIDATED CASH FLOW STATEMENT	01.01.-31.12.2006	01.01.-31.12.2005
<i>in thousand PLN</i>		
Cash flows from operating activities		
Net profit (loss) for the period	151,036	117,853
Depreciation	95,635	92,223
Recognition / reversal of revaluation write-downs	(18,370)	7,478
Gains / losses in respect of exchange differences	2,596	(4,298)
Investment property revaluations	-	(4,371)
Gains / losses on investing activities	22,972	(28,808)
Gains / losses on disposal of fixed assets	(2,977)	(4,795)
Interest and share in profit	6,706	11,105
Input income tax	28,015	25,148
Gains / losses on shares in entities valued using the equity method	(1,911)	(3,372)
Operating result before change in working capital and provisions	283,702	208,163
Change in receivables	10,838	34,494
Change in inventories	(13,219)	(18,838)
Change in short-term liabilities	(54,006)	(72,848)
Change in provisions and employee benefits	3,924	4,873
Net cash generated from operating activities	231,239	155,844
Interest paid	(6,292)	(13,492)
Income tax paid	(16,297)	(31,664)
other adjustments	(4,852)	-
Gains / losses on disposal of discontinued operations	(26,809)	2,675
Net cash from operating activities	176,989	113,363

CONSOLIDATED CASH FLOW STATEMENT
in thousand PLN
01.01.-31.12.2006
01.01.-31.12.2005
Cash flows from investing activities
Inflows (in "+")

Disposal of intangible assets and property, plant and equipment	5,435	9,818
Disposal of a subsidiary	104,750	-
Disposal of investments	77,077	76,995
Dividends received	1,726	1,891
Interest received	331	1,226
Other inflows	53	22
Outflows (in "-")		
Acquisition of intangible assets and property, plant and equipment	(160,785)	(120,457)
Acquisition of a subsidiary (net of cash acquired)	(312,536)	-
Acquisition of investment property	-	-
Acquisition of other investments	(75,000)	(86,881)
Research and development expense	-	-
Other outflows	(130,640)	(44)
Net cash from investing activities	(489,589)	(117,430)

Cash flows from financing activities
Inflows (in "+")

Net proceeds from issue of shares and other equity instruments and contributions to equity	-	192,875
Proceeds from issue of convertible preference shares	-	-
Proceeds from loans and borrowings taken	482,839	110,280
Other financial inflows	3,594	2,297
Outflows (in "-")		
Purchase of treasury shares	-	-
Dividends and other payments towards owners	(22,400)	(8,400)
Dividends paid to minority shareholders	(539)	(1,488)
Expenditure on the repayment of loans and borrowings	(115,374)	(205,279)
Redemption of debt securities	-	(15,000)
Payment of finance lease liabilities	(1,352)	(7,329)
Other financial expenditure	(438)	(109)
Net cash from financing activities	346,330	67,847

Total net cash flows **33,730** **63,780**

Cash as at beginning of period	88,240	28,521
Impact of changes due to exchange differences	(2,213)	1,294
Cash as at end of period	119,757	93,595

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

in thousand PLN	Attributed to shareholders of the parent company							Retained earnings	Total equity attributable to shareholders of the parent company	Minority interest	Total equity
	Share capital	Treasury shares	Share premium reserve	Equity components relative to assets held for sale	Revaluation reserve	Other reserve capital	Exchange differences on translation of subsidiaries				
Equity as at (beginning of period) 01/01/2006:											
Reported previously	164,115	-	151,328	-	3,543	78,683	(248)	572,220	969,641	49,490	1,019,131
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-	-
Corrections of fundamental errors	-	-	-	-	-	-	-	-	-	-	-
Equity (restated) as at:	164,115	-	151,328	-	3,543	78,683	(248)	572,220	969,641	49,490	1,019,131
exchange differences on currency conversion related to foreign companies	-	-	-	-	-	-	(747)	-	(747)	(801)	(1,548)
measurement of long-term investments	-	-	-	-	7,730	-	-	-	7,730	2,058	9,788
total revenue and costs for the financial year directly recognised in equity	-	-	-	-	7,730	-	(747)	-	6,983	1,257	8,240
net profit / (loss)	-	-	-	-	-	-	-	150,737	150,737	299	151,036
total revenue and costs for the financial year	-	-	-	-	7,730	-	(747)	150,737	157,720	1,556	159,276
change in the group's composition	-	(6,124)	-	-	-	471	-	(8,126)	(13,779)	52,392	38,613
payment of dividend to shareholders	-	-	-	-	-	-	-	(22,400)	(22,400)	(539)	(22,939)
Other changes	-	-	-	-	-	-	-	(1,633)	(1,633)	106	(1,527)
Equity as at (end of period) 31/12/2006:	164,115	(6,124)	151,328	-	11,273	79,154	(995)	690,798	1,089,549	103,005	1,192,554

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

in thousand PLN	Attributed to shareholders of the parent company							Retained earnings	Total equity attributable to shareholders of the parent company	Minority interest	Total equity	
	Share capital	Treasury shares	Share premium reserve	Equity components relative to assets held for sale	Revaluation reserve	Other reserve capital	Exchange differences on translation of subsidiaries					
Equity as at (beginning of period) 01/01/2005:												
Reported previously	123,096	(18,805)	-	-	-	-	84,633	(1,067)	467,021	654,878	103,106	757,984
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of fundamental errors	-	-	-	-	-	-	-	-	-	-	-	-
Equity (restated) as at:	123,096	(18,805)	-	-	-	-	84,633	(1,067)	467,021	654,878	103,106	757,984
exchange differences on currency conversion related to foreign companies	-	-	-	-	-	-	819	-	819	414	1,233	
measurement of long-term investments	-	-	-	-	3,543	-	-	-	3,543	20	3,563	
total revenue and costs for the financial year directly recognised in equity	-	-	-	-	3,543	-	819	-	4,362	434	4,796	
net profit / (loss)	-	-	-	-	-	-	-	111,584	111,584	6,269	117,853	
total revenue and costs for the financial year	-	-	-	-	3,543	-	819	111,584	115,946	6,703	122,649	
change in the group's composition	-	-	-	-	-	-	-	-	-	(58,832)	(58,832)	
issue of share capital	41,019	-	151,328	-	-	-	-	-	192,347	-	192,347	
sales of treasury shares	-	18,805	-	-	-	(3,966)	-	-	14,839	-	14,839	
Transfer of the reserve capital to retained earnings	-	-	-	-	-	(2,210)	-	2,210	-	-	-	
payment of dividend to shareholders	-	-	-	-	-	-	-	(8,400)	(8,400)	(1,488)	(, 888)	
Other changes	-	-	-	-	-	226	-	(195)	31	1	32	
Equity as at (end of period) 31/12/2005:	164,115	-	151,328	-	3,543	78,683	(248)	572,220	969,641	49,490	1,019,131	

Additional information to the consolidated financial statement of the Ciech Capital Group

1. General information

This consolidated financial statement for the period from January 1st, 2006 to December 31st, 2006, and the comparable data, was approved for publication by the Management Board of CIECH S.A. on March 1st, 2007.

This consolidated statement comprises financial statements of the parent company, CIECH S.A. and its subsidiaries (jointly referred to as the "Ciech Group" or "Group"), and the Group's interests in associates.

Description of the organisational structure of the Ciech Group

The parent company of the Ciech Capital Group is CIECH Spółka Akcyjna with its registered office in Warsaw, at ul. Powązkowska 46/50, registered under the number 0000011687 with the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Division of the National Court Register.

The Ciech Group is a group of domestic and foreign manufacturing, distribution and trading companies operating in the chemical industry. As at December 31st, 2006, it comprised 52 business entities, including:

- parent company CIECH S.A.,
- 33 subsidiaries, including:
 - 25 domestic subsidiaries
 - 8 foreign subsidiaries
- 16 domestic associates and
- 2 foreign associates

The Ciech Group comprises direct subsidiaries and associates, that is those whose parent company is CIECH S.A., as well as indirect subsidiaries and associates, whose parent companies are direct subsidiaries of CIECH S.A.

The Ciech Group conducts manufacturing activities connected with the sale of own products and commercial activity related to trading in goods. The commercial activity is mainly conducted through CIECH S.A. plus its domestic and foreign trading subsidiaries and the manufacturing activity is conducted through the manufacturing subsidiaries of CIECH S.A.

When preparing the consolidated financial statement for the fourth quarter of 2006 the following companies were consolidated:

- with the full consolidation method:
 1. CIECH S.A. – parent company
 2. Zakłady Chemiczne "Alwernia" Spółka Akcyjna
 3. Przedsiębiorstwo Chemiczne Cheman Spółka Akcyjna
 4. "VITROSILICON" Spółka Akcyjna
 5. "CIECH POLFA" Spółka z ograniczoną odpowiedzialnością
 6. Zakłady Chemiczne "Organika –Sarzyna" Spółka Akcyjna
 7. Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Spółka z ograniczoną odpowiedzialnością
 8. CIECH FINANCE Spółka z ograniczoną odpowiedzialnością
 9. POLSIN PRIVATE LIMITED
 10. DALTRADE PLC
 11. S.C. Uzinele Sodice Govora S.A.

The consolidated financial statement also includes four lower-tier capital groups:

1. FOSFORY Group, including:
 - Gdańskie Zakłady Nawozów Fosforowych "FOSFORY" Spółka z ograniczoną odpowiedzialnością – parent company
 - "AGROCHEM" Spółka z ograniczoną odpowiedzialnością – in Człuchów
 - "AGROCHEM" Spółka z ograniczoną odpowiedzialnością – in Dobre Miasto
2. SODA MĄTWY Group, including:
 - Inowrocławskie Zakłady Chemiczne SODA MĄTWY Spółka Akcyjna – parent company
 - Elektrociepłownie Kujawskie Spółka z ograniczoną odpowiedzialnością
 - TRANSODA Spółka z ograniczoną odpowiedzialnością
 - Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna (company valued using the equity method)
3. JANIKOSODA Group, including:
 - Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna – parent company
 - Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna (company valued using the equity method)
4. ZACHEM Group, including:
 - Zakłady Chemiczne ZACHEM Spółka Akcyjna – parent company
 - ZACHEM UCR Spółka z ograniczoną odpowiedzialnością
 - ZACHEM Barwniki Spółka z ograniczoną odpowiedzialnością

The parent company does not have any branches (plants).

Consolidated entities valued using the equity method in the fourth quarter of 2006 and in a comparable period.

Name of Company/Group	Consolidation method as at 31.12.2006 and dependence on CIECH S.A.	Consolidation method as at 31.12.2005 and dependence on CIECH S.A.
1) CIECH S.A.	Parent company	Parent company
2) CIECH POLFA Sp. z o.o.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.
3) CIECH FINANCE Group	-	-
3.1) CIECH FINANCE Spółka z ograniczoną odpowiedzialnością	Fully consolidated subsidiary of CIECH S.A.	The company was not consolidated due to the immateriality of the financial data.
3.2) Cheman S.A.	Indirect subsidiary of CIECH S.A. – Fully consolidated at the level of the Ciech Group under Resolution no. 1 of January 24th, 2007 of the Extraordinary General Partners' Meeting of the company CIECH FINANCE Spółka z ograniczoną odpowiedzialnością that exempted CIECH FINANCE Spółka z ograniczoną odpowiedzialnością from the preparation of a consolidated financial statement. Under the above Resolution all subsidiaries of CIECH FINANCE Spółka z ograniczoną odpowiedzialnością are consolidated by CIECH S.A. starting from the statement for the financial year of 2006.	Fully consolidated subsidiary of CIECH S.A.
4) PETROCHEMIA-BLACHOWNIA Group	-	Fully-consolidated lower-tier Group
4.1) Petrochemia-Blachownia Spółka Akcyjna	The company was sold on January 10th, 2006	Lower-tier parent company (controlled by CIECH S.A.)
4.2) BI-Trans Sp. z o.o.	The company was sold on January 10th, 2006	Indirect lower-tier subsidiary of CIECH S.A. - full consolidation.
5) SODA MĄTWY Group	Fully-consolidated lower-tier Group	Fully-consolidated lower-tier Group
5.1) SODA MĄTWY S.A.	Lower-tier parent company (controlled by CIECH S.A.)	Lower-tier parent company (controlled by CIECH S.A.)

Name of Company/Group	Consolidation method as at 31.12.2006 and dependence on CIECH S.A.	Consolidation method as at 31.12.2005 and dependence on CIECH S.A.
5.2) TRANSODA Sp. z o.o.	Indirect lower-tier subsidiary of CIECH S.A. - full consolidation. Since March 10th, 2006 merged with "Jantrans-Janikowo" Spółka z ograniczoną odpowiedzialnością	Indirect lower-tier subsidiary of CIECH S.A. - full consolidation.
5.3) Elektrociepłownie Kujawskie Spółka z ograniczoną odpowiedzialnością	Indirect lower-tier subsidiary of CIECH S.A. - full consolidation.	Indirect lower-tier subsidiary of CIECH S.A. - full consolidation.
5.4) Polskie Towarzystwo Ubezpieczeń SA	Indirect lower-tier associate of CIECH S.A. - valued using the equity method.	Indirect lower-tier associate of CIECH S.A. - valued using the equity method.
6) JANIKOSODA Group	Fully-consolidated lower-tier Group	Fully-consolidated lower-tier Group
6.1) JANIKOSODA S.A.	Lower-tier parent company (controlled by CIECH S.A.)	Lower-tier parent company (controlled by CIECH S.A.)
6.2) Polskie Towarzystwo Ubezpieczeń SA	Indirect lower-tier associate of CIECH S.A. - valued using the equity method.	Indirect lower-tier associate of CIECH S.A. - valued using the equity method.
7) FOSFORY Group	Fully-consolidated lower-tier Group	Fully-consolidated lower-tier Group
8.1) GZNF "FOSFORY" Sp. z o.o.	Lower-tier parent company (controlled by CIECH S.A.)	Lower-tier parent company (controlled by CIECH S.A.)
8.2) "AGROCHEM" Spółka z ograniczoną odpowiedzialnością – in Dobre Miasto	Indirect lower-tier subsidiary of CIECH S.A. - full consolidation.	Indirect lower-tier subsidiary of CIECH S.A. - full consolidation.
8.3) "AGROCHEM" Spółka z ograniczoną odpowiedzialnością – in Czlichów	Indirect lower-tier subsidiary of CIECH S.A. - full consolidation.	Indirect lower-tier subsidiary of CIECH S.A. - full consolidation.
9) Alwernia Group	Fully-consolidated lower-tier parent company	Fully-consolidated lower-tier Group
9.1) "Alwernia" S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.
9.2) ALWERNIA-CHROM Spółka z ograniczoną odpowiedzialnością	Company sold in January 2006	Indirect lower-tier subsidiary of CIECH S.A. - full consolidation.
10) POLSIN PRIVATE LIMITED	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.
11) DALTRADE PLC.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.
12) VITROSILICON S.A.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.
13) Przedsiębiorstwo Transportowo-Uslugowe TRANSCLEAN Sp. z o.o.	Fully consolidated subsidiary of CIECH S.A. since 31.12.2006	Associate of CIECH S.A. - valued using the equity method.
14) Zakłady Chemiczne "Organika-Sarzyna" SA	Fully consolidated subsidiary of CIECH S.A. since 31.12.2006	-
15) ZACHEM Group		
15.1) ZACHEM S.A.	Fully consolidated subsidiary of CIECH S.A. since 31.12.2006	-
15.2) ZACHEM UCR Spółka z ograniczoną odpowiedzialnością	Indirect lower-tier subsidiary of CIECH S.A. - full consolidation.	-
15.3) ZACHEM Barwniki Spółka z ograniczoną odpowiedzialnością	Indirect lower-tier subsidiary of CIECH S.A. - full consolidation.	-
16) S.C. Uzinele Sodice Govora S.A.	Fully consolidated subsidiary of CIECH S.A. since 31.12.2006	-
17) ZACH-CIECH Sp. z o.o.	On January 24th, 2006 the Company was declared bankrupt.	Associate of CIECH S.A. - covered with a total impairment write-down

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

▪ **CIECH S.A., Parent Company**

The core business of the parent company as defined in the Articles of Association includes: conducting business activities comprising trade activities, investments, manufacturing, services and financial operations, including in particular foreign and domestic trade in chemicals and related operations. The Company may also act as an agent for Polish and foreign companies.

Fully-consolidated lower-tier Groups:

- **SODA MĄTWY Group**
- manufacture of other inorganic basic chemicals,
- wholesale of chemical products,

- production and distribution of electricity,
- commodity transport services.
- **FOSFORY Group**
 - manufacture of fertilisers and nitrogen compounds,
 - manufacture of other inorganic chemicals,
 - manufacture of other organic chemicals,
 - manufacture of refined petroleum products,
 - manufacture of plastics,
 - wholesale of grain, seeds and animal feeds,
 - transhipment services using own transhipment and storage station.
- **JANIKOSODA Group**
 - production of salt,
 - manufacture of industrial gases,
 - manufacture of other inorganic basic chemicals,
 - manufacture of other chemical products not classified elsewhere.
- **ZACHEM Group**
 - manufacture of other organic and inorganic chemicals,
 - manufacture and sales of plastics,
 - manufacture of plastic plates, sheets, pipes and shaped components,
 - manufacture of dyes and pigments,
 - service activities for the installation, repair and maintenance of general-purpose machinery, not classified elsewhere.

Fully-consolidated companies:

- **Zakłady Chemiczne "Alwernia" Spółka Akcyjna**
 - manufacture of other inorganic basic chemicals,
 - manufacture of dyes and pigments,
 - manufacture of other organic basic chemicals,
 - manufacture of fertilisers and nitrogen compounds,
 - manufacture of gypsum,
 - generation of heat (steam and hot water).
- **"VITROSILICON" Spółka Akcyjna**
 - manufacture of other inorganic basic chemicals,
 - manufacture of household and technical glassware,
 - manufacture of plastic packing,
 - manufacture of other plastic products.
- **"CIECH POLFA" Spółka z ograniczoną odpowiedzialnością**
 - wholesale of pharmaceutical products,
 - wholesale of chemical products,
 - wholesale of perfume and cosmetics,
 - retail sale of medical and orthopaedic goods.
- **Przedsiębiorstwo Chemiczne Cheman Spółka Akcyjna**
 - wholesale and distribution of solid inorganic and solid organic chemicals,
 - wholesale and distribution of raw materials for household chemicals,
 - wholesale and distribution of cosmetic and pharmaceutical raw materials,
 - wholesale and distribution of fillers, pigments, raw materials for paints and varnishes,
 - wholesale and distribution of food and feed additives,
 - wholesale and distribution of acids, bases and other liquid chemicals.
- **Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna**
 - manufacture of plastics,
 - manufacture of pesticides and other chemicals
- **CIECH FINANCE Spółka z ograniczoną odpowiedzialnością**
 - conducting of divestment projects concerning redundant fixed assets (property) and financial assets (stocks and shares in capital companies)

- **Przedsiębiorstwo Transportowo-Uslugowe TRANSCLEAN Spółka z ograniczoną odpowiedzialnością**
 - international transportation of liquid chemicals,
 - tank truck and tank car wash.
- **S.C. Uzinele Sodice Govora SA**
 - manufacture of other inorganic basic chemicals,
 - wholesale of chemical products,
- **POLSIN PRIVATE LIMITED**
 - wholesale and retail sales of a variety of goods in Far Eastern markets.
- **DALTRADE PLC.**
 - distribution and wholesale of chemicals on the UK market.

2. Statement of Compliance

The consolidated financial statement of the Ciech Group as well as financial statements of all subsidiaries and associates of CIECH S.A. for the presented period and comparable periods have been prepared according to all the International Financial Reporting Standards (IFRS) as approved for implementation in the European Union.

As regards the newly acquired entities, that is the companies: Zakłady Chemiczne ZACHEM Spółka Akcyjna, Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna and S.C. Uzinele Sodice Govora S.A. the initial provisional settlement was applied, which is permitted by IFRS 3 "Business Combinations". These companies were included in the consolidation as at 31.12.2006 on the basis of the book values of their assets and liabilities. Upon determination of the fair value of particular identifiable assets, liabilities and contingent liabilities of these companies, any adjustments arising from the completion of the initial provisional settlement shall be made starting from the date of acquisition to the consolidated financial statement for the subsequent balance-sheet dates.

The companies - ZACHEM S.A. and Z.Ch."Organika-Sarzyna" S.A. were acquired on December 20th, 2006, while the company S.C. Uzinele Sodice Govora S.A. was acquired on November 30th, 2006. Based on the IFRS Objectives and the principle of materiality, due to the fact that the results of these companies for the period from their acquisition to the balance-sheet date are immaterial as regards the consolidated financial statement, the acquisition of these companies was settled as at 31.12.2006.

The parent company's management board used its best judgement in the selection of the standards and interpretations as well as the measurement methods and principles for particular items of the Ciech Group's consolidated financial statement according to IFRS as at December 31st, 2006 and comparable figures. Due diligence was exercised when developing the tables and explanations below. The financial information presented here was not audited.

3. Basis for preparing the consolidated financial statement

The presented financial statement has been prepared under the assumption of an on-going concern, both as regards the parent company - CIECH S.A. - and all its subsidiaries and associates that were consolidated or accounted for using the equity method.

The measurement and reporting currency for the purposes of the presented consolidated financial statement is the Polish złoty. Unless provided otherwise, the figures in the consolidated financial statement are presented in thousands of Polish złotys (thousand PLN).

Preparation of the financial statement in compliance with IFRS requires the Management Board to exercise professional judgement, estimates and objectives that impact the adopted principles and the amounts of the assets, liabilities, revenue and expense presented. Estimates and the related assumptions are based on historical experience and various other factors considered reasonable under the given circumstances and the results of such estimates form the basis for a professional judgement of the carrying value of the assets and liabilities which does not come directly from other sources. The actual value may differ from the estimated value.

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

The Management Board's professional judgements that have a significant impact on the consolidated financial statement and the estimates bearing a high risk of significant changes in future periods, are elaborated on in Sections 10 and 21 of this statement.

For the purposes of presentation of selected financial data, particular assets and liabilities of the balance sheet were translated into EURO at the average exchange rate announced at the balance-sheet date (December 31st, 2006) by the National Bank of Poland to be 3.8312. Particular items of the profit and loss account were translated into EURO at a rate calculated as the arithmetical mean of the average EURO exchange rates determined by the National Bank of Poland on the last day of each month, i.e.: from January to December 2006, respectively: 3.8285; 3.7726; 3.9357; 3.8740; 3.9472; 4.0434; 3.9321; 3.9369; 3.9835; 3.8871; 3.8166, and 3.8312. The rate for the reporting period is 3.8991.

4. Significant accounting and consolidation principles

No changes in the accounting principles occurred in the presented period.

Accounting principles applicable during preparation of the periodic report for the fourth quarter ending on December 31st, 2006:

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

Detailed information regarding principles and methods of valuation of assets and liabilities and measurement of the financial result as well as the method of preparing the financial statement and comparable data in the Ciech Group was included in the introduction to the Annual Report prepared as at December 31st, 2005 publicly disclosed on May 29th, 2006. Those principles have been used on a continuous basis when preparing all consolidated financial statements of the Ciech Group since the day of changing to IFRS, that is since January 1st, 2004.

We state that the Company CIECH S.A. starting from the tax year lasting from January 1st, 2006 to December 31st, 2006 has applied the simplified form of making advance corporate income tax payments. The Company recognises in its accounting books its amount payable to the Tax Office resulting from the actually made calculation of the tax amount; the amount of the flat-rate monthly advance income tax payment is PLN 440,000.

5. Major achievements of CIECH S.A. and the Group companies in the fourth quarter of 2006.

CIECH S.A.

- On October 11th, 2006 CIECH S.A. signed with Nafta Polska SA with the participation of the Minister of Treasury, a protocol of subsidiary arrangements to the sales agreement for shares in Zakłady Chemiczne ZACHEM Spółka Akcyjna (80% of shares) concluded in Warsaw on March 29th, 2006 and to the sales agreement for shares in Zakłady Chemiczne "Organika – Sarzyna" Spółka Akcyjna (80% of shares) concluded in Warsaw on March 29th, 2006. The parties decided that the purchase price set forth in the sales agreement for shares in Zakłady Chemiczne ZACHEM Spółka Akcyjna would be changed and would amount to PLN 80,038,400.

On November 30th, 2006 the Council of Ministers gave its consent to the sale by Nafta Polska SA to CIECH S.A.

On December 5th, 2006 the Extraordinary General Shareholders' Meeting of Nafta Polska SA gave its consent to the sale of shares in Zakłady Chemiczne ZACHEM Spółka Akcyjna and shares in Zakłady Chemiczne "Organika – Sarzyna" Spółka Akcyjna by Nafta Polska SA to CIECH S.A.

On December 13th, 2006 CIECH S.A. signed a loan agreement for the amount of PLN 216,000,000 with Bank Pekao SA. The repayment period is 8 years with the option of prolonging it to 10 years. The transaction is co-organised by Bank Handlowy w Warszawie S.A. and Bank Millennium SA. The loan is earmarked for the purchase of 80% of shares in Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna worth PLN 244,512,000 from Nafta Polska S.A. (the remaining part of the amount, that is PLN 28,512,000, will come from own funds of CIECH S.A.). The loan was secured on shares in Janikowskie Zakłady Chemiczne JANIKOSODA Spółka Akcyjna (CIECH S.A. holds 99.26 % of shares in JANIKOSODA SA).

On December 20th, 2006 the transactions for the sale of blocks of shares in Zakłady Chemiczne ZACHEM Spółka Akcyjna and Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna were finalised. The amount of

guaranteed investments shall be no less than PLN 176,120,000 for ZACHEM S.A. and PLN 130,000,000 for Z.Ch. "Organika-Sarzyna" S.A. – during the period of five years after the two agreements enter into force.

- On October 26th, 2006 CIECH S.A. signed in Bucharest an agreement the parties to which are CIECH S.A., S.C. Begacom SA and a Romanian government agency - AVAS. The subject of the agreement is the transfer of a privatisation contract concerning the largest manufacturer of soda ash in Romania - S.C. Uzinele Sodice Govora SA - from S.C. Begacom SA to CIECH S.A.

On November 30th, 2006 in Bucharest CIECH S.A. and the Romanian government agency - AVAS - signed an annex to the privatisation agreement concluding the purchase transaction for the majority interest in the soda manufacturing plant S.C. Uzinele Sodice Govora S.A. The signature of the annex made additional agreements effective, the agreements ensuring CIECH S.A. the right of property for 93% of shares in S.C. Uzinele Sodice Govora S.A., including the block of shares in S.C. Begacom, the current owner of the privatisation contract for SC Uzinele Sodice Govora SA. CIECH S.A. will begin the implementation of the modernisation and investment plan providing for an increase in soda output within 3 years to 530,000 tons/year. The project value shall amount to EUR 60 million, including EUR 25 million for debt clearing and debt restructuring, EUR 26 million for development investments and EUR 9.2 million for the purchase of the block of shares.

On December 4th, 2006, upon the registration with the Romanian court registration, RIAVEST, with its registered office in Timisoara, CIECH S.A. became the owner of a 93.135% block of shares in the soda manufacturing plant S.C. Uzinele Sodice Govora S.A. (31,875,516 shares). The Romanian government privatisation agency holds 2.888% of shares (988,338 shares), while the remaining shareholders hold 3.976% (1,360,862 shares).

On December 5th, 2006 during the Extraordinary General Shareholders' Meeting of S.C. Uzinele Sodice Govora S.A., people recommended by CIECH S.A. assumed four out of five positions on the Board of Directors of the Company.

- On October 27th, 2006 CIECH S.A. together with Ciech Polfa Sp. z o.o. (a subsidiary of CIECH S.A.) signed a letter of intent concerning the sale of shares in Ciech Polfa Sp. z o.o. by CIECH S.A., with Polski Holding Farmaceutyczny SA. To this end, there will be work carried out aimed at concluding relevant contracts and agreements between the Parties. The agreement expires on December 31st, 2007. The strategy of the Ciech Group assumes a gradual withdrawal from operations in the pharmaceutical distribution market.
- CIECH S.A. launched the integration scheme for the Soda Division of the Ciech Group. According to the plan, by the end of the second quarter of 2007, Janikowskie Zakłady Chemiczne JANIKOSODA Spółka Akcyjna, Inowrocławskie Zakłady Chemiczne SODA MATWY Spółka Akcyjna and Elektrociepłownie Kujawskie Spółka z ograniczoną odpowiedzialnością will have formed Soda Polska SA with a production capacity of 1,200,000 tonnes of soda a year. The execution of the integration plan, prepared in collaboration with Roland Berger Strategy Consultants, will lead to an increase in the cost efficiency of the Division, making good use of the results of synergy, improvement in management effectiveness and facilitation of integration with foreign soda companies.
- On December 15th, 2006 the Extraordinary General Shareholders' Meeting of a subsidiary of CIECH S.A., "InChem" Spółka z ograniczoną odpowiedzialnością, in which CIECH S.A. holds 100% of the share capital, adopted a resolution concerning the dissolution and liquidation of the Company "Inchem Sp. z o.o." The resolution ensues from the strategy of capital withdrawal from "InChem Sp. z o.o."
- On December 28th, 2006 CIECH S.A. sold 1,880,864 shares in the Company Cheman S.A. that constitute 100% of the share capital to its Subsidiary - CIECH FINANCE Spółka z ograniczoną odpowiedzialnością - in which CIECH S.A. holds 100% of the share capital, for PLN 1. The transaction results from a restructuring strategy adopted for the Company Cheman S.A.

JANIKOSODA S.A.

- In December 2006 a purchased turbine (turbine generator) was put into service - this turbine is leased out to a subsidiary - EC KUJAWY Sp. z o.o. The use of the new turbine will make it possible to limit the purchasing of electricity in the future. There are plans to save approximately 1,400 MWh in January 2007 and, assuming failure-free operation and the modernisation of another turbine, the company should be self-sufficient as regards the production of electricity.

"Alwernia" S.A.

- The company "Alwernia" S.A. continues work related to the adaptation of the idle system for fertiliser manufacture based on post-production waste.

- “Alwernia” S.A. launched a new product – nitromagnesite with profitability at 33%. Moreover, the company implemented a technology for the manufacture of TPFS on the basis of extractive acid. zz

6. Detailed information concerning the consolidated financial results of the Ciech Group

During the four quarters of 2006 the Ciech Group made a net profit of PLN 151,036,000, the balance-sheet total was PLN 2,701,143,000 and cash increased by PLN 33,730,000 net (in comparison with PLN 63,780,000 in the comparable period in the previous year). The table below presents the selected financial data and the basic financial ratios for the four quarters of 2006 and 2005.

Table 1. Selected financial information

<i>in thousand PLN</i>	4 Q's 2006	4 Q's 2005	2006/2005 dynamics
Net sales income	2,155,014	2,209,545	(2.5%)
Own costs of sales	1,659,503	1,709,982	(3.0%)
Gross profit on sales	495,511	499,563	(0.8%)
Costs of sales	158,032	188,281	(16.1%)
General management costs	160,130	167,114	(4.2%)
Other operating revenue / costs	(30,230)	(613)	-
Operating profit	147,119	143,555	2.5%
Financial revenue / costs	3,212	(3,926)	-
Share in the profit of subordinates valued using the equity method	1,911	3,372	(43.3%)
Income tax	28,015	25,148	11.4%
Sales profit relative to discontinued operations	26,809	-	-
Net profit	151,036	117,853	28.2%
Net profit of minority shareholders	299	6,269	(95.2%)
Net profit of shareholders of the parent company	150,737	111,584	35.1%
EBITDA	242,754	235,778	3.0%

<i>in thousand PLN</i>	31.12.2006	31.12.2005	2006/2005 dynamics
Value of assets	2,701,143	1,635,132	65.2%
Fixed assets	1,608,071	817,821	96.6%
Current assets, including:			
- <i>inventories</i>	245,081	132,450	85.0%
- <i>short-term receivables</i>	711,932	498,915	42.7%
- <i>cash and cash equivalents</i>	134,066	101,216	32.5%
- <i>short-term investments</i>	614	269	128.3%
Total equity	1,192,554	1,019,131	17.0%
Equity attributable to shareholders of the parent company	1,089,549	969,641	12.4%
Minority interest	103,005	49,490	108.1%
Long-term liabilities	462,039	109,998	320.0%
Short-term liabilities	1,046,550	506,003	106.8%

<i>in thousand PLN</i>	4 Q's 2006	4 Q's 2005	2006/2005 dynamics
Operating cash flows	176,989	113,363	56.1%
Cash flows from investing activities	(489,589)	(117,430)	316.9%
Cash flows from financing activities	346,330	67,847	410.5%
Total cash flows	33,730	63,780	(47.1%)

4 Q's 2006	4 Q's 2005	2006/2005 dynamics
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Net earnings per share	5.40	4.16	29.8%
Net profitability	7.0%	5.1%	38.5%
EBIT%	6.8%	6.5%	5.1%
EBITDA %	11.3%	10.7%	5.6%
Current ratio	1.0	1.6	(37.5%)
Quick ratio	0.8	1.4	(42.9%)
Debt ratio	55.9%	37.%	48.3%
Equity to assets ratio	44.1%	62.3%	(29.2%)

Source: CIECH S.A.

Ratio calculation principles:

net earnings per share – net earnings per ordinary shareholders of the parent company / weighted average number of ordinary shares in the given period (pursuant to the definition of IAS 33 "Earnings per share")

net profitability – net earnings for shareholders of the parent company for a given period / net income from sales of products, services, goods and materials in a given period,

EBIT% – operating profit for a given period / net income from sales of products, services, goods and materials in a given period,

EBITDA% – (operating profit + depreciation for a given period) / net income from sales of products, services, goods and materials in a given period,

current ratio – current assets as at the end of a given period / current liabilities as at the end of a given period,

quick ratio – current assets less inventories as at the end of the period / current liabilities as at the end of the period,

debt ratio – short and long-term liabilities as at the end of the period / total assets as at the end of the period,

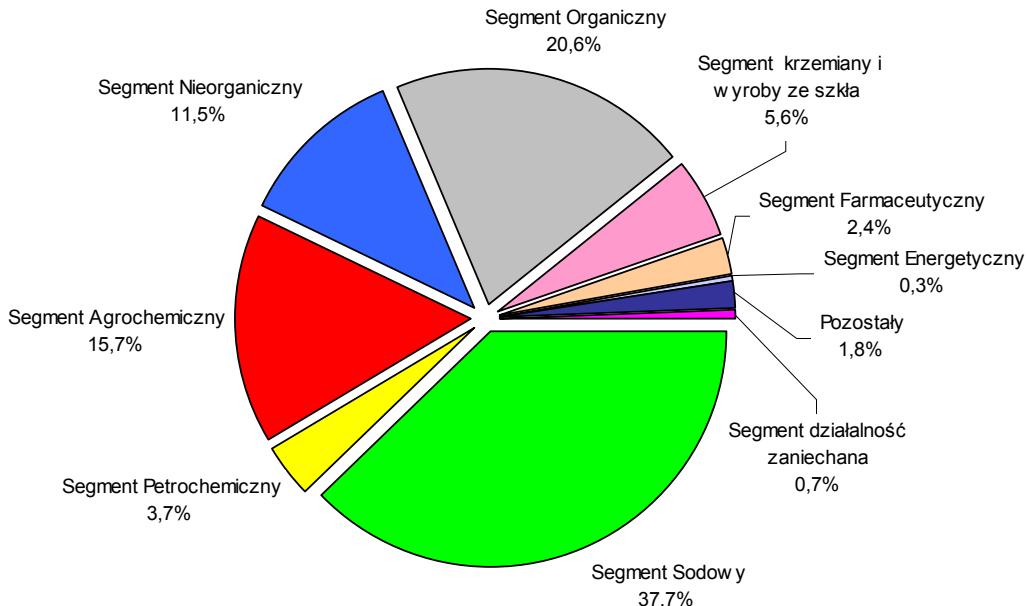
equity to assets ratio – total equity as at the end of the period / total assets as at the end of the period

Sales income

Consolidated net income from sales of the Group for the four quarters of 2006 amounted to PLN 2,155,014,000. The income was dominated by the sales of the soda segment that was characterised by high dynamics in 2006 (favourable price relationships between products and raw materials). The Ciech Group recorded – mostly in the 4th quarter – a clear growth of sales in the organic segment whose share in the income increased to approximately 21% (9% the year before). This was mostly due to the extension of trade collaboration with the company ZACHEM S.A. The increase in the income in the organic and soda segment made it possible to compensate for a decrease in other segments, in particular in the petrochemical segment (mainly due to the sale of the fully-consolidated company Petrochemia Blachownia SA).

The net sales income for 2006 by business segment is presented in the figure below:

Figure 1. Structure of the income from sales



Source: CIECH S.A.

Segment Sodowy 37,7%	Soda Segment 37.7%
Segment Petrochemiczny 3,7%	Petrochemical Segment 3.7%
Segment Agrochemiczny 15,7%	Agro-Chemical Segment 15.7%
Segment Nieorganiczny 11,5%	Inorganic Segment 11.5%
Segment Organiczny 20,6%	Organic Segment 20.6%
Segment krzemiany i wyroby ze szkła 5,6%	Silicates and Glass Products Segment 5.6%
Segment Farmaceutyczny 2,4%	Pharmaceutical Segment 2.4%
Segment Energetyczny 0,3%	Power Generation Segment 0.3%
Pozostały 1,8%	Other 1.8%
Segment działalność zaniechana 0,7%	Discontinued Operations Segment 0.7%

In 2006 the operations of the Ciech Group focused on the four main business segments: the soda, agro-chemical, organic and inorganic segments. These segments as a whole brought in over 85.5% of the Group's sales income.

Soda Segment

In the four quarters of 2006 the soda segment generated nearly 38% of the Group's sales income. The parent company, CIECH S.A., plays a key role in the sales operations, processing the total sales of the output manufactured by the subsidiaries, SODA MĄTWY S.A. and JANIKOSODA S.A. Soda ash is the basic product of the segment, accounting for over 74% of the segment's sales. The Group's companies are the sole manufacturers of soda in Poland. In comparison with the same period in 2005, the income from the segment's sales increased by 7% mainly due to the growth of sale prices of the segment leading products. At the same time the prices of coke (one of the main raw materials) were advantageous; the price dropped by approx. 35%. Due to the above factors, an increase in the profit of the segment by 24% and improvement of profitability by approx. 16% were recorded.

Agro-Chemical Segment

The agro-chemical segment generated approximately 16% of the Group's sales income for the 4 quarters of 2006. It is the home segment of the FOSFORY Group, which manufactures fertilisers and sells them on the domestic market and the parent company, CIECH S.A., which exports products of GZNF "FOSFORY" Sp. z o.o. and of other domestic manufacturers and imports raw materials for the manufacture of fertilisers. The key income-generating products here

are fertilisers, which account for 80% of the segment's income and plant protection chemicals (9%). The drop in sales - just under 5% - was mainly due to the low demand for fertilisers and plant and crop protection chemicals in the 1st quarter of the year. This was caused by such factors as: (a) shortened grain sowing period owing to the long winter and (b) agricultural producers' lack of funds (EU direct payments to farmers later than in 2005 and difficulty in selling farm produce). Due to the decrease in sales the segment recorded a lower result (by approximately 1%). The drop in the result was lower than the rate of income dynamics due to the slightly higher profitability; the result was positively influenced by the following factors: an increase in the sale of sulphuric acid and improvement in the profitability of selected products (due to the increase in sale prices or drop in prices of raw materials at Alwernia).

Organic Segment

In 2006 the organic segment generated approximately 21% of the Group's sales income. The key player in that segment is CIECH S.A., which provides export sales agency services, largely on a commission basis and on a processing basis (ZACHEM S.A. - EPI). The main products in the segment are: TDI - 30%, epichlorohydrin (EPI) which accounts for 23% of the segment's income and PVC - 18%. The income from the organic segment increased in comparison with what was obtained in the same period of 2005 more than twofold. The main reasons for the growth were as follows: (a) a change in the type of the trade agency services of CIECH S.A. for the sale of selected goods of the segment (mainly TDI) consisting of a switch from commission settlements to settlements on own account, (b) initiation of the EPI processing transaction in the 2nd quarter of 2006 and (c) taking over by CIECH S.A. of the whole sales of TDI output from ZCh ZACHEM S.A. (agreement signed in the 4th quarter of 2006). In consequence the result of the segment increased by over 11%. A decrease in the profitability ratio (from 16% to 8%) was almost entirely due to the "switch" from commission agency services to settlements on own account in TDI.

Inorganic Segment

During the 4 quarters of 2006 the inorganic segment generated approx. 12% of the Group's sales income. The subsidiary - "Alwernia" S.A. - which manufactures phosphorus and chromium compounds, is the main manufacturer in this segment; the company imports raw materials and exports some of its products through CIECH S.A. The segment covers also trading goods from manufacturers out of the Group sold by CIECH S.A. and other trading companies of the Group. The goods structure of the inorganic segment is fragmented; the main products of the segment are sodium tripolyphosphate which generates 27% of the segment's sales income and boric acid (14% of the segment's income). Phosphorus compounds also play an essential role accounting as a whole for 19% of the segment's sales. In 2006 the segment's income decreased as compared to the same period of 2005 by 6%. This was due to lower exports of sulphur and to a smaller extent a drop in the sales volume of products of "Alwernia" S.A., including in particular a drop in demand for TPFS. The decrease in the segment's result by 28% was mainly due to: (a) lower sales of sulphur carried out on a commission basis and (b) reduction of the sales of TPFS.

Silicates and Glass Products Segment

The share of the silicates and glass products segment in the Group's sales income was 6%. The subsidiary "VITROSILICON" Spółka Akcyjna, which manufactures silicates, glass hollow blocks and glass lanterns, is the main manufacturer in this segment. "VITROSILICON" Spółka Akcyjna is the only manufacturer of glass hollow blocks in Poland. Glass hollow blocks and lanterns, which account for 54% of the segment's income, and sodium silicate in lumps, which accounts for 38% of the segment's income, contribute the most to the segment's income. The growth of sales in the segment in comparison to the same period of 2005 was 11% and was caused by an increase in sales of selected ranges of goods in the segment, resulting from market growth and higher demand. Development activities lead to a temporary increase in costs, which resulted in lower profitability and a decrease in the result (by 6.5%).

Petrochemical Segment

Due to the sale of the fully-consolidated company, Petrochemia Blachownia SA, and withdrawal of the Group from manufacture in the petrochemical segment, its share in the Group's sales decreased to 4% (13% the year before). At the moment the segment is comprised of trade agency transactions of the company CIECH S.A. and of the company PCh CHEMAN S.A.

Discontinued Operations Segment

In 2006 the discontinued operations segment included fuel-related activities terminated by Cheman S.A. In 2005 mostly the transactions of Petrochemia Blachownia S.A. were disclosed in the segment.

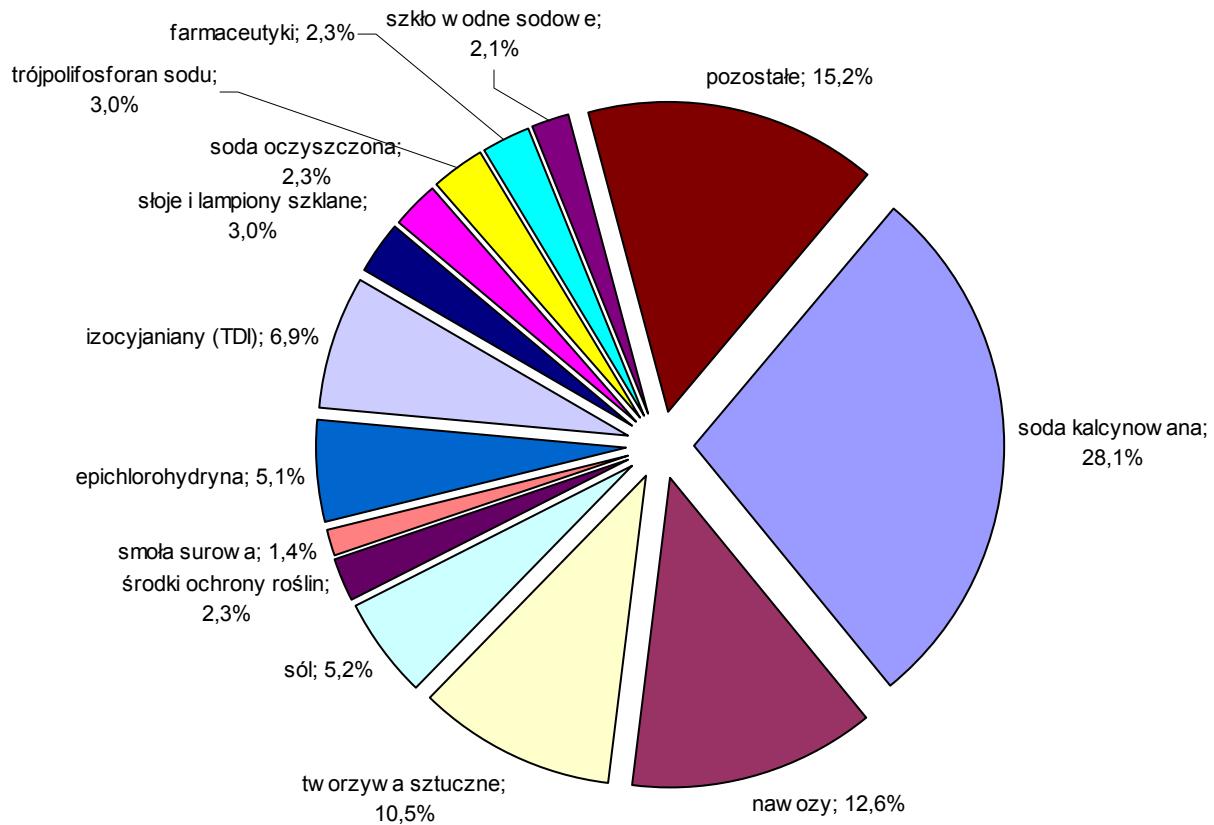
Table No. 2
Net sales income - business segments

<i>in thousand PLN</i>	01.01.-31.12.2006	01.01.-31.12.2005
Soda Segment	813,510	760,426
Petrochemical Segment	80,683	292,479
Agro-Chemical Segment	338,868	354,906
Inorganic Segment	247,531	263,707
Organic Segment	442,979	201,165
Silicates and Glass Products Segment	119,871	108,320

<i>in thousand PLN</i>	01.01.-31.12.2006	01.01.-31.12.2005
Pharmaceutical Segment	52,641	55,543
Power Generation Segment	5,474	21,631
Other	39,260	49,411
Discontinued Operations Segment	14,197	101,957
TOTAL	2,155,014	2,209,545

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

Figure 2. Sales income structure by leading products.



Source: CIECH S.A.

soda kalcynowana 28,1%	soda ash 28.1%
nawozy 12,6%	fertilisers 12.6%
tworzywa sztuczne 10,5%	plastics 10.5%
sól 5,2%	salt 5.2%
środki ochrony roślin 2,3%	plant protection chemicals 2.3%
smoła surowa 1,4%	crude tar 1.4%
epichlorohydryna 5,1%	epichlorohydrin 5.1%
izocyjaniany (TDI) 6,9%	isocyanates (TDI) 6.9%
słoje i lampiony szklane 3,0%	jars and glass lanterns 3.0%
soda oczyszczona 2,3%	baking soda 2.3%
trójpolifosforan sodu 3,0%	sodium tripolyphosphate 3.0%
farmaceutycyki 2,3%	pharmaceuticals 2.3%
szkło wodne sodowe 2,1%	sodium water glass 2.1%
pozostałe 15,2%	other 15.2%

Gross profit on sales

Consolidated gross sales profit for the four quarters of 2006 amounted to PLN 495,511,000. The profit value was similar to the one last year (the gross profit in 2005 amounted to PLN 499,563,000). The level of profit was maintained

mainly due to the increase in the profitability of soda products (higher sales prices with simultaneous reduction in unit costs of manufacture) and the growth of the organic segment (increased sales of EPI and TDI). This made it possible to compensate for the decrease in profit in other areas, including in particular the lack of the result of the company Petrochemia Blachownia S.A. in 2006.

Operating profit (EBIT)

After the four quarters of 2006 the operating profit was PLN 147,119,000 (in the comparable period of 2005 it amounted to PLN 143,555,000). The main source of profit - similarly to last year - was the result attained on core business - gross sales profit less sales costs and general management costs that increased by 23% to the amount of PLN 177,349,000. Such an increase in the profit of core activities with the negative dynamics of income (-2.5%) is positive evidence for the implementation of the Group's operating profitability growth strategy. This was possible mainly due to an increase in profitability in the soda segment - higher sales prices with simultaneous reduction in unit costs (including: the drop in the price of coke and an increase in the efficiency of the use of raw materials). The discontinuation of the full consolidation of the company sold, Petrochemia Blachownia S.A., among others, had a negative impact on the profit.

The level of operating profit was also negatively affected by the balance of other operating activities. The excess of other operating costs over income amounted in 2006 to PLN -30,230,000 (in 2005 the loss due to this was PLN -613,000). The main causes were as follows: (a) negative goodwill was disclosed in the income for 2005 due to the purchase of shares in the companies: SODA MĄTWY S.A., JANIKOSODA S.A., GZNF "FOSFORY" Sp. z o.o. and "VITROSILICON" Spółka Akcyjna totalling PLN 18,931,000 and (b) in 2006 the companies: SODA MĄTWY S.A., JANIKOSODA S.A. and "Alwernia" S.A. established write-downs and provisions higher than in 2005 (total of PLN 13,345,000). During the 4 quarters of 2006 the profitability of operating activities improved – there was an increase in the EBIT margin rate from 6.5% to 6.8% and EBITDA from 10.7% to 11.3%.

Net result

The consolidated net profit for the 4 quarters of 2006 amounted to PLN 151,036,000 including PLN 150,737,000 as the net profit of shareholders of the parent company. The net profitability reached a level of 7.0% (5.1% the year before). The Group recorded an increase in the net result in comparison with the same period of the previous year by over 28%. This resulted mainly from the sale of the company Petrochemia Blachownia SA - the net profit on this transaction was PLN 26,409,000. The net profit was positively influenced by the positive balance of the financing activities; in 2006 the Group did not utilise interest-bearing debt much owing to which it had low interest costs. At the same time due to the intense policy of hedging foreign exchange transactions it achieved positive results as regards exchange differences (at CIECH S.A. the balance of exchange differences amounted to approximately PLN +4 million as compared to PLN -8 million in 2005). An important element contributing to the net profit for the four quarters of 2005 was the profit on the sale of shares in CIECH S.A. by daughter companies (over gross PLN 17 million).

Due to an increase in the capital commitment of CIECH S.A. in 2005 in soda companies and GZNF "FOSFORY" Sp. z o.o., the share of minority shareholders' net profit decreased. This led to an increase in the profit of shareholders of the parent company by approx. PLN 6 million.

Table 3. Financial performance by type of business operations (in thousand PLN)

	4 Q's 2006	4 Q's 2005	2006/2005 dynamics
1. Operating profit	147,119	143,555	2.5%
2. Net financial income/costs	3,212	(3,926)	-
3. Share in the net profit of subordinates valued using the equity method	1,911	3,372	(43.3%)
4. Income tax	28,015	25,148	11.4%
5. Sales profit relative to discontinued operations	26,809	0	-
6. Net profit (1+2+3-4+5)	151,036	117,853	28.2%
7. Profit of minority shareholders	299	6,269	(95.2%)
8. Profit of shareholders of the parent company (6-7)	150,737	111,584	35.1%

Source: CIECH S.A.

Balance sheet

Equity

The consolidated equity of the Group as at December 31st, 2006 amounted to PLN 1,192,554,000 (including the equity of the parent company of PLN 1,089,549,000) and was higher than a year before by PLN 173,423,000. The decisive reason for the increase in equity was the net profit made for 2006 to the amount of PLN 151,036,000. As at the end of

the 4th quarter the Group disclosed in its equity treasury shares to the amount of PLN -6,124,000 – shares in CIECH S.A. held by Z.Ch. "Organika-Sarzyna" S.A. and acquired by the company before the purchase of shares in Z.Ch. "Organika-Sarzyna" S.A. by CIECH S.A.

Fixed assets

The Group's current assets as at December 31st, 2006 amounted to PLN 1,608,071,000. As compared to 2005 the value of fixed assets increased by approximately 97%, that is by PLN 790,250,000. The increase was mainly due to acquisitions carried out in the 4th quarter of 2006; due to this fixed assets amounted to PLN 694,875,000 (including the goodwill of PLN 300,235,000). At the same time the Group's companies conducted investment projects (concerning mainly production assets) in order to maintain the organic growth rate of the Group. This applies in particular to the companies: "VITROSILICON" Spółka Akcyjna, GK SODA MATWY and JANIKOSODA S.A. The above factors lead to an increase in the share of fixed assets in total assets to 59% (50% the year before).

Current assets

The current assets of the Group as at December 31st, 2006 amounted to PLN 1,093,072,000. The following dominated the structure of current assets: (a) trade and other receivables – 64% of the current assets, (b) inventories – 22% and (c) cash and cash equivalents – 12%. In comparison with the end of 2005, the value of the current assets increased by approx. 34%. This ensued mainly from an increase in: (a) trade and other receivables (by PLN 208,482,000) and (b) inventories (by PLN 112,631,000). This was mainly due to the recognition of the assets of companies acquired in the 4th quarter of 2006 in the consolidated balance sheet.

Consolidated liabilities

The (total long and short-term) liabilities of the Ciech Group as at December 31st, 2006 amounted to PLN 1,508,589,000, which means an increase in comparison with the end of 2005 of PLN 892,588,000. Long-term liabilities were PLN 462,039,000. The over threefold increase in this balance-sheet item was mainly due to an increase in: (a) liabilities in respect of long-term loans and borrowings by PLN 267,302,000, (b) other long-term liabilities by PLN 41,790,000 and (c) employee benefits and other long-term provisions totalling PLN 40,974,000. The value of loans increased mainly at CIECH S.A. (by PLN 187,436,000 - financing of acquisition purchases) and to a smaller extent at the companies: (a) "VITROSILICON" Spółka Akcyjna (by PLN 27,496,000 - financing of investment purchases: Huta Pobiedziska) and (b) soda companies by a total of PLN 27,744,000 – financing of development projects. The increase in other long-term liabilities was mainly due to the recognition of liabilities towards the budget of the company S.C. Uzinele Sodice Govora S.A. in the consolidated balance sheet. The increase in employee benefits and other long-term provisions was almost entirely a result of amounts in the balance sheets of the companies Z.Ch. "Organika-Sarzyna" S.A. and ZACHEM S.A. Short-term liabilities amounted to PLN 1,046,550,000, which means an increase by PLN 540,547,000 in comparison with December 31st, 2005. There was an increase mainly in: (a) trade and other receivables by PLN 337,834,000 (mostly due to the acquisitions in the 4th quarter of 2006), (b) liabilities in respect of loans and borrowings by PLN 151,731,000 (to the greatest extent at CIECH S.A. by PLN 133,048,000 – mostly financing of investments carried out in the 4th quarter of 2006) and (c) provisions by PLN 45,080,000 (increase by the provisions disclosed by the companies: Z.Ch. "Organika-Sarzyna" S.A., ZACHEM S.A. and S.C. Uzinele Sodice Govora S.A.). At the same time, liabilities in respect of income tax increased by PLN 27,423,000, which resulted from the application of the simplified form of making advance corporate income tax payments by CIECH S.A. in 2006.

Consolidated debt

Net debt as at December 31st, 2006 (comprising bank loans, borrowings and other financial liabilities less cash) amounted to PLN 472,771,000 (PLN 85,255,000 the year before). The net debt increased mainly due to an increase in bank liabilities (mostly financing of investments). As a result, the Group's debt index (calculated as the ratio of net debt to the total assets) increased in comparison with December 31st, 2005 from 5.2% to 17.5%. The financial leverage (the ratio of net debt to the sum of net debt and total equity) as at the end of the 4th quarter of 2006 was equal to 28.4%. The year before this same index was 7.7%.

The Ciech Group has the capacity to fully repay its debt. The current ratio, calculated as the quotient of total current assets and total short-term liabilities amounted to 1.0 and was lower than at the end of 2005 when it stood at 1.6. The decrease in the ratio resulted mainly from acquisitions; short-term loans increased and in addition the companies ZACHEM S.A. and S.C. Uzinele Sodice Govora S.A. are characterised by a low level of liquidity. An improvement in the liquidity is a key objective of the restructuring of the acquired companies.

As at December 31st, 2006, the equity to fixed assets ratio (total equity, long-term liabilities and provisions) amounted to 103% and despite a decrease (138% as at 31.12.2005) it stood at a level considered to be safe.

The net debt / equity ratio as at the end of the 4th quarter of 2006 amounted to 39.6% (8.4% the year before).

As at December 31st, 2006, the debt of the Ciech Group was stable; total liabilities accounted for approx. 56% of the assets. An increase from 37.7% (as at 31.12.2005) is evidence to the fact of taking advantage of the potential of financing acquisitions from external sources that the Group gained after its debut on the stock exchange in 2006 and that was announced in strategic plans.

Cash flows

The net cash flows during the 4 quarters of 2006 amounted to PLN 33,730,000. In the comparable period in the previous year the Group generated cash flows higher by over PLN 30 million. Net cash from financing activities amounted to PLN 176,989,000 and was higher than generated during the 4 quarters of 2005 by over 56%. The amount of revenue from operating activities was to the greatest extent influenced by the sales profit made (gross sales profit less sales costs and general management costs) and depreciation. The cash flow ensuing from a change in the working capital items and provisions was close to the one generated in 2005 and amounted to PLN -52,463,000.

In 2006, and in particular in the 4th quarter the Ciech Group carried out very intense investment activities. As a result the flows due to these activities after the four quarters of 2006 were negative and amounted to PLN -489,589,000. The most important expenses were the acquisitions of the companies: Z.Ch. "Organika-Sarzyna" S.A., ZACHEM S.A. and S.C. Uzinele Sodice Govora S.A. (expenditures net of cash acquired amounted to PLN -312,536,000). An amount of PLN 160,785,000 was spent on fixed assets (mainly production assets at soda companies and "VITROSILICON" Spółka Akcyjna). In the 4th quarter CIECH S.A. granted long-term borrowings to the newly acquired companies ZACHEM S.A. and S.C. Uzinele Sodice Govora S.A. totalling PLN 126,695,000. The main source of inflows from investing activities was the sale of the company Petrochemia Blachownia SA (PLN 104,000,000).

Net cash generated from financing activities amounted to PLN +346,330,000. The main source of the growing means was loans taken out to the amount of PLN 482,839,000; including mainly: (a) CIECH S.A. PLN 402,152,000 (financing of acquisition activities) and (b) VITROSILICON S.A. PLN 49,020,000 (financing of the investment - "Huta Pobiedziska"). The value of repaid loans was PLN 115,374,000. During the 4 quarters of 2006 owners and minority shareholders were paid dividends totalling PLN 22,912,000 (PLN 9,888,000 in the comparable period in the previous year).

Cash as disclosed in the cash flow statement as at the end of December 2006 amounted to PLN 119,757,000.

7. Income and results by particular business segments.
01.01.-31.12.2006

<i>In thousand PLN</i>	Soda Segment	Power Generation Segment	Organic Segment	Petrochemical Segment	Agro-Chemical Segment	Pharmaceutical Segment	Silicates and Glass Products Segment	Inorganic Segment	Discontinued Operations Segment	Other Operations	Eliminations (consolidation adjustments)	TOTAL
Revenue from third parties	758,017	4,194	440,742	80,683	338,760	52,641	119,871	246,918	14,197	38,564		2,094,587
Revenue from intersegment sales	106,182	214,702	2,388		3,967		324	198	2,131		42,935	(312,400) 60,427
Total revenue	864,199	218,896	443,130	80,683	342,727	52,965	120,069	249,049	14,197	81,499	(312,400)	2,155,014
Segment result	276,205	9,532	36,276	3,255	56,398	19,822	15,572	55,596	1,325	23,683	(26,027)	471,637
Unallocated (costs) revenue												(324,517)
Operating profit												147,120
Net financial income (costs)												3,212
Share in profit of associates											1,911	1,911
Tax												(28,015)
Profit on discontinued operations												26,808
Net profit												151,036

01.01.-31.12.2005

<i>In thousand PLN</i>	Soda Segment	Power Generation Segment	Organic Segment	Petrochemical Segment	Agro-Chemical Segment	Pharmaceutical Segment	Silicates and Glass Products Segment	Inorganic Segment	Discontinued Operations Segment	Other Operations	Eliminations (consolidation adjustments)	TOTAL
Revenue from third parties	749,355	21,551	199,332	294,841	354,590	55,542	108,320	263,591	120,856	26,656		2,194,634
Revenue from intersegment sales	57,680	215,629	9,277	56,393	341	453	212	7,288	144,975	31,816	(509,153)	14,911
Total revenue	807,035	237,180	208,609	351,234	354,931	55,995	108,532	270,879	265,831	58,472	(509,153)	2,209,545
Segment result	222,969	18,894	32,564	12,893	56,990	22,771	16,663	77,595	11,771	33,505	(13,511)	493,104
Unallocated (costs) revenue												(349,549)
Operating profit												143,555
Net financial income (costs)												(3,926)
Share in profit of associates											3,372	3,372
Tax												(25,148)
Net profit												117,853

8. Information concerning the purchase and disposal of property, plant and equipment and commitments to purchase property, plant and equipment.

in thousand PLN

Figures for the period from 01.01.2006 to 31.12.2006	Purchase	Disposal
a) Property, plant and equipment, including:		
land, buildings, premises and civil engineering facilities	36,792	9,216
technical equipment and machinery	7,169	3,458
means of transport	22,949	5,318
other fixed assets	4,537	315
b) Fixed assets under construction	2,137	125
c) Advances for fixed assets under construction (net)	180,754	32,921
Total property, plant and equipment	8,848	9,396
	226,394	51,533

CIECH S.A.

CIECH S.A. purchased property, plant and equipment for the total of PLN 2,721,000, including PLN 2,493,000 spent on the purchase of technical equipment and machinery. All property, plant and equipment was purchased with own funds.

Zakłady Chemiczne "Alwernia" SA

The company "Alwernia" S.A. purchased property, plant and equipment worth PLN 714,000, out of which PLN 273,000 was spent on the purchase of technical equipment and machinery and PLN 299,000 on means of transport. The purchase of property, plant and equipment to the amount of PLN 387,000 was financed under a leasing contract, while the other property, plant and equipment were purchased with own funds.

Przedsiębiorstwo Chemiczne Cheman Spółka Akcyjna

The company Cheman S.A. purchased property, plant and equipment for the total of PLN 283,000, including PLN 131,000 spent on the purchase of means of transport and PLN 44,000 on the purchase of technical equipment and machinery. The PPE purchase was covered with own funds.

FOSFORY Group

The company GZNF "FOSFORY" Sp. z o.o. purchased fixed assets under construction worth PLN 9,378,000 and purchased property, plant and equipment for the amount of PLN 2,803,000, including PLN 1,875,000 spent on the purchase of means of transport, and for the amount of PLN 708,000 it purchased technical equipment and machinery. All fixed assets were purchased with own funds.

JANIKOSODA Group

The company JANIKOSODA S.A. (lower-tier parent company) assigned the amount of PLN 50,135,000 for the purchase of fixed assets under construction. The purchase was covered with own funds.

"CIECH-POLFA" Spółka z ograniczoną odpowiedzialnością

The company purchased property, plant and equipment worth PLN 345,000; purchased fixed assets were worth PLN 179,000 and fixed assets under construction PLN 166,000. All fixed assets were purchased with own funds.

SODA MĄTWY Group

The company SODA MĄTWY S.A. (lower-tier parent company) purchased fixed assets worth PLN 29,617,000 and fixed assets under construction worth PLN 61,768,000; advances for fixed assets under construction amounted to PLN 8,389,000. Moreover, the company sold fixed assets under construction worth PLN 32,921,000. The purchase of fixed assets to the amount of PLN 28,227,000 was financed with a loan, while the other fixed assets were purchased with own funds.

"VITROSILICON" Spółka Akcyjna

The company assigned PLN 59,208,000 for the purchase of fixed assets under construction. The total value of property, plant and equipment amounted to PLN 59,717,000, including PLN 39,347,000 covered with a loan, PLN 8,000,000 with borrowing, while the other fixed assets were purchased with own funds.

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

None of the above mentioned events occurred in the Ciech Group in the presented quarter.

10. Provisions and revaluation write-downs on assets – from 01.10.2006 to 31.12.2006

In the fourth quarter of 2006 the Ciech Group's condensed consolidated financial statement showed the following recognitions and releases of provisions and revaluation write-downs on assets.

Recognised provisions in Q4 2006	<i>in thousand PLN</i>
Income tax provision	2,085
Provision for retirement gratuities, leaves, bonuses, reimbursements, etc.	10,196
Provision for expected losses	168
Environmental protection provision	3,016
Restructuring provision	281
Provision for expected liabilities (expenses)	1,487
Total	17,233

As a result of new Companies: Z.Ch. "Organika-Sarzyna" S.A., ZACHEM S.A., S.C. Uzinele Sodice Govora S.A., Przedsiębiorstwo Transportowo-Uslugowe TRANSCLEAN Sp. z o.o. and CIECH FINANCE Spółka z ograniczoną odpowiedzialnością joining the Ciech Group as at December 31st, 2006, the provisions at the end of December 2006 were increased by the following items:

Increases in the closing balance of provisions	<i>in thousand PLN</i>
Income tax provision	1,569
Provision for retirement gratuities, leaves, bonuses, reimbursements, etc.	22,023
Environmental protection provision	38,332
Provision for expected liabilities (expenses)	23,536
Total	85,460

Released provisions in Q4 2006	<i>in thousand PLN</i>
Income tax provision	537
Provision for retirement gratuities, leaves, bonuses, reimbursements, etc.	1,500
Provision for expected losses	54
Environmental protection provision	3,746
Restructuring provision	1,473
Provision for liabilities (expenses)	3,751
Total	11,061

Revaluation write-downs on assets (increase) in Q4 2006	<i>in thousand PLN</i>
Revaluation write-downs on short-term receivables	2,118
Revaluation write-downs on inventories	1,316
Revaluation write-downs on long-term financial assets (stocks and shares)	168
Revaluation write-downs on PPE and intangible assets	1,925
Revaluation write-downs on investment property	1,647
Total	7,174

As a result of new Companies: Z.Ch. "Organika-Sarzyna" S.A., ZACHEM S.A., S.C. Uzinele Sodice Govora S.A., Przedsiębiorstwo Transportowo-Uslugowe TRANSCLEAN Sp. z o.o. and CIECH FINANCE Spółka z ograniczoną odpowiedzialnością joining the Ciech Group as at December 31st, 2006, the revaluation write-downs on assets at the end of December 2006 were increased by the following items:

Increase in the closing balance of revaluation write-downs on assets.	<i>in thousand PLN</i>
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Increase in the closing balance of revaluation write-downs on assets.	<i>in thousand PLN</i>
Revaluation write-downs on short-term receivables	27,688
Revaluation write-downs on inventories	4,091
Revaluation write-downs on long-term financial assets (stocks and shares)	2,725
Revaluation write-downs on PPE and intangible assets	1,548
Revaluation write-downs on long-term receivables	1,256
Total	37,308

Revaluation write-downs on assets (decreases) in Q4 2006	<i>in thousand PLN</i>
Revaluation write-downs on short-term receivables	5,866
Revaluation write-downs on inventories	230
Revaluation write-downs on long-term financial assets (stocks and shares)	-
Revaluation write-downs on PPE and intangible assets	855
Revaluation write-downs on long-term receivables	-
Total	6,951

Deferred income tax assets in Q4 2006	<i>in thousand PLN</i>
Increase	5,934
Decrease	9,409

As a result of new Companies: Z.Ch. "Organika-Sarzyna" S.A., ZACHEM S.A., S.C. Uzinele Sodice Govora S.A., Przedsiębiorstwo Transportowo-Uslugowe TRANSCLEAN Sp. z o.o. and CIECH FINANCE Spółka z ograniczoną odpowiedzialnością joining the Ciech Group as at December 31st, 2006, the deferred income tax assets at the end of December 2006 were increased by the following items:

Increase in the closing balance of deferred income tax assets	<i>in thousand PLN</i>
Increase	5,562

11. Seasonality and cyclicalities of the operations of CIECH S.A. and the Ciech Group.

The Ciech Group's level of revenues and financial results obtained depends, largely, on the general standing of the economy. Cyclic fluctuations in revenues and results are especially noticeable in the organic segment, which is marked by business cycles of several years. Because almost half of the Group's revenues are from sales of inorganic chemical products with markets characterised by significant stability, the fluctuations in revenues and results are relatively small. The sales levels for the consecutive quarters are marked by considerable evenness. Additional relevant contributors include:

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

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

- fertilisers
- raw materials for manufacture of fertilisers
- plant protection chemicals.

A concentration of sales of fertilisers takes place in the 3rd quarter of the year. This results from increased use of fertilisers for field fertilisation in autumn. Similarly, the majority of plant protection chemicals are used in the 2nd quarter of the year, in the period of intense plant growth.

Seasonality of sales is recorded in the two key product ranges of the glass products segment: glass hollow blocks and glass lanterns. The highest sales for those product ranges are recorded between May and October (blocks) and

June and November (lanterns). Measures were taken in the 1st quarter to reduce the impact of seasonality by introducing a sales system with longer payment deadlines and factoring settlements.

Given the purpose of selected petrochemical-segment products, their market is characterised by high seasonality. This pertains mainly to ethylbenzene - construction industry - and toluene and solvent naphtha - market for paints and varnishes. That is why in the first and fourth quarter a drop in prices and demand, whose levels grow in the other quarters, is usually recorded.

The Group's annual revenues and financial results are not influenced by any major seasonal fluctuations during the financial year. Seasonality plays a relatively small role in the overall sales of the Group, as it overlaps with other factors which considerably modify the strength and direction of such changes.

Key factors include:

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

12. Information concerning the issue, redemption and repayment of debt securities and equity securities at the Ciech Group.

In the 4th quarter of 2006 that ended on December 31st, 2006, the Group did not issue any debt securities such as: bonds, bills of exchange and short-term securities.

13. Information concerning paid (or declared) dividends in their total amount and per share, broken down into ordinary shares and preference shares.

The Ordinary General Shareholders' Meeting of CIECH S.A., by virtue of resolution no. 8 of June 14th, 2006, resolved to allot the amount of PLN 22,400,000 from the net profit made by CIECH S.A. for the financial year 2005 to pay a dividend to the Shareholders, equal to PLN 0.80 per share. The dividend for 2005 was paid to the Shareholders who were holding Company's shares as of July 4th, 2006 (dividend day). The dividend was paid on August 1st, 2006.

The Management Board of CIECH S.A. suggests that 20% of the consolidated net profit made in 2006 be allotted for dividends to the Shareholders. The proposal regarding profit distribution shall be presented during the General Shareholders' Meeting.

14. Events occurring after December 31st, 2006 not recognised in the statement and that may have a significant impact on the future financial results of the Ciech Group.

On January 8th, 2007 the heat and power station S.C. CET Govora SA on the one hand and the soda company S.C. Uzinele Sodice Govora S.A. and CIECH S.A. on the other hand signed an agreement concerning the restructuring of the debt of S.C. Uzinele Sodice Govora S.A. to CET Govora for energy deliveries. The repayment of the principal of EUR 18 million shall take place within 9 years with a 1-year grace period. At the same time CET Govora SA undertook to convert the interest debt to the amount of EUR 5.8 million to 7,943,853 shares in S.C. Uzinele Sodice Govora S.A. The signed agreement is a stage of the restructuring of the Romanian soda company.

On January 24th, 2007 at Bank Pekao SA CIECH S.A. opened a bank guarantee for the amount of EUR 18,054,691.92. The guarantee was issued for C.E.T. Govora SA in Romania. It was issued to secure the payment of amounts resulting from the purchase of receivables of S.C. Uzinele Sodice Govora S.A.

On February 6th, 2007 the General Shareholders' Meeting of S.C. Uzinele Sodice Govora S.A. (a subsidiary of CIECH S.A.) adopted a resolution on an increase in the company's share capital by 15,887,706 shares, with a par value of RON 2.5 (1 EURO = 3.3678 RON) each. The heat and power station S.C. CET Govora SA shall hold 7,943,853 shares as part of the conversion of the interest debt of S.C. Uzinele Sodice Govora S.A. (agreement of January 8th, 2007). The present shareholders, that is AVAS (2.89% of shares), CIECH S.A. 93.14% of shares) and others (3.97% of shares), according to the right of priority, may hold 7,943,853 shares after the resolution of GSM becomes final, that is on February 16th, 2007.

The District Court for the capital city of Warsaw 11th Economic Division - Registry of pledges made entries in the registry of pledges on shares (total number of pledged shares 4,134,448) in Janikowskie Zakłady Sodowe JANIKOSODA S.A. on January 12th, 2007 and on January 22nd, 2007. (CIECH S.A. holds 99.26 % of shares in JANIKOSODA S.A.) for Bank Pekao SA. The established pledge secures a loan of PLN 216,000,000 taken on December 13th, 2006 for the purchase of shares in Zakłady Chemiczne "Organika Sarzyna" Spółka Akcyjna.

On January 31st, 2007 the Extraordinary General Shareholders' Meeting of CIECH S.A. adopted a resolution concerning the expansion of the Company's Management Board, appointing Mr Marek Trosiński to the Management Board of Ciech SA.

On February 26th, 2007 CIECH S.A. and its subsidiary S.C. Uzinele Sodice Govora S.A. signed an agreement for the restructuring of the debt of S.C. Uzinele Sodice Govora S.A. to CIECH S.A. to the amount of EUR 18 million. The repayment of the sum due shall take place within 9 years with a 1-year grace period. The signed agreement is a consequence of the agreement concluded on January 8th by S.C. CET Govora S.A. on the one hand and S.C. Uzinele Sodice Govora S.A. and CIECH S.A. on the other hand concerning the restructuring of the debt of S.C. Uzinele Sodice Govora S.A. for energy deliveries.

On February 26th, 2007 CIECH S.A. received a decision of the District Court for the capital city of Warsaw 11th Economic Division of February 13th, 2006 on the entry of a pledge to the registry of pledges. The subject of the pledge is 6,792,000 registered shares in Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna to the amount of PLN 300 million. The decision of the Court ensues from the Registered Pledge Agreement signed on December 20th, 2006 that provided for the appointment of CIECH S.A. as the Pledger for Nafta Polska S.A. as the Pledgee of the registered pledge of shares that secured the payment of contractual penalties if CIECH S.A. failed to perform or performed improperly some contractual obligations included in the Sales Agreement for Shares in Zakłady Chemiczne "Organika Sarzyna" Spółka Akcyjna signed on March 29th, 2006.

The company JANIKOSODA S.A. plans to develop the salt tablet manufacturing system; the launch of a salt tabling machine with target capacities of 50,000 tonnes /year is planned for the beginning of February.

By virtue of a Resolution of the Management Board and a separate Resolution of the Supervisory Board, JANIKOSODA S.A. ceased to manufacture chalk as of January 1st, 2007. This manufacture was unprofitable and analyses confirmed this tendency in the following years.

15. Effects of changes in the structure of business entities of the Ciech Group in Q4 2006, including business mergers, acquisitions or disposals of the group's entities, long-term investments, divisions, restructuring and discontinuation.

The parent company, CIECH S.A purchased in the 4th quarter of 2006 shares in three companies, which had a significant impact of the Group's structure.

1. Zakłady Chemiczne ZACHEM Spółka Akcyjna (80%-share in the equity) – a company which manufactures inorganic basic chemicals and dyes and pigments plus provides services for the installation, repair and maintenance of general-purpose machinery.

Through the purchase of shares in the company ZACHEM S.A. the Ciech Capital Group was also joined by the following indirect subsidiaries and associates:

- Zachem UCR Spółka z ograniczoną odpowiedzialnością
- Zachem Barwniki Spółka z ograniczoną odpowiedzialnością
- Przedsiębiorstwo Transportowo Spedytynie "TRANSCHEM" Spółka z ograniczoną odpowiedzialnością
- "BUDPUR" Spółka z ograniczoną odpowiedzialnością
- Zakład Remontowo-Produkcyjny "Metalpur" Spółka z ograniczoną odpowiedzialnością
- Przedsiębiorstwo "CARGO" Spółka z ograniczoną odpowiedzialnością
- Bydgoski Park Przemysłowy Spółka z ograniczoną odpowiedzialnością
- "Zakład Gastronomiczno-Hotelowy Mirex" Spółka z ograniczoną odpowiedzialnością in liquidation

2. Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna (80%-share in the equity) – a company which manufactures plastics, pesticides and other chemicals

Through the purchase of shares in the company Z.Ch. "Organika-Sarzyna" S.A. the Ciech Capital Group was also joined by the following indirect subsidiaries and associates:

- Zakład Doświadczalny "ORGANIKA" Spółka z ograniczoną odpowiedzialnością
- Zakłady Chemiczne "Silikony Polskie" Spółka z ograniczoną odpowiedzialnością
- "Komunalna Biologiczna Oczyszczalnia Ścieków - Spółka z ograniczoną odpowiedzialnością"
- Zakład Remontowo-Budowlany "Organika" Spółka z ograniczoną odpowiedzialnością

- Zakład Usługowo-Produkcyjny "Gumokor-Organika" Spółka z ograniczoną odpowiedzialnością
 - ZAKŁAD PROJEKTOWO-USŁUGOWY "ORGANIKA-PROJEKT" Spółka z ograniczoną odpowiedzialnością
 - Zakład Usługowo-Produkcyjny "DREWREM-ORGANIKA" Spółka z ograniczoną odpowiedzialnością
 - Zakład Usług Elektroenergetycznych "EL-CHEM" Spółka z ograniczoną odpowiedzialnością
 - Zakład Usług Energetycznych "WOD-REM" Spółka z ograniczoną odpowiedzialnością
 - "NS Automatyka" Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe Spółka z ograniczoną odpowiedzialnością
3. S.C. Uzinele Sodice Govora S.A. Romania (93.14%-share in the equity) – a company which manufactures and sells soda ash and other soda products.

Through the purchase of shares in the company S.C. Uzinele Sodice Govora S.A. the Ciech Capital Group extended to include an indirect associate – Govcrest International SRL.

Detailed information concerning each company is presented in Section 25 of this statement.

On December 28th, 2006 CIECH S.A. sold 1,880,864 shares in the company Cheman S.A. to its subsidiary CIECH FINANCE Spółka z ograniczoną odpowiedzialnością (in which it holds 100% of the share capital). The transaction resulted from a restructuring strategy adopted for the company Cheman SA.

According to the adopted strategy of capital withdrawal from the subsidiary Inchem Sp. z o.o., in which CIECH S.A. holds 100% of the share capital, on December 15th, 2006 the EGSM of the company InChem Sp. z o.o. adopted a resolution concerning the dissolution and start of the liquidation of the company.

16. Information concerning changes in contingent liabilities or contingent assets occurring after the end of the previous financial year.

As at December 31st, 2006 there were no contingent receivables in the Ciech Group. As compared to December 31st, 2005 they fell by PLN 1,500,000, as a result of the expiry of customs guarantees received by the company Cheman S.A. from TU Allianz Polska SA.

The amount of contingent liabilities as at December 31st, 2006 was PLN 41,675,000, which means an increase by PLN 11,736,000 in comparison with December 31st, 2005. An increase in contingent liabilities for guarantees and sureties granted came to PLN 36,558,000. Other contingent liabilities decreased by PLN 24,822,000 compared to the end of 2005.

The increase in contingent liabilities for guarantees and sureties granted is mainly due to the guarantees and sureties granted for the new Companies of the Ciech Group: Z.Ch. "Organika Sarzyna" S.A. and ZACHEM S.A. The amount of contingent liabilities for guarantees and sureties granted (outside the Ciech Group) in the above companies was: PLN 40,860,000. At the same time there was an expiry of the contingent liabilities for guarantees granted at the Company SODA MĄTWY S.A. to the amount of PLN 2,314,000 (including PLN 1,514,000 - a guarantee granted by Bank Handlowy in respect of a loan taken at NFOŚiGW and a surety granted to NFOŚiGW in respect of the loan taken by the Town Office in Inowrocław to the amount of PLN 800,000). There was also an expiry of contingent liabilities to the amount of PLN 1,800,000 at the company Cheman S.A. (blank promissory notes as collateral for the claims of TU Allianz Polska SA).

The drop in the amount of other contingent liabilities in comparison with the end of 2005 results mainly from the sale of the company Petrochemia-Blachownia S.A., which showed off-balance sheet liabilities to the amount of PLN 25,300,000 as at December 31st, 2005 (PLN 25,000,000 other contingent liabilities, PLN 300,000 for guarantees and sureties granted). Additionally, at the end of 2006 the value of bills of exchange discounted by the company "Alwernia" S.A. increased by PLN 178,000 and amounts to PLN 398,000 as at December 31st, 2006.

The other off-balance sheet items as at December 31st, 2006 were PLN 1,734,000 and increased in comparison with December 31st, 2005 by PLN 827,000. This increase was mainly due to bill of exchange guarantee for the blank bill of exchange issued by Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna for Zakłady Koksołnicze "Zdzieszowice" Sp. z o.o. as collateral for possible claims under the long-term agreement for supplies of coke up to the amount of PLN 775,000.

Detailed information on off-balance sheet items is presented under the consolidated balance sheet.

17. Discontinued operations and assets held for sale

As part of the strategy of the withdrawal of the Ciech Group from the petrochemical industry, the company Cheman S.A. was obliged to restructure and wind up its fuel-related activity that had been undertaken by this entity as a result of the incorporation of Ciech Petrol Sp. z o.o. Analyses show that the fuel-related activity carried out by Cheman S.A.

is characterised by low profitability as regards the gross margin. It is not sufficient to cover the other costs related to its operation that include the costs of: sales, maintenance of fuel stations and back-up facilities.

In 2006 Cheman S.A. sold the fuel station in Jarocin, terminated lease contracts for fuel stations in Kalisz, Zduńska Wola, Kleszczów and Szczycynki and terminated its logistical and storage operations concerning the wholesale outlet of fuels and automotive accessories.

Since mid-December 2006 Cheman S.A. has been conducting negotiations concerning the sale of the Domaniew base. Talks with MPK Sieradz are also pending; they are to lead to an earlier termination of the lease contract for the fuel station in Sieradz. The company expects to terminate the fuel-related activity completely by the end of June 2007.

18. Fulfilment of result forecasts for the given year published previously against the performance disclosed in the quarterly report.

In its current report no. 13/2006 of February 15th, 2006, the Management Board of CIECH S.A. published a forecast for consolidated results of the Ciech Group for 2006. The projected consolidated sales revenues were PLN 1,984 million and the consolidated net profit of the Ciech Group was PLN 121 million. After an analysis of the financial results of the Ciech Group key companies for a period of 6 months and on the basis of the prepared estimates for the financial result of the Ciech Group for the 1st half of 2006, the Management Board of CIECH S.A. on July 19th, 2006 changed the Group's net financial result forecast for the year 2006 to the amount of PLN 134 million (current report RB/49/2006) from the originally published forecast with the amount of PLN 121 million.

The net sales income was higher than planned and the net profit are due to the increased sales of TDI and EPI plus soda products. Exchange differences also had a positive impact on the financial result.

19. The Shareholders of CIECH S.A. holding at least 5% of shares/votes at the General Meeting

The Management Board of CIECH S.A., acting in a manner specified in Art. 69 of the Act on Public Offering and Terms of Introducing Financial Instruments to Organised Trading and on Public Companies discovered that the following entities held at least 5% of the total number of votes at general shareholders' meetings of the Company:

- Kompania Węglowa SA - 10,270,800 shares constituting 36.68 % of the share capital of Ciech S.A.; votes: 10,270,800 constituting 36.68% of the total number of votes at the General Meeting.
- Otwarty Fundusz Emerytalny PZU "Złota Jesień" – 1,712,732 shares constituting 6.12% of the share capital of Ciech S.A.; votes: 1,712,732 constituting 6.12% of the total number of votes at the General Meeting.
- Commercial Union Investment Management S.A. (CUIM) Poland – 1,504,961 shares constituting 5.37% of the share capital of CIECH S.A.; votes: 1,504,961 constituting 5.37% of the total number of votes at the General Meeting.
- Pioneer Pekao Investment Management S.A. (PPIM) – 1,410,325 shares constituting 5.04% of the share capital of Ciech S.A.; votes: 1,410,325 constituting 5.04% of the total number of votes at the General Meeting,

including Pioneer investment funds managed by PPIM – 1,443,379 shares constituting 5.15% of the share capital of Ciech S.A.; votes: 1,443,379 constituting 5.15% of the total number of votes at the General Meeting.

On September 11th, 2006 the Company CIECH S.A. was informed by Pioneer Pekao Investment Management SA (PPIM) about an increase in the total commitment to 5.04% of the total number of votes at the General Shareholders' Meeting of CIECH S.A. as regards shares belonging to the portfolios managed as part of the commissioned brokerage financial instrument portfolio management service by PPIM.

On September 14th, 2006 the Company CIECH S.A. was informed by Pioneer Pekao Investment Management SA (PPIM), executing the agreement for the commissioned brokerage financial instrument portfolio management services entered into by Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM, on behalf of the following funds:

1. Pioneer Akcji Polskich Fundusz Inwestycyjny Otwarty
2. Pioneer Dochodu MIX20 Fundusz Inwestycyjny Otwarty
3. Pioneer Wzrostu i Dochodu MIX40 Fundusz Inwestycyjny Otwarty
4. Pioneer Wzrostu MIX60 Fundusz Inwestycyjny Otwarty
5. Pioneer Małych i Średnich Spółek Rynku Polskiego Fundusz Inwestycyjny Otwarty
6. Pioneer Stabilnego Wzrostu Fundusz Inwestycyjny Otwarty
7. Pioneer Zrównoważony Fundusz Inwestycyjny Otwarty
8. Specjalistyczny Fundusz Inwestycyjny Otwarty Telekomunikacji Polskiej

about an increase in the commitment of the above funds to 5.15% of the total number of votes at the General Shareholders' Meeting of CIECH S.A. as regards shares belonging to the portfolios of these funds.

The above Pioneer investment funds are the shareholders which jointly hold the indicated number of votes at GM. Portfolios of Pioneer investment funds are a subgroup of portfolios of PPIM's Customers.

Changes in the ownership structure of significant blocks of shares/votes of CIECH S.A. (at least 5%).

Shareholder	As at 31.12.06	Shares acquired	Shares sold	As at 01.03.07
Kompania Węglowa SA	10,270,800	-	-	10,270,800
Franklin Templeton Investments	2,000,000	-	2,000,000	-
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	1,712,732	-	-	1,712,732
Commercial Union Investment Management S.A. (CUIM) Poland	1,504,961	-	-	1,504,961
Pioneer Pekao Investment Management S.A. (PPIM):	1,410,325			1,410,325
including Pioneer investment funds managed by PPIM	1,443,379	-	-	1,443,379

- On February 5th, 2007 the Management Board of CIECH S.A. received a notification that as a result of two transactions for the disposal of shares in CIECH S.A. carried out on the Warsaw Stock Exchange on February 2nd, 2007, Franklin Resources, Inc and its associates do no longer hold shares in CIECH S.A. After carrying out the transactions, Franklin Resources, Inc and its associates hold 0% of the share capital of CIECH S.A. zz

The company Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna (a subsidiary of CIECH S.A.) holds 95,100 shares in CIECH S.A. (0.34%-share in the equity) with a total carrying value of PLN 6,124,000 as at 31.12.2006.

20. Changes in the shares in CIECH S.A. held by Management Board and Supervisory Board Members

Mr Kazimierz Przełomski – Company's Proxy holds 1,200 of shares in CIECH S.A.

The other members of managing and supervisory bodies do not hold shares in CIECH S.A. or shares or stocks in its affiliates.

21. Procedures pending before courts, in arbitration proceedings or public administration bodies as at December 31st, 2006.

I. CIECH S.A.

CIECH S.A.'s liabilities (domestic and international) claimed in court or arbitration proceedings as at December 31st, 2006.

Action by Petro Carbo Chem Aktiengesellschaft (PCC)

PCC AG filed an action in 2000 claiming damages to the amount of PLN 21,364,000 and EUR 13,861.45 (equivalent to PLN 53,000) for failing to fulfil the agreement for transfer of the shares of Petrochemia-Blachownia Spółka Akcyjna as stipulated in the preliminary agreement of July 9th, 1999. On May 27th, 2003 the District Court in Warsaw issued a preliminary judgment in favour of PCC AG (stating that PCC AG's claim was well founded), without specifically determining the amount of the damages. CIECH S.A. appealed against the above preliminary judgment on September 19th 2003, on the grounds that the preliminary judgment was issued on the basis of erroneous legal findings of fact and infringement of the substantive law by assuming that it was the intention of the parties to enter into an agreement. During a hearing held on August 12th, 2004, the Court of Appeal upheld the preliminary judgment of the District Court which had been appealed against, confirming that PCC's claims were justified, without stating the amount of damages that 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 Court of Appeal of the principle of free assessment of evidence as defined in the EU directives. On April 19th, 2005 CIECH S.A. received a final decision of the Supreme Court dismissing its appeal.

Because the appeal was dismissed, the case returned before the District Court that continued the proceedings determining the amount of damages for PCC AG. The claimant extended its claim to include statutory interest in respect of lost dividend for 1999 and 2000.

On November 10th, 2005, the District Court judged against PCC fully dismissing its claim.

On March 1st, 2006 PCC AG appealed at the Court of Appeal in Warsaw against the judgement of the District Court, filing to change the questioned judgement and considering the case filed in full. PCC AG demands an amount of PLN 30,591,919.96 and EUR 13,861.44 (equivalent to PLN 53,000) in respect of damages for lost dividends for 1999 and lost benefits in respect of increased value of Petrochemia Blachownia S.A. The demand for the payment of default interest was not included in the appeal.

On April 18th, 2006, CIECH S.A. replied to the appeal filing for dismissal of the whole appeal and keeping the same defence strategy. On February 8th, 2007 a hearing was held before the Court of Appeal. Attorneys of the parties sustained their positions; after hearing the parties the Court closed the hearing.

On February 22nd, 2007 the Court of Appeal in Warsaw revoked the judgement of the District Court and remanded the case, leaving it to the District Court to decide on the costs of appeal proceedings. In its oral justification the Court of Appeal indicated that a court of first instance should investigate the intention of the parties to the preliminary agreement when including in this agreement a provision providing for the fact that if the parties did not agree on all material conditions of the agreement, CIECH S.A. would only be obliged to return the advance of PLN 500,000 paid by PCC AG within 30 days after CIECH S.A. took shares in Petrochemia - Blachownia Spółka Akcyjna. Moreover, the court of first instance should determine whether the amounts demanded by the claimant to remedy the damage are in a regular causal connection with the failure to fulfil the agreement. CIECH S.A. filed a petition for the service of the judgement and justification in writing. The case is pending.

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 deliveries of Polish sulphur 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 amount of the claim was USD 3,872,943 (equivalent of PLN 11,272,000) and statutory interest according to the Polish law, calculated from September 16th, 2003, which as at December 31st, 2006 constituted the amount of PLN 4,558,000. In addition, Comexport demanded the reimbursement of the cost of court proceedings and the cost of legal service to the amount of EUR 204,436.26 (equivalent to PLN 783,000).

The principal claim amount comprised Comexport's lost profits on contractual quantities not delivered to Brazilian customers and which were provided for in the agreement, losses from overstated freight costs, etc. In November 2003 CIECH S.A. replied to 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 and that the sulphur industry was restructured, that the action has lapsed and that the claim for damages is not supported by sufficient evidence among other things. The Court of Arbitration appointed one arbitrator to investigate the dispute. Having examined the case, the arbitrator determined the schedule for further proceedings. Each party filed two detailed pleas supported by evidence.

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

On October 27th, 2005 CIECH S.A. received a court judgement, according to which all three defendants: CIECH S.A. and the sulphur mines in Grzybów and Tarnobrzeg were jointly and severally to pay the amount of USD 2,474,166.00 (equivalent to PLN 7,210,000) plus interest of 5%, from September 17th, 2003, amounting as at December 31st, 2006 to USD 407,000 (equivalent of PLN 1,185,000) and USD 123,000 (equivalent of 358,000) in respect of the cost of proceedings. The awarded amount constitutes the lost profit claimed by Comexport.

On November 18th, 2005 CIECH S.A. submitted an announcement of a complaint at the Court of Appeal in Paris, to revoke the judgement of the Court of Arbitration. The complaint with the justification was lodged by CIECH S.A. on March 22nd, 2006. The basis for lodging the complaint is the violation of the principle of the proper course of arbitration proceedings by the arbitrator (contradictory procedure), by referring to the judgement of the Polish Supreme Court of 1973 concerning a vital issue of termination of the lapse course, without enabling the parties to express their opinion on that. According to the opinion of the legal office representing CIECH S.A., the judgement from 1973 referred to by the arbitrator is not applicable in the case of arbitration proceedings.

On July 21st, 2006 Comexport filed a reply to the complaint of CIECH S.A. At present the parties in dispute are exchanging subsequent pleas. The hearing before the Court of Appeal is expected to take place in May 2007.

Action by Enapharm

In June 2004 the Liquidator for Enapharm in Algeria filed a claim for USD 172,879.84 (equivalent to PLN 503,000) in damages for deliveries of medications 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 with medications fit for use, in violation of the contract between the parties. CIECH S.A., however, claims that it was exempt from this 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 renowned Paris law office. At a hearing held in March 2005, the court agreed with the claimant and appointed an expert to assess whether the amount of the claimed damages is well founded. The expert gave their opinion but until the Court approves or rejects it, it is not binding especially that it was not formally delivered to attorneys of CIECH S.A. Another hearing date was not appointed.

Employee claims

One case is currently pending against CIECH S.A., filed by its former employee dismissed for reasons attributable to the company. The employee is demanding to be restored to work. The projections as to the result of the above suit are favourable.

CIECH S.A. established a provision amounting to PLN 17,500,000 for the aforementioned liabilities.

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

Receivables claimed in courts or arbitration proceedings

CIECH S.A. filed seven civil suits against its domestic trade debtors for the total of PLN 787,000 in respect of amounts due for goods and other amounts. The projections are favourable. The Company recognised a revaluation write-down for the full amount receivable.

Bankruptcy proceedings

A total of PLN 12,834,000 is being claimed in fifty-seven domestic bankruptcy proceedings.

CIECH S.A. filed its receivables in international bankruptcy proceedings amounting to USD 689,632 and EUR 448,997 (the total is equivalent to PLN 3,727,000). The largest of these claims regard bankruptcy proceedings of: Chemapol – Prague (PLN 1,027,000), Eurotal N.V. Belgium (PLN 800,000), Petrimex – Bratislava (PLN 655,000) and WMW – Novosibirsk (PLN 436,000).

The projections as to the results of the bankruptcy proceedings are unfavourable, as CIECH S.A.'s receivables are not privileged.

The Company recognised a revaluation write-down on all the proceedings pending.

Enforcement and composition proceedings

CIECH S.A. is claiming PLN 27,211,000 from domestic debtors through thirty enforcement proceedings. The largest claim (PLN 17,620,000) is the enforcement procedure against Sur5Net initiated in August 2004. The bailiff dismissed the enforcement proceedings and claimed the enforcement to be unsuccessful. In October 2005 CIECH S.A. lodged a complaint at the District Court against the decision to dismiss the enforcement proceedings. The court decided on the dismissal of the complaint of CIECH S.A. in November 2006.

The projections as to the results of other enforcement proceedings differ, depending on the debtors' assets.

There is one case against a foreign debtor in enforcement proceedings for the amount of EUR 27,116 (equivalent to PLN 104,000).

PLN 24,000 is claimed in three composition proceedings. The projections as to the composition proceedings are favourable.

The Company recognised a write-down on 100% of these receivables.

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

USD rate	2.9105
EURO rate	3.8312

II. Subsidiaries

SODA MATWY Group

No claims (liabilities) were filed against SODA MATWY S.A. and its subsidiaries which could significantly affect their business. Receivables claimed in court and enforcement proceedings by SODA MATWY S.A. and its subsidiaries amount to PLN 23,672,000, with the largest claim of PLN 21,814,000 pending against the company B. Lepiarz for amounts due for goods claimed in enforcement proceedings According to the information of SODA MATWY S.A., the projections are unfavourable.

Other receivables of SODA MATWY Capital Group include bankruptcy proceedings totalling PLN 1,744,000 PLN and composition proceedings totalling PLN 114,000.

The SODA MATWY Group recognised a revaluation write-down on all the proceedings pending.

JANIKOSODA Group

No claims (liabilities) were filed against JANIKOSODA S.A. and its subsidiaries, which could affect their business. A complaint is pending before the Supreme Administrative Court, filed by JANIKOSODA SA against the decision issued in 2002 by the Voivode of Kujawy and Pomerania concerning the imposed charge to the amount of PLN 14,706,000 as penalty for sewage discharge in 2001. Out of procedural caution and in order to avoid statutory interest, JANIKOSODA S.A. has paid the penalty for the sewage. At the moment JANIKOSODA S.A. is waiting for the date of another hearing before the Supreme Administrative Court (NSA) to be appointed.

The JANIKOSODA Capital Group's claims against several dozen trade debtors in civil court proceedings total PLN 321,000. Debt enforcement procedures are pending to recover the total of PLN 2,122,000, including the largest claim for PLN 2,102,000 against B. Lepiarz. Bankruptcy proceedings are pending to recover PLN 690,000.

The JANIKOSODA Group recognised a revaluation write-down on all the proceedings pending.

"VITROSILICON" Spółka Akcyjna

No claims (liabilities) were filed against the company that could affect its trade activities. The company is claiming the total of PLN 1,260,000 from debtors for deliveries and services, including the largest claim pursued through enforcement proceedings for PLN 825,000 and PLN 694,000 pursued through bankruptcy proceedings.

"VITROSILICON" Spółka Akcyjna recognised a revaluation write-down on all the proceedings pending.

ALWERNIA Group

No claims (liabilities) were filed against the ALWERNIA Group, which could materially affect the result of its activity. The ALWERNIA Group is claiming trade receivables and damages from debtors to the total amount of PLN 422,000 through court actions and enforcement proceedings. A receivable to the amount of PLN 1,045,000 was reported for bankruptcy proceedings.

The ALWERNIA Group recognised a revaluation write-down on all the proceedings pending.

Cheman S.A.

No claims (liabilities) were filed against Cheman S.A. that could materially affect its business. The company Cheman S.A. filed court cases against several dozen trade debtors for a total of PLN 4,552,000, including PLN 2,068,000 claimed in enforcement proceedings and PLN 815,000 reported for bankruptcy and composition proceedings.

Cheman S.A. recognised a revaluation write-down on all the proceedings pending.

FOSFORY Group

No claims (liabilities) were filed against the FOSFORY Group that could materially affect the result of its trading activity. The FOSFORY Group is claiming the total of PLN 4,469,000 from several dozen debtors in court actions, enforcement and bankruptcy proceedings with the largest claim of PLN 3,084,000 from bankruptcy and composition proceedings.

The FOSFORY Group recognised a revaluation write-down on all these receivables.

CIECH POLFA Sp. z o.o.

No proceedings (claims) are pending against the Company CIECH POLFA Sp. z o.o., which could affect the result of its activity. The company is claiming a total of USD 14,624.15 (equivalent of PLN 43,000) against trade debtors.

The Company recognised a revaluation write-down on the proceedings pending.

ORGANIKA-SARZYNA Group

No claims (liabilities) were filed against the companies in the Organika - Sarzyna Group that could affect the result of their trading activity. The ORGANIKA-SARZYNA Group filed 1 administrative suit concerning the interpretation of tax law regulations as regards the determination of the method of settling the due payment from profit. A provision of PLN 1,014,000 was established for the possible liability due to the above.

The Organika – Sarzyna Group is claiming the amount of PLN 9,049,000 against a dozen or so domestic companies in court actions, bankruptcy, enforcement and composition proceedings. The largest amount of PLN 8,029,000 is being claimed in bankruptcy and composition proceedings.

The Group recognised a revaluation write-down on all the proceedings pending.

ZACHEM Group

There are 13 administrative plus court and administrative proceedings pending against the ZACHEM Group concerning the amount of tax liabilities in real-estate tax for the years 1999-2002 totalling PLN 722,000.

The receivables of the Group of Zakłady Chemiczne "Zachem" claimed in business suits against a dozen or so debtors total PLN 598,000.

The Company recognised a revaluation write-down on all the proceedings pending.

Uzinele Sodice Govora S.A.

10 business court proceedings are pending against the Company Uzinele Sodice Govora S.A. for the payment of EUR 3,180,516 (equivalent of PLN 12,185,000), USD 5,843,632 (equivalent of PLN 17,008,000) and RON 7,736,072 (equivalent of PLN 8,852,000). The largest is the claim of Indian England N.V., which took over from the BCR Bank the receivables of USG that include unpaid loans, borrowings and interest to the amount of RON 6,972,430.89 (equivalent of PLN 7,979,000), USD 5,843,632.49 (equivalent of PLN 17,008,000) and EUR 3,147,419.79 (equivalent of PLN 12,058,000). The Company Uzinele Sodice Govora S.A. applied for the acknowledgement that the agreement on assignment of receivables from the BCR Bank to Indian England N.V. is invalid. Further, the USG company is claiming the total of RON 165,156 (equivalent of PLN 189,000) from different debtors in business proceedings.

1 RON = PLN 1.1443 was adopted for the translation.

22. Information concerning one or more non-standard and non-routine transactions with affiliates concluded by CIECH S.A. or its subsidiaries zz

Transaction party	Affiliation with the party to the transaction	Subject of the transaction	Financial terms	Characteristic features specific to the contract, in particular deviating from generally applicable terms and conditions of similar agreements	Additional information
CIECH S.A.					
S.C. Uzinele Sodice Govora S.A.	subsidiary	borrowing EUR 4 million	interest EURIBOR 1M + 1.5%	Borrowing granted for 4 years until 14.12.2010. Repayment in 3 equal instalments starting from 2008. Grace period to the end of 2007. Annual interest capitalisation during the grace period.	Collateral: pledge on all available receivables, movable assets and bank accounts. Possibility for CIECH S.A. to establish mortgage on property.
S.C. Uzinele Sodice Govora S.A.	subsidiary	borrowing EUR 16 million	interest EURIBOR 1M + 1.5%	Borrowing granted for 3 years until 27.12.2009. Repayment in 2 equal instalments starting from 2008. Grace period to the end of 2007. Annual interest capitalisation during the grace period.	Collateral: pledge on all available receivables, movable assets and bank accounts. Possibility for CIECH S.A. to establish mortgage on property.
ZACHEM S.A.	subsidiary	borrowing PLN 50 million	interest WIBOR 1M + 1%	Borrowing granted for 7 years until 31.12.2013. Repayment of the principal in equal monthly instalments starting from 2008. Repayment of interest on the last business day of each calendar month. Interest is calculated on the amount of the borrowing actually disbursed.	

23. Information concerning loan or borrowing sureties or guarantees extended by CIECH S.A. or its subsidiary

Sureties and guarantees granted

Obligee's name	Amount of loans covered in full or in a specific part with the surety		Surety period	Financial terms of sureties, including surety fee due to the company	Principal	Affiliation between CIECH S.A. and the borrower
	currency in thousands	in thousand PLN				
CIECH S.A.						
KREDYT BANK SA, Sieradz Branch		4,500	until 31.08.2007	payment to CIECH S.A. equal to 1% of the surety value	Cheman S.A.	Subsidiary
KREDYT BANK SA, Sieradz Branch		3,750	until 15.09.2007	payment to CIECH S.A. equal to 1% of the surety value	Cheman S.A.	Subsidiary
PKN ORLEN SA		1,200	no fixed date	payment to CIECH S.A. equal to 1% of the surety value	Cheman S.A.	Subsidiary
BANK PKO SA 1st Branch in Warsaw		4,000	until 31.07.2007	payment to CIECH S.A. equal to 1% of the surety value (of PLN 2 million) + PLN 10,000 on increase + PLN 4,000 + PLN 5,000 on extension	Cheman S.A.	Subsidiary
BANK PKO SA 1st Branch in Warsaw		500	until 31.07.2007		Cheman S.A.	Subsidiary
Total CIECH S.A.		13,950				
SODA MĄTWY S.A.						
ING BSK Leasing SA		191	until 31.03.2007	none (lease agreement)	TRANSODA Sp. z o. o.	Indirect subsidiary
Bank Handlowy w Warszawie SA		600	until 31.10.2007	none	TRANSODA Sp. z o. o.	Indirect subsidiary
Total SODA MĄTWY S.A.		791				
JANIKOSODA S.A.						
BOŚ Poznań	EUR 1,688	6,467	until 16.11.2009	no fee	"VITROSILICON" Spółka Akcyjna	Subsidiary
Total JANIKOSODA S.A.		6,467				
Zachem SA						
Bank Pekao S.A.		18,160	30.07.2008	none	Spółka Wodna Kapuścińska	None
Nordea Bank		18,160	30.07.2009	none	Spółka Wodna Kapuścińska	None
Total ZACHEM S.A.		36,320				
Z.Ch. "Organika-Sarzyna" S.A.						

Obligee's name	Amount of loans covered in full or in a specific part with the surety		Surety period	Financial terms of sureties, including surety fee due to the company	Principal	Affiliation between CIECH S.A. and the borrower
	currency in thousand thousands	in thousand PLN				
BOŚ, Rzeszów Branch		7,580	30.06.2008	none as at 31.12.2006 the value of the contingent liability was PLN 908,000	Town and Gmina of Nowa Sarzyna	None
Total Z.Ch. "Organika-Sarzyna" S.A.		7,580				
Total amount of loans covered by surety		64,317				

Obligee's name	Total amount of borrowings covered in full or in a specific part with the surety		Surety period	Financial terms of sureties, including surety fee due to the company	Principal	Affiliation between CIECH S.A. and the borrower
	currency in thousand s	in thousand PLN				
ZACHEM S.A.						
Regional Fund for Health Protection and Water Management Toruń		3,632	31.12.2011		Spółka Wodna Kapuściska	None
Total ZACHEM S.A.		3,632				
Total amount of borrowings covered by surety		3,632				

Obligee's name	Total amount of own guarantees granted backed in whole or in a specific part		Guarantee period	Financial terms of own guarantees, including guarantee fee due to the company	Principal	Affiliation between CIECH S.A. and the Principal
	currency in thousand s	in thousand PLN				
CIECH S.A.						
Lokalbanken Denmark	DKK 1,000	514	until 31.12.2006	payment to CIECH S.A. equal to 1% of the guarantee value + reimbursement of banking costs	Danske Unipol AS - Denmark	Subsidiary
Total CIECH S.A.		514				
JANIKOSODA S.A.						
Kompania Węglowa SA		112,000	until 31.12.2007		Elektrociepłownie Kujawskie Spółka z ograniczoną odpowiedzialnością	Indirect subsidiary
Total		112,000				

JANIKOSODA S.A.							
Total amount of guarantees granted		112,514					

24. Additional information

When selecting entities for consolidation, the Management Board of the parent company applied the principle of materiality (as per the IFRS objectives) of their financial data for ensuring compliance with the requirement of reliable and accurate presentation of the economic and financial standing plus the financial result of the Group. It was assumed that entities whose balance-sheet totals and net income from sales and financing activities are immaterial compared to the same values recorded by the parent company, and their total figures are less than 5% of the relevant total figures (of all subsidiaries of the Ciech Group), are immaterial for the purposes of compliance with the requirements of the standards.

Non-consolidated entities	Ciech S.A.'s share in the company (direct + indirect)	Net income from sales of goods and products plus financial operations	Net profit / loss	Balance-sheet total of the entity/ Group**	CIECH S.A.'s income (%)	CIECH S.A.'s balance-sheet total (%)	Dependence on CIECH S.A.
1) Chemia.com S.A.	100.00%	6,487	159	2,414	0.37%	0.17%	Subsidiary
2) Polcommerce Handel-und Vertretungsgesellschaft m.b.H.	100.00%	50,873	356	7,567	2.91%	0.54%	Subsidiary
3) CIECH SERVICE Sp. z o.o.	100.00%	4,714	5	1,541	0.27%	0.11%	Subsidiary
4) "BORUTA-KOLOR" Sp. z o.o.	100.00%	13,308	(1,664)	16,800	0.76%	1.21%	Subsidiary
5) CIECH POLFA Group							
5.1.) Polcommerce Kft., Hungary	100.00%	2,969	3	1,130	0.17%	0.08%	Indirect subsidiary
6) "InChem Sp. z o.o."	100.00%	46	(340)	2,208	0.00%	0.16%	Subsidiary
7) SODA MĄTWY Group							
7.1.) SODA-MED. Sp. z o.o.	99.57%	1,017	17	2,875	0.06%	0.21%	Indirect subsidiary
8) Nordiska Unipol Aktienbolag	97.78%	31,545	386	8,362	1.80%	0.60%	Subsidiary
9) ALWERNIA Group							
9.1.) "ALWERNIA-FOSFORANY" Spółka z ograniczoną odpowiedzialnością	73.75%	-	-	50	0.00%	0.00%	Indirect subsidiary
9.2.) SOC-AL. Spółka z ograniczoną odpowiedzialnością	69.88%	2,236	16	1,667	0.13%	0.12%	Indirect subsidiary
10) CHEMIEPETROL Außenhandelsgesellschaft mit beschränkter Haftung	60.00%	38,659	1,804	7,671	2.20%	0.55%	Subsidiary
11) DANSKE UNIPOL A/S	55.00%	32,992	663	4,906	1.89%	0.35%	Subsidiary
12) Z.D. "ORGANIKA" Sp. z o.o.	40.80%	2,765	69	2,301	0.16%	0.17%	Indirect subsidiary

* no longer trading

Total value	Non-consolidated entities	Ciech Group (without eliminations)	Share (%)
Balance-sheet totals	59,520	3,718,383	1.60%
Net income from sales of goods and products plus financial operations	187,521	5,099,684	3.68%

Guided by the principle of materiality (as per the IFRS objectives), the Management Board of CIECH S.A. decided to exclude the following associates from the consolidated statement.

Entities not valued using the equity method	CIECH S.A.'s share in the company (direct + indirect)	Purchase cost	Purchase cost revaluation write-downs	Equity as at 31.12.2006 attributable to the Ciech Group	Net income from sales of goods and products plus financial operations of the entity	Balance-sheet total of the entity	Net profit / (loss)
		(in thousand PLN)	(in thousand PLN)	(in thousand PLN)	(in thousand PLN)	(in thousand PLN)	(in thousand PLN)
1) Suomen Unipol Oy	24.78%	132	-	833	51,207	13,511	693
2) Zakłady Chemiczne "Silikony Polskie" Spółka z ograniczoną odpowiedzialnością	24.00%	5,209	-	4,578	17,091	20,978	306
3) "Komunalna Biologiczna Oczyszczalnia Ścieków - Spółka z ograniczoną odpowiedzialnością"	45.30%	8,358	-	6,446	2,591	14,917	33
4) "BUDPUR" Spółka z ograniczoną odpowiedzialnością	22.18%	63	-	71	2,703	867	61
5) Przedsiębiorstwo Transportowo Spedytacyjne "TRANSCHEM" Spółka z ograniczoną odpowiedzialnością	22.25%	89	54	62	4,563	1,720	29
6) Przedsiębiorstwo "CARGO" Spółka z ograniczoną odpowiedzialnością	19.58%	28	-	228	3,437	2,659	(375)
7) Zakład Remontowo-Produkcyjny "Metalpur" Spółka z ograniczoną odpowiedzialnością	19.62%	26	-	150	4,509	1,353	79
8) "Bud-Org" Sp. z o.o.	19.88%	43	-	151	2,954	1,285	157
9) "Gumokor-Organika" Sp. z o.o.	19.85%	16	-	94	1,141	628	32
10) "ORGANIKA-PROJEKT" Sp. z o.o.	19.59%	18	-	40	615	296	(7)
11) "DREWREM-ORGANIKA" Sp. z o.o.	19.31%	8	-	14	935	225	(7)
12) "EL-CHEM" Sp. z o.o.	19.78%	92	-	344	10,728	4,630	89
13) "WOD-REM" Sp. z o.o.	19.95%	146	-	363	6,615	2,639	176

		Purchase cost	Purchase cost revaluation write-downs	Equity as at 31.12.2006 attributable to the Ciech Group	Net income from sales of goods and products plus financial operations of the entity	Balance-sheet total of the entity	Net profit / (loss)
14) "NS Automatyka" Sp. z o.o.	17.95%	115	-	259	4,054	2,103	42
15) Govcrest International SRL	38.78%	210	-	631	63,531	16,563	425
16) Bydgoski Park Przemysłowy Spółka z ograniczoną odpowiedzialnością	6.92%	360	-	164	956	2,608	13
Total value	-	14,913	55	14,196	177,630	86,982	1,747

CIECH S.A. also holds stocks/shares in entities where its control has been restricted or lost:

- Calanda Polska Sp. z o.o.- company in liquidation, 95.70% of shares/votes held directly by CIECH S.A., the company is not disclosed in the table above due to lack of data.
- ZAO-Polfa Ciech, Russia - company in bankruptcy, 65.00% of shares/votes held directly by CIECH S.A.
- Polsin-Karbid Sp. z o.o. - company in bankruptcy, 22.76% of total shares/votes held by CIECH S.A., shares/votes (direct+indirect) via CIECH S.A. and Polsin Pte. Ltd.
- K. Foster & Son Ltd.- loss of control, 46.51%, of shares/votes held indirectly by CIECH S.A. through Daltrade Plc.
- Polfa Nigeria - loss of control, no contact with the company, 20% share held directly by CIECH S.A.
- Zach-Ciech Sp. z o.o. - company in liquidation, 35.65% shares/votes held directly by CIECH S.A., the Company's bankruptcy was declared by the District Court in Katowice on January 24th, 2006
- Zakład Gastronomiczno-Hotelowy "MIREX" Sp. z o.o. – company in liquidation, 27%, of shares/votes held indirectly by CIECH S.A. through ZACHEM S.A.

25. Other information that the Management Board believes to be important to assess the situation as regards HR, property, finance, financial result and their changes, and information necessary to assess the Ciech Group's capacity to meet obligations.

Information necessary to assess the HR situation

On October 25th, 2006 CIECH S.A. and Zakłady Chemiczne ZACHEM Spółka Akcyjna signed a TDI Sales Trade Operator Agreement, TDI being the main product of Zakłady Chemiczne ZACHEM Spółka Akcyjna (its sales account for nearly 50% of the company's revenue). On November 1st, 2006 in the Organika Division of CIECH S.A. a TDI Sales Office, which according to the signed agreement carries out sales activity for the whole output of TDI in ZACHEM S.A., was appointed.

The fundamental objective of the Organika Division is to increase significantly the share of the Ciech Group in the turnover of organic products on the internal market and in the import and export by taking over the manufacture of selected organic chemistry products that meet the expectations of the Ciech Group as regards the value contributed and growth potential. The appointment of the TDI Sales Office supports the fulfilment of this aim. The forecast value of TDI sales by the new Office of the Organika Division in 2007 will amount to PLN 450 million at least. Work upon the project of a new organisational structure of the Organika Division was completed in December 2006. The functionality of the new organisational structure will undergo an organisational audit and assessment in the 1st half of 2007.

A certification company - SGS Polska Sp. z o.o. - carried out a certification audit at CIECH S.A. on October 26th and 27th, 2006. No system incompatibilities were found in the audit. With the above CIECH S.A. completed the implementation of the new quality assurance system, compliant with the GMP B2 standard, for trading in feed materials (baking soda and soda ash) Obtaining the GMP certificate adds to the competitiveness of the Ciech Group as a manufacturer and supplier in the certified range – SODA MĄTWY S.A. has been the sole manufacturer of baking soda and soda ash in Europe holding this type of certificate so far.

Regulations for the Remuneration of CIECH S.A. Employees, agreed on with trade union organisations that operate at the Company, were signed on December 12th, 2006. Pursuant to art. 772 para. 3 of the Labour Code, the provisions of the Regulations for the Remuneration will be binding until employees are covered by a Corporate Collective Labour Agreement that determines conditions of remuneration for work and of granting other work-related

benefits. The agreed and signed Regulations for the Remuneration are an essential step in the process of regulating collective employment issues at the Company.

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

- Considerable growth of the operations and revenue of CIECH S.A. and the Ciech Group due to the purchase in 2006 by CIECH S.A.: 80% of shares in the companies: ZACHEM S.A. and Z.Ch. "Organika-Sarzyna" S.A. and 93.14% of shares in the Romanian soda company S.C. Uzinele Sodice Govora S.A.
- Continuation of the process of investment in inorganic product manufacturing companies in CEE countries in order to reinforce the operations being carried out in this segment.
- Continuing prosperity of the European glass-making industry and construction industry, which are important target markets for Ciech S.A. (especially concerning the recently launched and planned new glass production lines in Central and Eastern Europe and in Eastern Europe).
- Plans for increasing the production capacity of soda ash in Russia, Ukraine, Romania and Bulgaria in the next few years, the production being intended to meet the growing demand of the markets in these countries.
- Plans for closing down some NPK fertiliser production installations in France (Grande Paroisse), which will make it possible to balance the market for these products in Europe and will improve the competitive position of the Ciech Group in this respect.
- Closing in August 2006 of the TDI system at the concern Dow Chemical, Italy (with production capacities of approx. 110,000 tonnes/year that account for a dozen or so percent of production capacities of Europe), which will contribute to an improvement of the competitive positions of other European suppliers, including CIECH S.A.
- Soda ash price increases by European suppliers by approx. 2-3% on average for contracts for 2007.
- Lower volumes of supplies of competitive soda ash from USA to Europe expected for 2007 (yielding to exports to China).

External factors of general nature**Economic situation in Europe and worldwide**

CIECH S.A.'s operations rely largely on chemical product exports, the level and profitability of which depend on the global economic situation in Europe and worldwide. A global economic slump could affect the demand for raw materials in global markets, thus reducing the export turnover of CIECH S.A.

It is estimated that in 2007 the global economy will grow slower than last year (increase in GDP by 3.1% as compared to 3.9% in 2006 according to the European Chemical Industry Council - CEFIC). In the European Union (25) the dynamics will be even smaller (2.3% as compared to 2.7% in 2006). In Eastern Europe the economic growth (also lower than the last year) however will be more than twice as fast as in the EU.

As for 2007, CEFIC predicts a decrease in the chemical production dynamics in EU25 (for chemicals without pharmaceuticals to 2.2% from 2.5% in 2006).

At the same time it is expected that in the region of Central and Eastern Europe the demand growth rate will increase by 5-6% year-to-year in the next few years.

Situation in the industries of the consumers of the Company's products in Poland

The Ciech Group supplies most of its products directly to the following Polish industries: the chemical and plastics industry and the glass-making industry.

How those industries expand depends on the general economic situation in Poland. The increase in industrial production at fixed prices recorded in the 12 months of 2006 increased by as much as 11.8% (in 2005 by 4.1%). The dynamics of the chemical industry was +11.0% (+3.3% in 2005) with regard to the manufacture of chemical products and +14.2% (+9.1% in 2005) with regard to the manufacture of rubber and plastics products.

As for 2007 only a slight slow-down in the economic growth of the country to 5% of GDP is forecast (as compared to 5.8% forecast for 2006). This suggests that high dynamics of the sales of the chemical sector, which usually grows at a similar or faster pace than the whole economy, will remain stable.

Financial standing of the agricultural industry

The CIECH Group derives a certain portion of its revenue, mainly on mineral fertilisers and plant protection chemicals, from the agricultural sector. CIECH S.A. estimates that the demand for its mineral fertilisers in Poland should remain stable, with the growing significance of multiple-compound fertilisers. The factors that contribute to an increase in the consumption of agro-chemical products and consequently, the demand for the products of the Ciech Group are the processes aimed at improving the financial standing and profitability of agricultural production, including production quotas and direct payments. The above should translate into an increase in the revenues of the Ciech Group. If no significant purchasing-power improvement is recorded in the agricultural sector, the demand for fertilisers and plant protection chemicals will slacken, as will the Ciech Group's income from agro-chemical product sales.

Situation in the raw materials market

An essential portion of the turnover of the Ciech Group is generated from imports of chemical raw materials to Poland. Raw-material markets are characterised by high cyclicity, prompted by fluctuations in the world economy. On the one hand, growing prices of raw materials force the trading agents to lower their mark-ups and lead to lower customer demand. Declining prices, on the other hand, are usually a sign of lower demand and the onset of an economic slump. If the stable economic growth rate and steady prices of chemical raw materials continue, this will benefit the imports of raw materials by CIECH S.A. Large fluctuations in demand and prices, caused either by high economic growth rate or by an economic slump, will negatively affect the CIECH S.A.'s trade in chemical raw materials.

Draft EU law on registration and evaluation of chemicals (REACH system)

On December 18th, 2006 the European Parliament and Council adopted the draft REACH Regulation. According to the current calendar the Regulation will come into force in June 2007, which means that the initial registration of substances in the system will probably begin in the autumn of 2008.

Under Resolution of January 16th, this year the Management Board of CIECH S.A. appointed a REACH Task Team whose aim will be to supervise the preparation of CIECH S.A. and Companies in the Ciech Group for the implementation of the system and to minimise the related risk. The Team will undertake activities together with people responsible for REACH at the Companies according to an adopted schedule.

PLN/EUR exchange rates

The majority of export sales of the Ciech Group are settled in EURO. A strong EURO means higher profitability of export sales, both for the Ciech Group and other chemical industry players in Poland. It also increases Ciech S.A.'s trade volumes with other manufacturers. As a result, the EUR/PLN exchange rate contributes to the Ciech Group's return on sales. However, if the domestic currency becomes stronger against the EURO, the profitability of exports will probably decline and the Ciech Group's export volumes will be negatively affected.

Internal factors

Implementation of the current technology investment projects such as: construction of a monohydrate system and development of a countrywide distribution system for evaporated salt

The purpose of the technology investments implemented or planned at the Ciech Group is to increase the production capacity for high-yield products, enhance the quality and properties of its products (the monohydrate investment) and launch new products with the potential for becoming market leaders (feed phosphates). The evaporated salt project in turn is aimed at introducing the Ciech Group to the evaporated salt distribution market and allowing it to create its own brand. Completion of the salt project also results in increased opportunities for custom packing of salt, thanks to equity or fixed-asset investments.

The projects will be crucial to maintaining the competitive edge and strengthening the market position in selected areas of the Ciech Group's operations. The Ciech Group expects that its technology investments will enable it to maintain its leadership of the Polish soda-ash market, reinforce its standing in the agro-chemical sector and achieve a leading position in the evaporated salt retail market. Achievement of the project targets should also bring about an increase in revenue and in return on sales.

Implementation of investment projects at the recently purchased companies: ZACHEM S.A., Z.Ch. "Organika-Sarzyna" S.A. and SC Uzinele Sodice Govora S.A.

In accordance with the obligations under Privatisation Agreements concerning ZACHEM S.A. and Z.CH. "Organika-Sarzyna" S.A. and plans regarding SC Uzinele Sodice Govora SA, CIECH S.A. carries out investment packages aimed at the modernisation and development of these Plants.

ZACHEM S.A. – the main investment trends include:

- Modernisation work for the basic production lines resulting from the present state of technology aimed at increasing production capacities and reducing manufacturing costs,
- Building of new manufacturing units in order to balance the requirements for main raw materials and become independent of external sources and ultimately to lead to a reduction in manufacturing costs,
- Completion of investment tasks that reduce the environmental impact and meet the requirements of the Environmental Protection Law at the same time. The main investment task in this area is the building of a modern electrolysis system for chlorine manufacturing.

Z.Ch. "Organika-Sarzyna" S.A. – development plans cover the following trends:

- New investments whose implementation will enrich the current market offer of the Company,
- Expansion of the current production capacities for products that are attractive for the market,
- Reconstruction of the production assets of the Company – technological modernisation and modern control systems,
- Environmental-protection related investments.

S.C. Uzinele Sodice Govora S.A. – development plans cover the following trends:

- Expansion of the current production capacities for soda ash,
- Modernisation of the existing production assets of the Company,
- Environmental-protection related investments.

Effective internal consolidation of the soda segment

The project of consolidation of the soda segment consists in: (i) acquiring 100% of shares in both soda companies by purchase of the remaining shares from minor shareholders, (ii) integration of the Division by a merger of the soda companies and (iii) continued cost streamlining. The integration of the Soda Division has already started and, according to the plan, by the end of the second quarter of 2007, Janikowskie Zakłady Sodowe JANIKOSODA S.A., Inowrocławskie Zakłady Chemiczne SODA MĄTWY S.A. and Elektrocieplownie Kujawskie Spółka z ograniczoną odpowiedzialnością will have formed a company - Soda Polska S.A. with production capacities of 1,200,000 tonnes of soda a year.

The implementation of the integration plan and subsequent operational excellence schemes will contribute to an increase in the cost efficiency of the Division, making good use of the results of synergy, improvement in management effectiveness and facilitation of integration with foreign soda companies.

Growth strategy advancement opportunities, with a focus on new division building

A new organisational unit of CIECH S.A. - Organika Division - was appointed at the beginning of 2007. It was formed on the basis of the companies ZACHEM S.A. and Z.Ch. "Organika-Sarzyna" S.A. and a part of CIECH S.A. In January 2007 formal efforts were also undertaken to update the growth strategy for the Ciech Group and Organika Division that would allow for all synergies expected as a result of the integration of the above plants with the Ciech Group that has already started.

As part of its growth strategy, the Ciech Group plans to build two other divisions (complementary to the existing Soda and Organika Divisions) to handle the Group's other key areas of the chemical sector: agro-chemical products and inorganic products.

Quality and continuity of the management staff and employees

The market position of the Ciech Group is largely owed to the high level of skills of its top and mid-level management. The Group's HR policy guarantees its personnel stability, career opportunities and constant qualification improvement.

Basic risks and uncertainties for the operations of the Ciech Group

Risk of reversal of the positive economic growth rate trends in Poland

The Ciech Group's business is connected with many segments of the broadly understood chemical industry that are directly correlated with the general economic situation. Now, Polish economic growth in terms of GDP equals several percent a year. In spite of the fact that long-term forecasts generally indicate that the high economic growth will remain stable, the risk of a temporary economic slump in Poland cannot be ruled out (for instance due to slow growth of internal demand and an export slump). The chemical sector may suffer indirect consequences of a possible downturn in the economy. A weaker demand for chemical products may affect the Ciech Group's revenues and impair its financial performance.

Risk of economic stagnation in Europe and worldwide

The Ciech Group's operations rely largely on chemical product exports, the level and profitability of which depend on the global economic situation in Europe and worldwide. A global downturn in the world economy can possibly affect the export trade volumes in foreign markets, thus reducing income in the individual segments of the operation of the Ciech Group.

Risk of a drop in demand in the segment of the consumers of toluene diisocyanate (TDI)

As a result of the purchase of 80% of shares in the company ZACHEM S.A., CIECH S.A. became the main shareholder of the only domestic manufacturer of toluene diisocyanate (TDI) - a semi-finished product for the manufacture of polyurethane foams used mainly in the furniture and automotive industries. CIECH S.A. is also the sole seller of TDI from ZCh ZACHEM S.A. The TDI market is global in nature, although in European practice the majority of trade in this product is carried out on the continent. Bearing in mind the target segments of consumers (furniture and automotive industries), the situation in the sector of TDI manufacturers is closely related to the general economic situation. If this economic situation deteriorates drastically, the demand for TDI also falls. There is a possibility for suppliers to protect themselves against a downturn in the economy, at some regional markets only, by being constantly present at many global markets. CIECH S.A. also carries out such operations.

**II. CONDENSED INDIVIDUAL FINANCIAL STATEMENT OF CIECH S.A. FOR Q4 2006
PREPARED IN ACCORDANCE WITH THE POLISH ACCOUNTING STANDARDS.**
BALANCE SHEET
ASSETS

in thousand PLN	as at 31/12/06 end of Q4 2006	as at 30/09/06 end of the previous quarter of 2006	as at 31/12/05 end of the previous year
I. Fixed assets	981,290	491,093	492,865
1. Intangible assets, including:			
- Goodwill	7,608	8,212	9,098
2. Property, plant and equipment	21,796	22,552	24,691
3. Long-term receivables	-	-	-
3.1. Due from affiliates	-	-	-
3.2. Due from other entities	-	-	-
4. Long-term investments	944,733	447,435	444,790
4.1. Immovable property	11,100	10,684	10,961
4.2. Intangible assets	-	-	-
4.3. Long-term financial assets	933,633	436,751	433,829
a) in affiliates, including:	932,645	435,630	432,644
b) in other entities	988	1,121	1,185
4.4. Other long-term investments	-	-	-
5. Long-term prepayments and accrued income	7,153	12,894	14,286
5.1. Deferred income tax assets	6,296	12,852	14,169
5.2. Other prepayments and accrued income	857	42	117
II. Current assets	403,241	541,102	410,311
1. Inventories	16,690	25,080	10,987
2. Short-term receivables	333,953	310,253	310,688
2.1. from affiliates	60,434	52,603	48,709
2.2. due from other entities	273,519	257,650	261,979
3. Short-term investments	52,044	204,955	88,212
3.1. Short-term financial assets	52,044	204,955	88,212
a) in affiliates	2,204	11,238	38,815
b) in other entities	614	56,792	257
c) cash and other money assets	49,226	136,925	49,140
3.2. Other short-term investments	-	-	-
4. Short-term prepayments and accrued income	554	814	424
Total Assets	1,384,531	1,032,195	903,176

LIABILITIES in thousand PLN	as at 31/12/06 end of Q4 2006	as at 30/09/06 end of the previous quarter of 2006	as at 31/12/05 end of the previous year
I. Equity	728,236	704,694	584,079
1. Share capital	140,001	140,001	140,001
2. Called up share capital (negative figure)	-	-	-
3. Treasury stocks (shares) (negative figure)	-	-	-
4. Capital reserve	345,871	345,785	326,740
5. Revaluation reserve	(392)	(306)	(761)
6. Other reserve capital	76,199	76,199	76,199
7. Profit (loss) brought forward	-	-	-
8. Net profit (loss)	166,557	143,015	41,900
9. Write-downs from net profit during the financial year (negative figure)	-	-	-
II. Liabilities and provisions for liabilities	656,295	327,501	319,097
1. Provisions for liabilities	19,738	19,200	20,736
1.1. Provision for deferred income tax	1,153	641	266
1.2. Provision for retirement benefits and similar benefits	902	944	2,247
a) long-term	249	458	1,607
b) short-term	653	486	640
1.3. Other provisions	17,683	17,615	18,223
a) long-term	-	-	-
b) short-term	17,683	17,615	18,223
2. Long-term liabilities	205,963	14,341	18,527
2.1. towards affiliates	-	-	-
2.2. towards other entities	205,963	14,341	18,527
3. Short-term liabilities	414,789	283,631	271,314
3.1. Towards affiliates	177,667	143,603	167,690
3.2. Towards other entities	236,762	139,614	103,025
3.3. Earmarked funds	360	414	599
4. Accruals and deferred income	15,805	10,329	8,520
4.1. Negative goodwill	-	-	-
4.2. Other accruals and deferred income	15,805	10,329	8,520
a) long-term	-	-	-
b) short-term	15,805	10,329	8,520
Total liabilities	1,384,531	1,032,195	903,176
Book value	728,236	704,694	584,079
Number of shares	28,000,000	28,000,000	28,000,000
Book value per share (in PLN)	26.01	25.17	20.86
Diluted number of shares	28,000,000	28,000,000	28,000,000
Diluted book value per share (in PLN)	26.01	25.17	20.86

OFF-BALANCE SHEET ITEMS

in thousand PLN	as at 31/12/06 end of Q4 2006	as at 30/09/06 end of the previous quarter of 2006	as at 31/12/05 end of the previous year
1. Contingent receivables	-	-	-
1.1. Due from affiliates (in respect of)	-	-	-
- guarantees and sureties received	-	-	-
1.2. Due from other entities (in respect of)	-	-	-
- guarantees and sureties received	-	-	-
2. Contingent liabilities	14,464	14,484	26,571
1.1. Towards affiliates (in respect of)	14,464	14,484	26,435
- guarantees and sureties granted	14,464	14,484	26,435
1.2. Towards other entities (in respect of)	-	-	136
- guarantees and sureties granted	-	-	136
3. Other (in respect of)	9,400	9,400	9,400
- other commercial sureties	9,400	9,400	9,400
Total off-balance sheet items	23,864	23,884	35,971

PROFIT AND LOSS ACCOUNT

No.	in thousand PLN	4th quarter of 2006 period from 01/10/06 to 31/12/06	4 quarters year-to-date 2006 period from 01/01/06 to 31/12/06	4th quarter of 2005 period from 01/10/05 to 31/12/05	4 quarters year-to-date 2005 period from 01/01/05 to 31/12/05
Net income from sales of goods and materials, including:					
A.	498,817	1,640,910	361,304	1,588,892	
from affiliates	77,088	289,384	58,508	345,955	
Net income from sales of products	11,186	45,371	21,548	78,960	
Net income from sales of goods and materials	487,631	1,595,539	339,756	1,509,932	
Costs of products, goods and materials sold, including::					
B.	422,910	1,356,598	298,849	1,346,569	
to affiliates	66,057	234,489	50,774	298,297	
Costs of manufacture of the products sold	127	340	99	382	
Value of goods and materials sold	422,783	1,356,258	298,750	1,346,187	
C.	75,907	284,312	62,455	242,323	
D.	27,877	102,756	31,138	118,654	
E.	15,731	65,924	19,858	62,421	
F.	32,299	115,632	11,459	61,248	
G.	1,700	7,292	11,146	20,506	
H.	Profit on sales of non-financial fixed assets	(107)	270	3,973	7,308
	Subsidies	-	-	-	-
	Other operating revenue	1,807	7,022	7,173	13,198
I.	Other operating costs	2,956	15,790	11,764	23,359
	Loss on sales of non-financial fixed assets	-	-	-	-
	Revaluation of non-financial assets	1,905	8,303	(2,273)	1,532
	Other operating costs	1,051	7,487	14,037	21,827
J.	Operating profit (loss)	31,043	107,134	10,841	58,395
	Financial revenue	(4,937)	109,562	772	23,453
	Dividends and share in profit, including:	(10)	23,204	274	15,064
	from affiliates	(10)	23,161	274	15,064
	Interest, including:	1,777	6,149	622	6,514
	from affiliates	446	1,424	(244)	3,734
	Profit on sale of investments	(3,001)	75,886	520	916
	Revaluation of investments	(1,435)	-	(484)	-

	4th quarter of 2006 period from 01/10/06 to 31/12/06	4 quarters year-to-date 2006 period from 01/01/06 to 31/12/06	4th quarter of 2005 period from 01/10/05 to 31/12/05	4 quarters year-to-date 2005 period from 01/01/05 to 31/12/05
No. in thousand PLN				
Other	(2,268)	4,323	(160)	959
K. Financial costs	(5,055)	12,191	18,340	38,369
Interest, including: for affiliates	1,196	3,437	608	4,274
Loss on sale of investments	-	-	-	-
Revaluation of investments	(7,626)	6,901	16,239	23,539
Other	1,375	1,853	1,493	10,556
L. Profit (loss) on business activity	31,161	204,505	(6,727)	43,479
M. Result of extraordinary events	-	-	-	-
Extraordinary gains	-	-	-	-
Extraordinary losses	-	-	-	-
N. Gross profit (loss)	31,161	204,505	(6,727)	43,479
O. Income tax	7,619	37,948	(5,720)	1,579
current part	551	29,187	2,650	11,166
deferred part	7,068	8,761	(8,370)	(9,587)
Other obligatory profit decreases	-	-	-	-
P. (loss increases)	-	-	-	-
R. Net profit (loss)	23,542	166,557	(1,007)	41,900
	4th quarter of 2006 period from 01/10/06 to 31/12/06	4 quarters year- to-date 2006 period from 01/01/06 to 31/12/06	4th quarter of 2005 period from 01/10/05 to 31/12/05	4 quarters year- to-date 2005 period from 01/01/05 to 31/12/05
Net profit (loss) (annualised)	171,207			41,900
Weighted average number of ordinary shares	28,000,000			27,028,828
Profit (loss) per ordinary share (in PLN)	6.11			1.55
Weighted average diluted number of ordinary shares	28,000,000			27,950,372
Diluted profit (loss) per ordinary share (in PLN)	6.11			1.50

CASH FLOW STATEMENT

	4th quarter of 2006 period from 01/10/06 to 31/12/06	4 quarters year-to-date 2006 period from 01/01/06 to 31/12/06	4th quarter of 2005 period from 01/10/05 to 31/12/05	4 quarters year-to-date 2005 period from 01/01/05 to 31/12/05
in thousand PLN				

A. Cash flows from operating activities

I. Net profit (loss)	23,542	166,557	(1,007)	41,900
II. Total adjustments	(25,491)	(100,167)	20,234	7,326
1. Depreciation	1,539	5,985	1,636	7,151
2. Gains (losses) in respect of exchange differences	1,234	1,575	(824)	(2,781)
3. Interest and share in profit (dividends)	114	(23,068)	(61)	(12,167)
4. Gains (losses) on investing activities	(1,513)	(67,685)	12,385	15,559
5. Change in provisions	538	(998)	(602)	781
6. Change in inventories	8,391	(5,702)	7,697	7,473
7. Change in receivables	(33,634)	(32,811)	16,873	1,386
8. Change in short-term liabilities, with the exception of borrowings and loans	(14,018)	7,784	(13,101)	(4,435)
9. Change in prepayments and accruals	12,448	15,261	(4,060)	(5,813)
10. Other adjustments	(590)	(508)	291	172

in thousand PLN	4th quarter of 2006 period from 01/10/06 to 31/12/06	4 quarters year-to-date 2006 period from 01/01/06 to 31/12/06	4th quarter of 2005 period from 01/10/05 to 31/12/05	4 quarters year-to-date 2005 period from 01/01/05 to 31/12/05
III. Net operating cash flows (I+/-II)	(1,949)	66,390	19,227	49,226

B. Cash flows from investing activities

I. Inflows	76,530	220,629	28,611	81,901
1. Disposal of intangible assets and property, plant and equipment	2	1,364	6,886	11,574
2. Sale of investments in immovable property and intangible assets	-	-	-	-
3. From financial assets, including:	67,528	205,765	21,725	61,827
a) in affiliates	10,451	128,688	871	15,973
sale of financial assets	-	104,300	300	503
interest	561	1,184	161	407
dividends and share in profit	9,890	23,204	410	15,063
b) in other entities	57,077	77,077	20,854	45,854
sale of financial assets	57,077	77,077	20,854	45,854
interest	-	-	-	-
4. Other investment inflows	9,000	13,500	-	8,500
II. Outflows	493,763	581,982	46,963	116,225
1. Acquisition of intangible assets and property, plant and equipment	1,276	4,495	1,118	6,559
2. Investments in immovable property and intangible assets	-	-	-	-
3. For financial assets, including:	492,487	575,487	41,345	87,666
a) in affiliates	492,487	500,487	41,345	41,410
purchase of financial assets	365,792	365,792	41,345	41,410
long-term borrowings granted	126,695	134,695	-	-
b) in other entities	-	75,000	-	46,256
purchase of financial assets	-	75,000	-	46,256
other	-	-	-	-
4. Other investment outflows	-	2,000	4,500	22,000
III. Net cash flows from investing activities (I-II)	(417,233)	(361,353)	(18,352)	(34,324)

C. Cash flows from financing activities

I. Inflows	402,152	402,152	590	250,483
1. Net proceeds from issue of shares and other equity instruments, and additional contributions to equity	-	-	-	192,875
2. Loans and borrowings	402,152	402,152	590	55,399
3. Issue of debt securities	-	-	-	-
4. Other financial inflows	-	-	-	2,209
II. Outflows	68,671	105,847	7,226	220,137
1. Purchase of treasury shares	-	-	-	-
2. Dividends and other payments towards owners	-	22,400	-	8,400
3. Other outflows under distribution of profit than payments to owners	-	-	-	-
4. Repayment of loans and borrowings	68,418	82,302	6,828	192,940

in thousand PLN	4th quarter of 2006 period from 01/10/06 to 31/12/06	4 quarters year-to-date 2006 period from 01/01/06 to 31/12/06	4th quarter of 2005 period from 01/10/05 to 31/12/05	4 quarters year-to-date 2005 period from 01/01/05 to 31/12/05
5. Redemption of debt securities	-	-	-	15,000
6. Due to other financial liabilities	-	-	-	-
7. Payment of finance lease liabilities	-	-	-	149
8. Interest	253	1,145	398	3,648
9. Other financial expenditure	-	-	-	-
III. Net cash flows from financing activities (I-II)	333,481	296,305	(6,636)	30,346
D. Total net cash flows (A.III +/- B.III +/- C.III)	(85,701)	1,342	(5,761)	45,248
 E. Balance-sheet change in cash, including:				
change in cash due to exchange differences	(87,699)	86	(5,397)	45,512
	(1,998)	(1,256)	(376)	264
 F. Cash as at beginning of period	136,925	49,070	54,467	3,822
 G. Cash as at end of period (F +/- D), including:	51,224	50,412	48,706	49,070
not fully disposable	37,775	37,775	260	260

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY in thousand PLN	4th quarter/2006 period from 01/10/06 to 31/12/06	4 quarters year- to-date/2006 period from 01/01/06 to 31/12/06	2005 period from 01/01/05 to 31/12/05
I. Equity as at beginning of period (OB)	584,079	584,079	356,022
a) changes of the adopted accounting principles (policy)	-	-	41,019
b) corrections of fundamental errors	-	-	41,019
I.a. Equity as at beginning of period (OB), after reconciliation with comparable data	584,079	584,079	356,022
1. Share capital as at beginning of period	140,001	140,001	98,982
1.1. Changes in share capital	-	-	41,019
a) increases (in respect of)	-	-	41,019
- issue of shares	-	-	41,019
b) decreases (in respect of)	-	-	-
1.2. Share capital as at end of period	140,001	140,001	140,001
2. Called up share capital as at beginning of period	-	-	-
2.1. Changes in called up share capital	-	-	-
a) increases (in respect of)	-	-	-
b) decreases (in respect of)	-	-	-
2.2. Called up share capital as at end of period	-	-	-
3. Treasury shares as at beginning of period	-	-	(6,176)
3.1. Changes in treasury shares	-	-	(6,176)
a) increases (in respect of)	-	-	-
b) decreases (in respect of)	-	-	6,176

STATEMENT OF CHANGES IN EQUITY in thousand PLN	4th quarter/2006	4 quarters year-to-date/2006	2005
	period from 01/10/06 to 31/12/06	period from 01/01/06 to 31/12/06	period from 01/01/05 to 31/12/05
- sales	-	-	6,176
3.2. Treasury shares as at end of period	-	-	-
4. Capital reserve as at beginning of period	345,785	326,740	157,186
4.1. Changes in capital reserve	86	19,131	169,554
a) increases (in respect of)	138	19,820	169,941
- issue of shares at a premium	-	-	151,328
- distribution of profit	-	19,500	14,824
- positive difference from revaluation of fixed assets	138	320	1,580
- other increases	-	-	2,209
b) decrease (in respect of)	52	689	387
- negative difference from revaluation of fixed assets	52	689	387
4.2. Capital reserve as at end of period	345,871	345,871	326,740
5. Revaluation reserve as at beginning of period	(306)	(761)	432
5.1. Changes in revaluation reserve	(86)	369	(1,193)
a) increases (in respect of)	52	689	387
- transfer of revalued FA to capital reserve with regard to their liquidation or sale	52	689	387
b) decreases (in respect of)	138	320	1,580
- transfer of revalued FA to capital reserve with regard to their liquidation or sale	138	320	1,580
5.2. Revaluation reserve as at end of period	(392)	(392)	(761)
6. Other reserve capital as at beginning of period	76,199	76,199	82,375
6.1. Changes in other reserve capital	-	-	(6,176)
a) increases (in respect of)	-	-	-
b) decreases (in respect of)	-	-	6,176
- sales of treasury shares	-	-	6,176
6.2. Other reserve capital as at end of period	76,199	76,199	76,199
7. Profit (loss) brought forward as at beginning of period	-	41,900	23,223
7.1. Profit brought forward as at beginning of period	-	41,900	23,223
a) changes of the adopted accounting principles (policy)	-	-	-
b) corrections of fundamental errors	-	-	-
7.2. Profit brought forward, as at beginning of period, after reconciliation with comparable data	-	41,900	23,223
a) increases (in respect of)	143,015	-	-
- profit for 3 quarters of 2006	143,015	-	-
b) decreases (in respect of)	-	41,900	23,223
- distribution of profit brought forward	-	19,500	14,823
- dividend	-	22,400	8,400
7.3. Profit brought forward as at end of period	143,015	-	-
7.4. Loss brought forward as at beginning of period	-	-	-
a) changes of the adopted accounting principles (policy)	-	-	-
b) corrections of fundamental errors	-	-	-

STATEMENT OF CHANGES IN EQUITY in thousand PLN	4th quarter/2006	4 quarters year-to-date/2006	2005
	period from 01/10/06 to 31/12/06	period from 01/01/06 to 31/12/06	period from 01/01/05 to 31/12/05
7.5. Loss brought forward, as at beginning of period, after reconciliation with comparable data	-	-	-
a) increases (in respect of)	-	-	-
b) decreases (in respect of)	-	-	-
7.6 Loss brought forward as at end of period	-	-	-
7.7 Profit (loss) brought forward as at end of period	143,015	-	-
8. Net result	23,542	166,557	41,900
a) net profit	23,542	166,557	41,900
b) net loss	-	-	-
c) write-downs from profit	-	-	-
II. Equity as at end of period (CB)	728,236	728,236	584,079
III. Equity capital, after providing for the proposed distribution of profit (coverage of loss)	728,236	728,236	561,679

1. Provisions and revaluation write-downs on assets of CIECH S.A. from 01.10.2006 to 31.12.2006

In the fourth quarter of 2006 the CIECH S.A.'s condensed statement showed the following adjustments for recognition and release of provisions and revaluation write-downs on assets.

Provisions recognised in the period	in thousand PLN
Employee-benefit provision	4,758
Provision for costs	378
Provision for expected losses	68
Deferred tax provision	512
Total	5,716

Released and used provisions in the period	in thousand PLN
Provision for costs	2,637
Total	2,637

Revaluation write-downs recognised in the period	in thousand PLN
Revaluation write-downs on long-term financial assets	4,783
Revaluation write-downs on fixed assets	1,647
Revaluation write-downs on receivables	297
Total	6,727

Released and used revaluation write-downs in the period	in thousand PLN
Revaluation write-downs on long-term financial assets	40,023
Revaluation write-downs on intangible assets	77
Revaluation write-downs on inventories	13
Revaluation write-downs on receivables	1,833
Total	41,946

Deferred income tax assets	in thousand PLN
Decreases	6,556

2. Financial Assets of CIECH S.A.

CHANGES IN LONG-TERM FINANCIAL ASSETS in thousand PLN	01.01.-31.12.2006	01.01.-30.09.2006	01.01.-31.12.2005
As at beginning of period	481,074	481,074	464,526
a) increases (in respect of)	511,557	17,450	42,728
purchase of shares	367,411	-	41,878
capital increase	-	-	850
transfer from short-term financial assets	-	-	-
borrowings granted	144,146	17,450	-
b) decreases (in respect of)	58,998	61,773	73,425
sale of shares	32,465	-	803
transfer to short-term financial assets	-	-	25,243
other	-	-	134
revaluation write-down	26,533	61,773	47,245
As at end of period	933,633	436,751	433,829

CHANGES IN SHORT-TERM FINANCIAL ASSETS in thousand PLN	01.01.-31.12.2006	01.01.-30.09.2006	01.01.-31.12.2005
As at beginning of period	91,205	91,205	6,637
- shares	26,993	26,993	1,750
- other short-term financial assets	257	257	16
- borrowings granted	14,815	14,815	1,243
- cash	49,140	49,140	3,628
b) increases (in respect of)	443	146,448	84,568
- stocks and shares	-	-	25,243
- other short-term financial assets	357	-	241
- other securities	-	56,663	-
- borrowings granted	-	2,000	13,572
- cash	86	87,785	45,512
c) decreases (in respect of)	39,604	32,698	2,993
- shares	25,243	25,243	-
- other short-term financial assets	-	128	-
- borrowings granted	11,368	4,334	-
- cash	-	-	-
- revaluation write-down	2,993	2,993	2,993
As at end of period	52,044	204,955	88,212

3. Transactions of CIECH S.A. with consolidated entities (in thousand PLN)
List of transactions with consolidated entities for the period from 01.01.2006 to 31.12.2006

Name of company	Sale of goods and services	Purchase of goods and services	Other operating revenue	Financial revenue (interest)	Financial revenue (dividends)
1. "AGROCHEM" Spółka z ograniczoną odpowiedzialnością – in Dobre Miasto	-	492	-	-	-
2. CIECH POLFA Sp. z o.o.	768	280	293	-	775
3. DALTRADE PLC	19,825	-	-	-	652
4. EC KUJAWY Sp. z o.o.	1,766	-	-	-	-
5. GZNF "FOSFORY" Sp. z o.o.	61,493	8,806	-	569	854
6. SODA MĄTWY S.A.	1,798	301,200	-	-	8,139
7. JANIKOSODA S.A.	1,448	325,678	-	-	11,219
8. POLSIN PRIVATE LIMITED	16,390	118	-	-	236
9. Cheman S.A.	27,978	22	268	412	-
10. TRANSODA Sp. z o.o.	-	15,587	-	-	-
11. "VITROSILICON" Spółka Akcyjna	19,090	39,421	-	254	-
12. "Alwernia" S.A.	58,645	33,391	-	47	270

List of transactions with consolidated entities for the period from 01.01.2005 to 31.12.2005

Name of company	Sale of goods and services	Purchase of goods and services	Other operating revenue	Financial revenue (interest)	Financial revenue (dividends)
1. "AGROCHEM" Spółka z ograniczoną odpowiedzialnością – in Dobre Miasto	-	341	-	-	-
2. CIECH POLFA Sp. z o.o.	919	342	597	-	290
3. DALTRADE PLC	21,459	2	-	-	-
4. EC KUJAWY Sp. z o.o.	1,684	-	-	-	-
5. GZNF "FOSFORY" Sp. z o.o.	64,155	10,971	-	359	1,455
6. SODA MĄTWY S.A.	1,599	313,239	-	43	2,033
7. JANIKOSODA S.A.	1,153	334,682	-	37	6,658
8. Petrochemia-Blachownia S.A.	54,263	144,884	3,735	-	2,150
9. POLSIN PRIVATE LIMITED	1,060	2,033	-	-	251
10. Cheman S.A.	36,928	169	1,166	34	-
11. TRANSODA Sp. z o.o.	-	8,215	-	-	-
12. "VITROSILICON" Spółka Akcyjna	17,644	36,224	-	-	550
13. "Alwernia" S.A.	101,763	17,413	-	52	303

4. Additional information of CIECH S.A. for the fourth quarter ending on December 31st, 2006**Accounting principles applicable during preparation of the periodic report for the fourth quarter ending on December 31st, 2006**

The quarterly report of the Company CIECH S.A. was prepared in accordance with applicable accounting principles, using the valuation of assets and liabilities and measurement of the net financial result as at the balance-sheet date, including adjustments due to provisions.

Detailed information regarding principles and methods of valuation of assets and liabilities and measurement of the financial result as well as the method of preparing the financial statement and comparable data in CIECH S.A. was included in the Consolidated extended report for H1 2006, publicly disclosed on October 3rd, 2006.

The Company applies the simplified form of making advance corporate income tax payments in the tax year from January 1st, 2006 to December 31st, 2006. The Company recognises in its accounting books its amount payable to the Tax Office resulting from the actually made calculation of the tax amount; the amount of the flat-rate monthly advance income tax payment is PLN 440,000.

III. Statement of the Management Board

This extended consolidated quarterly report of the Ciech Capital Group for the 4th quarter of 2006 was approved by the Management Board of the Company CIECH S.A. at its registered office on March 1st, 2007.

Warsaw, March 1st, 2007.

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Mirosław Kochalski - President of the Management Board of CIECH Spółka Akcyjna

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Rafał Pasieka – Member of the Management Board of CIECH Spółka Akcyjna

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Marek Trosiński – Member of the Management Board of CIECH Spółka Akcyjna

.....
Wojciech Wardacki – Member of the Management Board of CIECH Spółka Akcyjna

.....
Kazimierz Przełomski – CFO - Proxy of CIECH Spółka Akcyjna