



**EXTENDED CONSOLIDATED  
QUARTERLY REPORT  
OF THE CIECH GROUP  
for Q3 2006**

SELECTED CONSOLIDATED FINANCIAL DATA OF THE CIECH GROUP	in thousand PLN		in thousand EUR	
	3 quarters year-to-date from 01/01/06 to 30/09/06	3 quarters year-to-date from 01/01/05 to 30/09/05	3 quarters year-to-date from 01/01/06 to 30/09/06	3 quarters year-to-date from 01/01/05 to 30/09/05
Net sales income	1,549,393	1,669,080	395,546	411,276
Operating profit (loss)	115,658	108,747	29,526	26,796
Profit (loss) before tax	125,574	123,836	32,058	30,514
Total net profit (loss)	125,442	97,409	32,024	24,002
Net profit (loss) of shareholders of the parent company	124,392	89,763	31,756	22,118
Net profit (loss) of minority shareholders	1,050	7,646	268	1,884
Net cash from operating activities	122,611	61,136	31,301	15,064
Net cash from investing activities	(79,441)	(75,139)	(20,281)	(18,515)
Net cash from financing activities	33,711	82,483	8,606	20,325
Total net cash flows	76,881	68,480	19,626	16,874
Total assets	1,803,131	1,685,515	452,650	430,352
Long-term liabilities	165,853	93,774	41,635	23,943
Short-term liabilities	511,840	531,285	128,490	135,650
Total equity	1,125,438	1,060,456	282,525	270,759
Equity attributable to shareholders of the parent company	1,075,764	950,215	270,055	242,612
Minority interest	49,674	110,241	12,470	28,147
Share capital	164,115	164,115	41,199	41,902
Profit (loss) per ordinary share (in PLN/EUR)	4.44	3.39	1.13	0.83

SELECTED INDIVIDUAL FINANCIAL DATA OF THE CIECH SA	in thousand PLN		in thousand EUR	
	3 quarters year-to-date from 01/01/06 to 30/09/06	3 quarters year-to-date from 01/01/05 to 30/09/05	3 quarters year-to-date from 01/01/06 to 30/09/06	3 quarters year-to-date from 01/01/05 to 30/09/05
Net income from sales of products, goods and materials	1,142,093	1,227,588	291,566	302,488
Operating profit (loss)	76,091	47,554	19,425	11,718
Gross profit (loss)	173,344	50,206	44,253	11,718
Net profit (loss)	143,015	42,907	36,510	10,573
Net operating cash flows	68,339	29,999	17,446	7,392
Net cash flows from investing activities	55,880	(15,972)	14,266	(3,936)
Net cash flows from financing activities	(37,176)	36,982	(9,491)	9,113
Total net cash flows	87,043	51,009	22,221	12,569
Total assets	1,032,195	912,601	259,118	233,008
Liabilities and provisions for liabilities	327,501	327,516	82,214	83,623
Long-term liabilities	14,341	20,366	3,600	5,200
Short-term liabilities	283,631	280,851	71,201	71,708
Equity	704,694	585,085	176,903	149,386
Share capital	140,001	140,001	35,145	35,746

## I. CONSOLIDATED INTERIM FINANCIAL STATEMENT OF THE CIECH CHEMICAL GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT <i>in thousand PLN</i>	01.01.-30.09.2006			01.01.-30.09.2005		01.07.-30.09.2006		01.07.-30.09.2005	
	Continued operations	Discontinued operations	TOTAL	Continued operations	TOTAL	Continued operations	TOTAL	Continued operations	TOTAL
<b>Net sales income</b>	<b>1,549,393</b>	-	<b>1,549,393</b>	<b>1,669,080</b>	<b>1,669,080</b>	<b>567,121</b>	<b>567,121</b>	<b>590,480</b>	<b>590,480</b>
Own costs of sales	(1,177,398)	-	(1,177,398)	(1,292,866)	(1,292,866)	(435,352)	(435,352)	(468,933)	(468,933)
<b>Gross profit/loss on sales</b>	<b>371,995</b>	-	<b>371,995</b>	<b>376,214</b>	<b>376,214</b>	<b>131,769</b>	<b>131,769</b>	<b>121,547</b>	<b>121,547</b>
Other operating revenue	27,320	-	27,320	17,440	17,440	17,904	17,904	7,825	7,825
Costs of sales	(118,350)	-	(118,350)	(138,913)	(138,913)	(41,368)	(41,368)	(39,221)	(39,221)
General management costs	(115,998)	-	(115,998)	(117,490)	(117,490)	(34,584)	(34,584)	(36,509)	(36,509)
Other operating costs	(49,309)	-	(49,309)	(28,504)	(28,504)	(28,722)	(28,722)	(8,155)	(8,155)
<b>Operating profit/loss</b>	<b>115,658</b>	-	<b>115,658</b>	<b>108,747</b>	<b>108,747</b>	<b>44,999</b>	<b>44,999</b>	<b>45,487</b>	<b>45,487</b>
Financial revenue	18,112	-	18,112	32,450	32,450	568	568	3,077	3,077
Financial costs	(8,902)	-	(8,902)	(24,096)	(24,096)	(822)	(822)	(8,772)	(8,772)
<b>Net financial income / costs</b>	<b>9,210</b>	-	<b>9,210</b>	<b>8,354</b>	<b>8,354</b>	<b>(254)</b>	<b>(254)</b>	<b>(5,695)</b>	<b>(5,695)</b>
Share in the net profit of subordinates valued using the equity method	706	-	706	6,735	6,735	(146)	(146)	1,437	1,437
<b>Profit/loss before tax</b>	<b>125,574</b>	-	<b>125,574</b>	<b>123,836</b>	<b>123,836</b>	<b>44,599</b>	<b>44,599</b>	<b>41,229</b>	<b>41,229</b>
Income tax	(26,941)	-	(26,941)	(26,427)	(26,427)	(9,288)	(9,288)	(9,073)	(9,073)
<b>Net profit/loss</b>	<b>98,633</b>	-	<b>98,633</b>	<b>97,409</b>	<b>97,409</b>	<b>35,311</b>	<b>35,311</b>	<b>32,156</b>	<b>32,156</b>
Sales profit/loss relative to discontinued operations	-	26,809	26,809	-	-	26,809	26,809	-	-
<b>Net profit for the financial year</b>	<b>98,633</b>	<b>26,809</b>	<b>125,442</b>	<b>97,409</b>	<b>97,409</b>	<b>35,311</b>	<b>35,311</b>	<b>32,156</b>	<b>32,156</b>
including:									
Net profit/loss of shareholders of the parent company	97,688	26,704	124,392	89,763	89,763	34,825	34,825	30,584	30,584
Net profit/loss of minority shareholders	945	105	1,050	7,646	7,646	486	486	1,572	1,572
Earnings per share (in PLN):									
Basic	3.49	0.95	4.44	3.39	3.39	1.24	1.24	1.09	1.09

Diluted		3.49	0.95	4.44		3.24	3.24		1.24	1.24		1.09	1.09
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**CONSOLIDATED BALANCE SHEET***in thousand PLN*

<b>CONSOLIDATED BALANCE SHEET</b>				
<i>in thousand PLN</i>	<b>30.09.2006</b>	<b>31.12.2005</b>	<b>30.09.2005</b>	<b>31.12.2004</b>
<b>ASSETS</b>				
<b>Fixed assets</b>				
Property, plant and equipment	782,528	704,458	744,828	725,068
Right of perpetual usufruct	1,705	733	2,279	2,099
Intangible assets, including:	28,420	21,588	16,705	15,630
- goodwill	39	39	24	6
Investment property	14,276	15,552	18,685	19,549
Long-term receivables	39	166	77	85
Investments in associates and co-subsiidiaries valuated using the equity method	43,266	39,431	44,461	32,190
Other long-term investments	18,326	25,752	32,180	32,179
Deferred income tax assets	6,187	10,141	3,175	2,179
<b>Total fixed assets</b>	<b>894,747</b>	<b>817,821</b>	<b>862,390</b>	<b>828,979</b>
<b>Current assets</b>				
Inventories	138,335	132,450	170,298	130,278
Short-term investments	56,960	269	22,609	1,174
Income tax receivables	6,461	5,324	407	8,073
Trade and other receivables	530,297	493,591	531,575	525,903
Cash and cash equivalents	176,331	101,216	98,236	36,106
Fixed assets held for sale	-	84,461	-	2,722
<b>Total current assets</b>	<b>908,384</b>	<b>817,311</b>	<b>823,125</b>	<b>704,256</b>
<b>Total Assets</b>	<b>1,803,131</b>	<b>1,635,132</b>	<b>1,685,515</b>	<b>1,533,235</b>

<b>LIABILITIES</b>	<b>30.09.2006</b>	<b>31.12.2005</b>	<b>30.09.2005</b>	<b>31.12.2004</b>
<b>Equity</b>				
Share capital	164,115	164,115	164,115	123,096
Treasury shares	-	-	-	(18,805)
Share premium reserve	151,328	151,328	151,328	-
Equity components relative to assets held for sale	-	-	-	-
Revaluation reserve	6,659	3,543	4,997	-
Other reserve capital	78,683	78,683	78,683	84,633
Exchange differences on translation of subordinates	(452)	(248)	126	(1,067)
Retained earnings	675,431	572,220	550,966	467,021
<b>Equity attributable to shareholders of the parent company</b>	<b>1,075,764</b>	<b>969,641</b>	<b>950,215</b>	<b>654,878</b>
Minority interest	49,674	49,490	110,241	103,106
<b>Total equity</b>	<b>1,125,438</b>	<b>1,019,131</b>	<b>1,060,456</b>	<b>757,984</b>
<b>Liabilities</b>				
Liabilities in respect of loans, borrowings and other debt instruments	102,823	49,305	33,624	51,942
Employee benefits	27,121	25,821	24,321	24,097
Provisions (other long-term)	21,642	21,609	22,249	22,645
Deferred tax provision	14,267	13,263	13,580	12,283
<b>Total long-term liabilities</b>	<b>165,853</b>	<b>109,998</b>	<b>93,774</b>	<b>110,967</b>
Overdraft facility	10,134	12,976	3	7,585
Liabilities in respect of loans, borrowings and other debt instruments	122,775	124,190	156,545	237,452

<b>LIABILITIES</b>	<b>30.09.2006</b>	<b>31.12.2005</b>	<b>30.09.2005</b>	<b>31.12.2004</b>
Trade and other liabilities	321,389	314,329	345,826	392,425
Liabilities in respect of income tax	27,187	995	3,243	301
Provisions (short-term employee-benefit provisions and other provisions)	30,355	30,659	25,668	26,521
Liabilities related to fixed assets held for sale	-	22,854	-	-
<b>Total short-term liabilities</b>	<b>511,840</b>	<b>506,003</b>	<b>531,285</b>	<b>664,284</b>
<b>Total liabilities (creditors)</b>	<b>677,693</b>	<b>616,001</b>	<b>625,059</b>	<b>775,251</b>
<b>T o t a l l i a b i l i t i e s</b>	<b>1,803,131</b>	<b>1,635,132</b>	<b>1,685,515</b>	<b>1,533,235</b>

## OFF-BALANCE SHEET ITEMS

<i>in thousand PLN</i>	<b>30.09.2006</b>	<b>30.09.2005</b>
<b>1. Contingent receivables</b>	-	<b>3,800</b>
- guarantees and sureties received	-	3,800
- other off-balance sheet receivables	-	-
<b>2. Contingent liabilities</b>	<b>1,722</b>	<b>35,909</b>
- guarantees and sureties granted	1,652	10,819
- other off-balance sheet liabilities	70	25,090
<b>3. Other</b>	<b>540</b>	<b>14,681</b>
- other	540	14,681
<b>Total off-balance sheet items</b>	<b>2,262</b>	<b>54,390</b>

## CONSOLIDATED CASH FLOW STATEMENT

*in thousand PLN*

<b>CONSOLIDATED CASH FLOW STATEMENT</b>	<b>01.01.-30.09.2006</b>	<b>01.01.-30.09.2005</b>
<i>in thousand PLN</i>		
<b>Cash flows from operating activities</b>		
<b>Net profit (loss) for the period</b>	<b>125,442</b>	<b>97,409</b>
Depreciation	72,013	67,584
Recognition / reversal of revaluation write-downs	3,841	(870)
Gains / losses in respect of exchange differences	293	(3,796)
Investment property revaluations	-	644
Gains / losses on investing activities	(1,266)	(33,224)
Gains / losses on disposal of fixed assets	(2,489)	(995)
Interest and share in profit	2,453	23,959
Input income tax	26,941	26,427
Gains / losses on shares in entities valued using the equity method	(706)	(6,735)
<b>Operating result before change in working capital and provisions</b>	<b>226,522</b>	<b>170,403</b>
Change in receivables	(38,649)	(3,881)
Change in inventories	(5,696)	(36,771)
Change in short-term liabilities	(20,922)	(41,613)
Change in provisions and employee benefits	3,473	(1,552)
<b>Net cash generated from operating activities</b>	<b>164,728</b>	<b>86,586</b>
Interest paid	(4,805)	(11,140)
Income tax paid	(9,222)	(20,470)
other adjustments	(1,281)	6,160
Gains / losses on disposal of discontinued operations	(26,809)	-

**CONSOLIDATED CASH FLOW STATEMENT****01.01.-30.09.2006****01.01.-30.09.2005***in thousand PLN*

<b>Net cash from operating activities</b>	<b>122,611</b>	<b>61,136</b>
<b>Cash flows from investing activities</b>	-	-
<b>Inflows (in "+")</b>		
Disposal of intangible assets and property, plant and equipment	2,413	3,463
Disposal of a subsidiary	104,750	-
Disposal of investments	20,000	47,892
Dividends received	2,009	1,732
Interest received	300	486
Other inflows	4,509	8,492
<b>Outflows (in "-")</b>		
Acquisition of intangible assets and property, plant and equipment	(137,228)	(90,826)
Acquisition of a subsidiary (net of cash acquired)	-	-
Acquisition of investment property	-	-
Acquisition of other investments	(75,000)	(46,363)
Research and development expense	-	-
Other outflows	(1,194)	(15)
<b>Net cash from investing activities</b>	<b>(79,441)</b>	<b>(75,139)</b>
<b>Cash flows from financing activities</b>	-	-
<b>Inflows (in "+")</b>		
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	107,833	113,734
Other financial inflows	3,136	2,463
<b>Outflows (in "-")</b>		
Purchase of treasury shares	-	-
Dividends and other payments towards owners	(22,400)	(8,400)
Dividends paid to minority shareholders	(1,377)	(1,380)
Expenditure on the repayment of loans and borrowings	(52,443)	(196,749)
Redemption of debt securities	-	(15,000)
Payment of finance lease liabilities	(988)	(4,982)
Other financial expenditure	(50)	(78)
<b>Net cash from financing activities</b>	<b>33,711</b>	<b>82,483</b>
<b>Total net cash flows</b>	<b>76,881</b>	<b>68,480</b>
<b>Cash as at beginning of period</b>	<b>88,240</b>	<b>28,521</b>
Impact of changes due to exchange differences	1,076	1,232
<b>Cash as at end of period</b>	<b>166,197</b>	<b>98,233</b>

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

<i>in thousand PLN</i>	Attributed to shareholders of the parent company							Exchange differences on translation of subsidiaries	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						
<b>Equity as at (beginning of period) 01/01/2006:</b>												
<b>Reported previously</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>3,543</b>	<b>78,683</b>	<b>(248)</b>	<b>572,220</b>	<b>969,641</b>	<b>49,490</b>	<b>1,019,131</b>	
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-	-	
Corrections of fundamental errors	-	-	-	-	-	-	-	-	-	-	-	
<b>Equity (restated) as at:</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>3,543</b>	<b>78,683</b>	<b>(248)</b>	<b>572,220</b>	<b>969,641</b>	<b>49,490</b>	<b>1,019,131</b>	
exchange differences on currency conversion related to foreign companies	-	-	-	-	-	-	(204)	-	(204)	(65)	(269)	
revaluation of fixed assets	-	-	-	-	-	-	-	80	80	10	90	
measurement of long-term investments	-	-	-	-	3,116	-	-	-	3,116	15	3,131	
<b>total revenue and costs for the financial year directly recognised in equity</b>	-	-	-	-	<b>3,116</b>	-	<b>(204)</b>	<b>80</b>	<b>2,992</b>	<b>(40)</b>	<b>2,952</b>	
net profit / (loss)	-	-	-	-	-	-	-	124,392	124,392	1,050	125,442	
<b>total revenue and costs for the financial year</b>	-	-	-	-	<b>3,116</b>	-	<b>(204)</b>	<b>124,472</b>	<b>127,384</b>	<b>1,010</b>	<b>128,394</b>	
change in the group's composition	-	-	-	-	-	-	-	2,273	2,273	(287)	1,986	
payment of dividend to shareholders	-	-	-	-	-	-	-	(22,400)	(22,400)	(530)	(22,930)	
profit-based bonus payments	-	-	-	-	-	-	-	(995)	(995)	(5)	(1,000)	
other increases	-	-	-	-	-	-	-	(139)	(139)	(4)	(143)	
<b>Equity as at (end of period) 30/09/2006:</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>6,659</b>	<b>78,683</b>	<b>(452)</b>	<b>675,431</b>	<b>1,075,764</b>	<b>49,674</b>	<b>1,125,438</b>	



<i>in thousand PLN</i>	Attributed to shareholders of the parent company								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 subordinates	Retained earnings			
<b>Equity as at (beginning of period) 01/01/2005:</b>											
<b>Reported previously</b>	<b>123,096</b>	<b>(18,805)</b>	-	-	-	<b>84,633</b>	<b>(1,067)</b>	<b>467,021</b>	<b>654,878</b>	<b>103,106</b>	<b>757,984</b>
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-	-
Corrections of fundamental errors	-	-	-	-	-	-	-	-	-	-	-
<b>Equity (restated) as at:</b>	<b>123,096</b>	<b>(18,805)</b>	-	-	-	<b>84,633</b>	<b>(1,067)</b>	<b>467,021</b>	<b>654,878</b>	<b>103,106</b>	<b>757,984</b>
Exchange differences on currency conversion related to foreign companies	-	-	-	-	-	-	1,193	-	1,193	634	1,827
Valuation of financial instruments	-	-	-	-	4,997	-	-	-	4,997	504	5,501
<b>Total revenue and costs for the financial year directly recognised in equity</b>	-	-	-	-	<b>4,997</b>	-	<b>1,193</b>	-	<b>6,190</b>	<b>1,138</b>	<b>7,328</b>
Net profit / (loss)	-	-	-	-	-	-	-	89,763	89,763	7,646	97,409
<b>total revenue and costs for the financial year</b>	-	-	-	-	<b>4,997</b>	-	<b>1,193</b>	<b>89,763</b>	<b>96,953</b>	<b>78,784</b>	<b>104,737</b>
Issue of share capital	41,019	-	151,328	-	-	-	-	-	192,347	-	192,347
Sales of treasury shares	-	18,805	-	-	-	(3,966)	-	-	14,839	-	14,839
Payment of dividend to shareholders	-	-	-	-	-	-	-	(8,400)	(8,400)	(1,387)	(9,787)
Transfer of the reserve capital to retained earnings	-	-	-	-	-	(2,210)	-	2,210	-	-	-
Establishment of another fund	-	-	-	-	-	226	-	-	226	24	250
Other increases / decreases	-	-	-	-	-	-	-	372	372	(286)	86
<b>Equity as at (end of period) 30/09/2005:</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>4,997</b>	<b>78,683</b>	<b>126</b>	<b>550,966</b>	<b>950,215</b>	<b>110,241</b>	<b>1,060,456</b>

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

### 1. General information

This interim consolidated financial statement for the period from January 1st, 2006 to September 30th, 2006, and the comparable data, was approved for publication by the Management Board of Ciech SA on November 13th, 2006.

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

### Description of the organisational structure of the Ciech Group

The parent company of the Ciech Group is Ciech Spółka Akcyjna with its registered office in Warsaw, at ul. Powązkowska 46/50, it is 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 September 30th, 2006, it comprised 31 business entities, including:

- parent company Ciech SA,
- 27 subsidiaries, including:
  - 20 domestic subsidiaries
  - 7 foreign subsidiaries
- 2 domestic associates
- 1 foreign associate

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

The whole group of companies affiliated to Ciech SA consists of 31 business entities being direct subsidiaries and associates, that is those whose parent company is Ciech SA, as well as indirect subsidiaries and associates, whose parent companies are direct subsidiaries and associates of Ciech SA.

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

- with the full consolidation method:
  1. Ciech SA – parent company
  2. Zakłady Chemiczne Alwernia SA
  3. Przedsiębiorstwo Chemiczne Cheman SA
  4. Vitrosilicon SA
  5. Ciech Polfa Sp. z o.o.
  6. Polsin Pte. Ltd.
  7. Daltrade Plc
- with the equity method:
  8. Przedsiębiorstwo Transportowo-Uslugowe TRANSCLEAN Sp. z o.o.

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

1. Fosfory Group, including:
  - Gdańskie Zakłady Nawozów Fosforowych Fosfory Sp. z o.o. – parent company
  - Agrochem Sp. z o.o. Dobre Miasto
  - Agrochem Sp. z o.o. Człuchów
2. Soda Mątwy Group, including;
  - Inowrocławskie Zakłady Chemiczne Soda Mątwy SA – parent company
  - Elektrociepłownie Kujawskie Sp z o.o.
  - Transoda Sp. z o.o.
  - Polskie Towarzystwo Ubezpieczeniowe SA (company valued using the equity method)
3. Janikosoda Group, including:
  - Janikowskie Zakłady Sodowe Janikosoda SA – parent company
  - Polskie Towarzystwo Ubezpieczeniowe SA (company valued using the equity method)

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

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

Name of Company/Group	Consolidation method as at 30.09.2006 and dependence on Ciech SA	Consolidation method as at 30.09.2005 and dependence on Ciech SA
<b>1) Ciech SA</b>	Parent company	Parent company
<b>2) Ciech - Polfa SA</b>	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
<b>3) Przedsiębiorstwo Chemiczne Cheman SA</b>	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA. Since July 9th, 2004, after the merger with Ciech Petrol Sp. z o.o. also fully consolidated.
<b>4) Petrochemia-Blachownia Group</b>	Sold in January 2006	Fully-consolidated lower-tier Group
4.1) Petrochemia-Blachownia SA	-	Lower-tier parent company (controlled by Ciech SA)
4.2) BI-Trans Sp. z o.o.	-	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
<b>5) Soda Mątwy Group</b>	Fully-consolidated lower-tier Group	Fully-consolidated lower-tier Group
5.1) Inowrocławskie Zakłady Chemiczne Soda Mątwy SA	Lower-tier parent company (controlled by Ciech SA)	Lower-tier parent company (controlled by Ciech SA)
5.2) Transoda Sp. z o.o.	Indirect lower-tier subsidiary of Ciech SA - full consolidation since March 10th, 2006 merged with the company Jantrans-Janikowo Sp. z o.o.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
5.3) Elektrociepłownie Kujawskie Sp. z o.o.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
5.4) Polskie Towarzystwo Ubezpieczeń SA	Indirect lower-tier associate of Ciech SA valued using the equity method.	Indirect lower-tier associate of Ciech SA valued using the equity method.
<b>6) Janikosoda Group</b>	Fully-consolidated lower-tier Group	Fully-consolidated lower-tier Group
6.1) Janikowskie Zakłady Sodowe Janikosoda SA	Lower-tier parent company (controlled by Ciech SA)	Lower-tier parent company (controlled by Ciech SA)
6.2) Polskie Towarzystwo Ubezpieczeń SA	Indirect lower-tier associate of Ciech SA - valued using the equity method.	Indirect lower-tier associate of Ciech SA - valued using the equity method.
<b>7) Fosfory Group</b>	Fully-consolidated lower-tier Group	Fully-consolidated lower-tier Group
8.1) Gdańskie Zakłady Nawozów Fosforowych Fosfory Sp. z o.o.	Lower-tier parent company (controlled by Ciech SA)	Lower-tier parent company (controlled by Ciech SA)
8.2) Agrochem Sp. z o.o. Dobre Miasto	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
8.3) Agrochem Sp. z o.o.	Indirect lower-tier subsidiary of Ciech SA - full	Indirect lower-tier subsidiary of Ciech SA - full

Name of Company/Group	Consolidation method as at 30.09.2006 and dependence on Ciech SA	Consolidation method as at 30.09.2005 and dependence on Ciech SA
Człuchów	consolidation.	consolidation.
<b>9) Alwernia Group</b>	Fully-consolidated lower-tier parent company	Fully-consolidated lower-tier Group
9.1) Zakłady Chemiczne Alwernia SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
9.2) Alwernia Chrom Sp. z o. o.	Entity sold in January 2006	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
<b>10) Polsin Pte. Ltd.</b>	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
<b>11) Daltrade Plc.</b>	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
<b>12) Vitrosilicon SA</b>	Fully consolidated subsidiary of Ciech SA.	Fully consolidated subsidiary of Ciech SA.
<b>13) Przedsiębiorstwo Transportowo-Uslugowe TRASCLEAN Sp. z o.o.</b>	Associate of Ciech SA valued using the equity method.	Associate of Ciech SA valued using the equity method.
<b>14) Zach-Ciech Sp. z o.o.</b>	On January 24th, 2006 the Company was declared bankrupt.	Associate of Ciech SA - covered with impairment write-down

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

▪ **Ciech SA, Parent Company**

The core business of the parent company as defined in the Articles of Association includes: conducting business activity comprising trade activities, investments, manufacturing, services and financial operations, including 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,
- transshipment services using own transshipment 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.

**Fully-consolidated companies:**

- **Zakłady Chemiczne Alwernia SA**
  - 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 SA**
  - manufacture of other inorganic basic chemicals,
  - manufacture of household and technical glassware,
  - manufacture of plastic packing,
  - manufacture of other plastic products.
  
- **Ciech – Polfa Sp. z o.o.**
  - wholesale of pharmaceutical products,
  - wholesale of chemical products,
  - wholesale of perfume and cosmetics,
  - retail sale of medical and orthopaedic goods.
  
- **Przedsiębiorstwo Chemiczne Cheman SA**
  - 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.
  
- **Polsin Pte. Ltd.:**
  - wholesale and retail sales of a variety of goods on Far Eastern markets.
  
- **Daltrade Plc:**
  - distribution and wholesale of chemicals on the UK chemical market.

**Companies valued using the equity method.**

- **Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.**
  - international transportation of liquid chemicals,
  - tank truck and tank car wash.

**2. Statement of Compliance**

The interim consolidated financial statement of the Ciech Group as well as financial statements of all subsidiaries and associates of Ciech SA 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.

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 interim consolidated financial statement according to IFRS as at September 30th, 2006 and comparable figures. Due diligence was exercised when developing the tables and explanations below. The financial information presented here was not audited.

The Management Board of Ciech SA declares that the presented interim consolidated financial statement presents the economic situation, financial results of operations and cash flow in a reliable way.

### 3. Basis for preparing the consolidated financial statement

The presented financial statement has been prepared under the assumption of going concern.

The measurement and reporting currency for the purposes of the presented interim consolidated financial statement is the Polish zloty. Unless provided otherwise, the figures in the interim consolidated financial statement are presented in thousands of Polish zlotys (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 balance-sheet 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 (September 30th, 2006) by the National Bank of Poland to be 3.9835. 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 September 2006, respectively: 3.8285; 3.7726; 3.9357; 3.8740; 3.9472; 4.0434, 3,9321; 3,9369 and 3,9835. The rate for the reporting period for the third quarter of 2006 is 3.9171.

### 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 third quarter ending on September 30th, 2006**

The quarterly report of Ciech SA 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 Ciech SA 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 SA and the Group companies in the third quarter of 2006.

### Ciech SA

- On August 7th, 2006 the President of the Office of Competition and Consumer Protection, after carrying out antitrust proceedings instituted on the motion of Ciech SA gave consent to the concentration consisting of the takeover by Ciech SA of the control of Zakłady Chemiczne ZACHEM S.A. with its registered office in Bydgoszcz by means of purchasing shares which constitute 80% of the share capital of this company and which entitle it to 80% of votes at the general meeting. In consequence, Ciech SA shall take over the direct control of ZCh ZACHEM SA and indirect control of subsidiaries, i.e. ZACHEM UCR Sp. z o.o. and ZACHEM BARWNIKI Sp. z o.o. The strategy of Ciech SA assumes that the company ZACHEM S.A. shall be included in the corporate structures of the newly-established Organika Division, which deals with basic and processed organic chemistry products. The creation of the Organika Division is significant from the perspective of the diversification of the activity of the Ciech Group (reduction in the operational risk) and an increase in competitiveness in relation to foreign companies in the chemical sector.

### JZS Janikosoda SA

- The company JZS Janikosoda SA launched a limestone screening and crushing system, which made it possible to achieve stable technological parameters in the limestone burning process and decrease the consumption of coke.

### ZCh Alwernia SA

- The company ZCh Alwernia SA continues work related to the adaptation of the idle sodium sulphate system for fertiliser manufacture based on post-production waste.
- Launching a new product – nitromagnesite
- Implementation of a technology for the manufacture of food-grade tripolyphosphate on the basis of extractive acid.

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

During the first three quarters of 2006 the Ciech Group made a net profit of PLN 125,442,000, the balance-sheet total was PLN 1,803,131,000 and cash increased by PLN 76,881,000 net (in comparison with PLN 68,480,000 in the comparable period in the previous year). The table below presents the selected financial data and the basic financial ratios for the first 3 quarters of 2006 and 2005.

**Table 1. Selected financial information**  
in thousand PLN

	3 Q's. 2006	3 Q's. 2005	2006/2005 dynamics
<b>Net sales income</b>	<b>1,549,393</b>	<b>1,669,080</b>	<b>(7.2%)</b>
Own costs of sales	(1,177,398)	(1,292,866)	(8.9%)
Gross profit on sales	371,995	376,214	(1.1%)
Costs of sales	(118,350)	(138,913)	(14.8%)
General management costs	(115,998)	(117,490)	(1.3%)
Other operating revenue / costs	(21,989)	(11,064)	98.7%
<b>Operating profit</b>	<b>115,658</b>	<b>108,747</b>	<b>6.4%</b>
Financial revenue / costs	9,210	8,354	10.2%
Share in the profit of subordinates valued using the equity method	706	6,735	(89.5%)
Income tax	(26,941)	(26,427)	1.9%
Sales profit relative to discontinued operations	26,809	-	-
<b>Net profit</b>	<b>125,442</b>	<b>97,409</b>	<b>28.8%</b>
Net profit of minority shareholders	1,050	7,646	(86.3%)
<b>Net profit of shareholders of the parent company</b>	<b>124,392</b>	<b>89,763</b>	<b>38.6%</b>
EBITDA	187,671	176,331	6.4%

	30.09.2006	30.09.2005	2006/2005 dynamics
<b>Value of assets</b>	<b>1,803,131</b>	<b>1,685,515</b>	<b>7.0%</b>
Fixed assets	894,747	862,390	3.8%
Current assets, including:	908,384	823,125	10.4%
- inventories	138,335	170,298	(18.8%)
- short-term receivables	536,758	531,982	0.9%
- cash and cash equivalents	176,331	98,236	79.5%
- short-term investments	56,960	22,609	151.9%
<b>Total equity</b>	<b>1,125,438</b>	<b>1,060,456</b>	<b>6.1%</b>
Equity attributable to shareholders of the parent company	1,075,764	950,215	13.2%
Minority interest	49,674	110,241	(54.9%)
Long-term liabilities	165,853	93,774	76.9%
Short-term liabilities	511,840	531,285	(3.7%)

	3 Q's 2006	3 Q's 2005	2006/2005 dynamics
Operating cash flows	122,611	61,136	100.6%
Cash flows from investing activities	(79,441)	(75,139)	5.7%
Cash flows from financing activities	33,711	82,483	(59.1%)
<b>Total cash flows</b>	<b>76,881</b>	<b>68,480</b>	<b>12.3%</b>

	3 Q's 2006	3 Q's 2005	2006/2005 dynamics
Net earnings per share	<b>4.44</b>	<b>3.39</b>	<b>31.2%</b>
Net profitability	8.0%	5.4%	49.3%
EBIT%	7.5%	6.5%	14.6%
EBITDA %	12.1%	10.6%	14.7%
Current ratio	1.8	1.5	20.0%
Quick ratio	1.5	1.2	25.0%
Debt ratio	37.6%	37.1%	1.3%
Equity to assets ratio	62.4%	62.9%	-0.8%

Source: Ciech SA

*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*

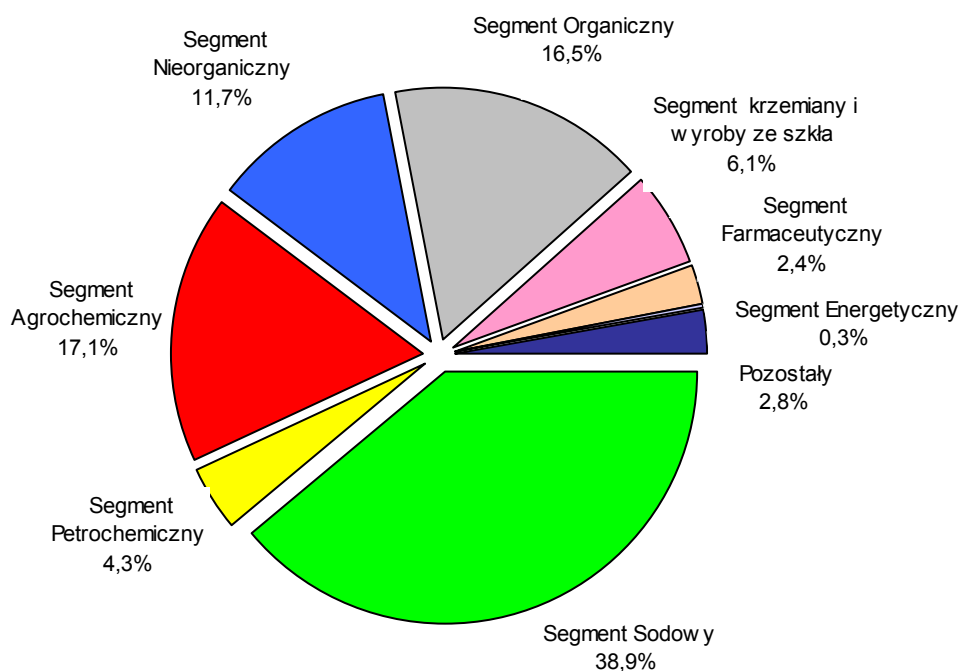
### **Sales income**

Consolidated net income from sales of the Group for the first three quarters of 2006 amounted to PLN 1,549,393,000 and was 7% lower than in the comparable period of 2005. The drop in income in 2006 was mainly due to the sale (on January 10th, 2006) of a fully-consolidated company, Petrochemia Blachownia (petrochemical segment). Income was positively influenced mainly by an increase in prices of leading products of the soda segment in 2006 (continuation of a trend in the previous years which was advantageous to manufacturers).



The income for the first three quarters of 2006 by business segment is presented in the figure below:

**Figure 1. Structure of the income from sales**



Segment Sodowy	Soda Segment
Segment Petrochemiczny	Petrochemical Segment
Segment Agrochemiczny	Agro-Chemical Segment
Segment Nieorganiczny	Inorganic Segment
Segment Organiczny	Organic Segment
Segment krzemiany i wyroby ze szkła	Silicates and Glass Products Segment
Segment Farmaceutyczny	Pharmaceutical Segment
Segment Energetyczny	Power Generation Segment
Pozostały	Other

Source: Ciech SA

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 84% of the Group's sales income.

#### Soda Segment

In the first three quarters of 2006 the soda segment generated nearly 39% of the Group's sales income. The parent company, Ciech SA, plays a key role in the sales operations, processing the total sales of the output manufactured by the subsidiaries, Soda Małwy SA and Janikosoda SA. Soda ash is the basic product of the segment, accounting for 75% 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 8% 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 46% and improvement of profitability by approx. 37% were recorded.

#### Agro-Chemical Segment

The agro-chemical segment generated over 17% of the Group's sales income for the first 3 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 SA, which exports products of GZNF Fosfory 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 61% of the segment's income and plant protection chemicals (34%). The drop in sales was mainly due to the low demand for fertilisers and plant and crop protection chemicals (mostly in the 1st quarter). 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). The segment's result decreased by over 3% compared to 2005, while the profitability of the segment activities grew from 15% to 17%.

#### Organic Segment

In 2006 the organic segment generated 16.5% of the Group's sales income. The key player in that segment is Ciech SA, which provides export sales agency services, largely on a commission basis and on a processing basis (Zachem SA - EPI). The main products in the segment are: epichlorohydrin (EPI), which accounts for 25.5% of the segment's income, PVC – 21%, isocyanates (TDI) 16% and caprolactam - 10%. The income of the organic segment increased in comparison with what was obtained in the same period of 2005 by approx. 30%. The main reason for the growth was a change in the type of the trade agency services of Ciech SA for the sale of selected goods of the segment (mainly EPI and TDI) consisting of the switch from commission settlements to settlements on own account. This resulted in a decrease in the profitability ratio (from 10% to 9%)

#### Inorganic Segment

In the first 3 quarters of 2006 the inorganic segment generated approx. 12% of the Group's sales income. The subsidiary - Alwernia SA - 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 SA. The segment covers also trading manufactured goods of the Group sold by Ciech SA 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 26% of the segment's sales income and boric acid (16.5% of the segment's income). The segment's sales decreased in comparison with the same period in 2005 by 8%. It resulted from a lower volume of sales of products of Alwernia, including in particular a drop in demand for 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 SA, which manufactures silicates, glass hollow blocks and glass lanterns, is the main manufacturer in this segment. The company Vitrosilicon SA is the only manufacturer of glass hollow blocks in Poland. Glass hollow blocks and lanterns, which account for 56% of the segment's income, and sodium silicate in lumps, which accounts for 36% of the segment's income, contribute the most to the segment's income in the first half of 2006. The growth of sales in the segment in comparison to the same period of 2005 was 9% and was caused by an increase in sales of selected ranges of goods in the segment, resulting from market growth and higher demand. The profitability of the segment increased from 14% to 15%.

#### Petrochemical Segment

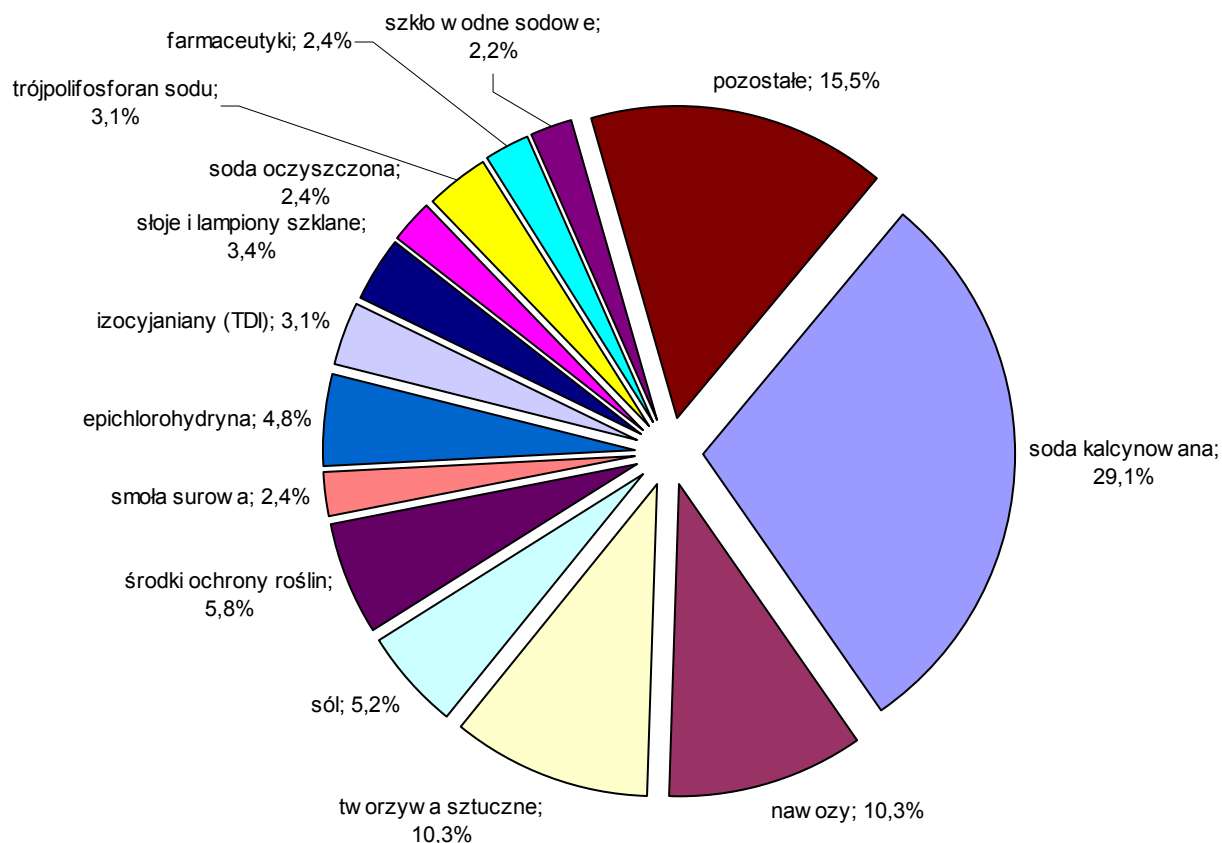
Due to the sale of the fully-consolidated company, Petrochemia Blachownia SA, and withdrawal of the Group from manufacture in the petrochemical segment, its share in the Group's sales decreased to 4% (14% the year before). At the moment the segment is comprised of trade agency transactions of the company Ciech SA and of the company Cheman SA.

**Table No. 2**  
**Net sales income - business segments**

<i>in thousand PLN</i>	<b>01.01.-30.09.2006</b>	<b>01.01.-30.09.2005</b>
Soda Segment	602,425	558,154
Petrochemical Segment	66,378	248,119
Agro-Chemical Segment	264,259	299,173
Inorganic Segment	181,697	198,257
Organic Segment	255,262	196,851
Silicates and Glass Products Segment	93,872	86,187
Pharmaceutical Segment	37,798	39,113
Power Generation Segment	3,942	3,006
Other	43,760	40,220
Discontinued Operations Segment	-	-
<b>TOTAL</b>	<b>1,549,393</b>	<b>1,669,080</b>

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

**Figure 2. Sales income structure by leading products.**



soda calcynowana	soda ash
nawozy	Fertilisers
tworzywa sztuczne	Plastics
sól	Salt
środky ochrony roślin	plant protection chemicals
smoła surowa	crude tar
epichlorohydryna	Epichlorohydrin
izocyjaniany (TDI)	isocyanates (TDI)
słoje i lampiony szklane	jars and glass lanterns
soda oczyszczona	baking soda
trójpolifosforan sodu	sodium tripolyphosphate
farmaceutyki	pharmaceuticals
szkło wodne sodowe	sodium water glass
pozostałe	other

Source: Ciech SA

### **Gross profit on sales**

Consolidated gross sales profit for the first three quarters of 2006 amounted to PLN 371,995,000. The profit value was similar to the one last year (the dynamics was only approx. -1%). Maintaining of the profit amount at the level for the first 3 quarters of 2005, with the negative dynamics of income (-7%) is positive evidence for the implementation of the Group's operating profitability growth strategy. During the first three quarters of 2006 the gross margin rate grew to

24.0% (from 22.5% in the same period in 2005). This was possible mainly due to an increase in profitability in the soda segment - higher sales prices with simultaneous reduction in unit costs (including: a 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 sold company Petrochemia Blachownia had a negative impact on the profit.

### **Operating profit (EBIT)**

After the first three quarters of 2006 the operating profit was PLN 115,658,000 (in the comparable period of 2005 it amounted to PLN 108,747,000). The operating profit was mainly due to the increased profits of the soda segment (increased volume of sales of selected products, higher prices of products and a significant drop in the prices of coke plus improvement of technical efficiency). As the most advantageous, one should assess an increase in the profitability of operating activities – an increase in the EBIT margin rate from 6.5% to 7.5% and EBITDA from 10.6% to 12.1%. This shows that the profitability of the Group's core activity is growing.

### **Net result**

The consolidated net profit for the first 3 quarters of 2006 amounted to PLN 125,442,000 including PLN 124,392,000 as the net profit of shareholders of the parent company. The net profitability reached a level of 8.0% (5.4% the year before). 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. The Group recorded an increase in the net result in comparison with the same period of the previous year by 29%. This resulted mainly from the sale of the company Petrochemia Blachownia SA - the net profit on this transaction was PLN 26,409,000. Another major contributor to the growth was an increased operating profit - by PLN 6,911,000. An important element contributing to the net profit for the first three quarters of the previous year was the profit on the sale of shares in Ciech SA by daughter companies (over gross PLN 17 million).

Due to an increase in the capital commitment of Ciech SA in 2005 in soda companies and in Fosfory, 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 6.6 million.

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

	3 Q's 2006	3 Q's 2005	2006/2005 dynamics
1. Operating profit	115,658	108,747	6.4%
2. Net financial income/costs	9,210	8,354	10.2%
3. Share in the net profit of subordinates valued using the equity method	706	6,735	(89.5%)
4. Income tax	(26,941)	(26,427)	1.9%
5. Sales profit relative to discontinued operations	26,809	-	-
<b>6. Net profit (1+2+3-4+5)</b>	<b>125,442</b>	<b>97,409</b>	<b>28.8%</b>
7. Profit of minority shareholders	1,050	7,646	(86.3%)
<b>8. Profit of shareholders of the parent company (6-7)</b>	<b>124,392</b>	<b>89,763</b>	<b>38.6%</b>

Source: Ciech SA

### **Balance sheet**

#### **Equity**

The consolidated equity of the Group as at September 30th, 2006 amounted to PLN 1,125,438,000 (including the equity of the parent company of PLN 1,075,764,000) and was higher than a year before by PLN 64,982,000. The decisive reason for the increase in equity was the net profit made for the first three quarters of 2006 to the amount of PLN 125,442,000 and the profit made in the fourth quarter of 2005, including the purchase from minority shareholders in the fourth quarter of 2005 of shares in subsidiaries: Soda Mątwy SA, Janikosoda SA and Fosfory Sp. z o.o.

#### **Fixed assets**

The Group's current assets as at September 30th, 2006 amounted to PLN 894,747,000 and, as in the previous year, constituted approximately 50% of the value of total assets. Fixed assets increased by approx. 4% over the year. Investments (mainly in production assets) exceeded depreciation charges and effects of the sale of Petrochemia Blachownia, which proves the organic development of the Group.

#### **Current assets**

The Group's current assets as at September 30th, 2006 amounted to PLN 908,384,000. The following dominated the structure of current assets: (a) trade and other receivables – 58% of the current assets, (b) inventories – 15% and (c) cash and cash equivalents – 19%. In comparison with September 30th, 2005, the value of the current assets increased by approx. 10%. This ensued mainly from an increase in: (a) cash and cash equivalents (by PLN 78,095,000) and (b) growth of short-term investments by PLN 34,351,000. This resulted mainly from obtaining financial resources from the sale of shares in Petrochemia Blachownia by Ciech SA.

### **Consolidated liabilities**

The (total long and short-term) liabilities of the Ciech Group as at September 30th, 2006 amounted to PLN 677,693,000, which means an increase in comparison with September 30th, 2005 by over 8%. Long-term liabilities were PLN 165,853,000. This balance-sheet item grew by 77%, mainly due to an increase in the liabilities in respect of long-term loans and borrowings in the companies: Vitrosilicon SA (financing of investment purchases with long-term liabilities: Huta Pobiedziska) and Fosfory Sp. z o.o. and Cheman SA (an effect of a change in the structure of financing sources – the companies are financed with long-term liabilities to a greater extent). Short-term liabilities amounted to PLN 511 840,000, which means a decrease by approx. 4% (i.e. by PLN 19,445,000) compared to September 30th, 2005. The decrease affected mainly: (a) trade liabilities, which dropped by 7% i.e. by PLN 24,437,000 (above all due to the lack of liabilities of Blachownia in 2006), and (b) short-term financial liabilities (overdrafts and liabilities in respect of loans and borrowings), which dropped by 15% i.e. by PLN 23,639,000 (the greatest drop - in Fosfory – repayment of some loans and a change from short to long-term financing sources). At the same time, liabilities in respect of income tax increased by PLN 23,944,000, which resulted from the application of the simplified form of making advance corporate income tax payments by Ciech SA in 2006.

### **Consolidated debt**

Net debt as at September 30th, 2006 (comprising bank loans, borrowings and other financial liabilities less cash) amounted to PLN 59,401,000 (PLN 91,936,000 the year before). The 35% decrease in the net debt ensued from a higher growth of cash than of financial liabilities (mainly due to obtaining funds from the sale of shares in Blachownia). Also for this reason the Group's debt index (calculated as the ratio of net debt to the total assets) decreased in comparison with September 30th, 2005 from 5.5% to 3.3%. The financial leverage (the ratio of net debt to the sum of net debt and total equity) was equal to 5.0% as at September 30th, 2006. The year before this same index was nearly 8%.

The Ciech Group has the full capacity to repay its debt. The current ratio, calculated as the quotient of total current assets and total short-term liabilities amounted to 1.8, which means an improvement in liquidity compared to the value observed the year before when that ratio stood at 1.5.

As at September 30th, 2006, the equity to fixed assets ratio (total equity, long-term liabilities and provisions) amounted to 144%, with 134% in a comparable period.

The net debt / equity ratio as at the end of September 2006 amounted to 5.3% (8.7% the year before).

As at the end of September 2006, the debt of the Ciech Group was stable; total liabilities accounted for approx. 38% of the assets. A good equity to assets ratio makes it possible to increase the share of external financing resources in the operations. Consequently, the Group will be able to carry out strategic tasks, especially planned acquisitions.

### **Cash flows**

The net cash flows during the first 3 quarters of 2006 amounted to PLN 76,881,000. In the comparable period in the previous year the Group generated cash flows lower by over PLN 8 million. Net cash from operating activities amounted to PLN 122,611,000 and was twice as much as the cash generated during the first 3 quarters of 2005. The amount of means from operating activities was to the greatest extent influenced by the sales profit earned (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 negative and amounted to PLN -61,794,000.

In the first three quarters of 2006 investing activities brought about a negative flow at PLN -79,441,000. The most important expenses were expenditures on fixed assets (mainly production assets in the soda companies and Vitrosilicon) to the amount of PLN 137,228,000 and the deposit activity of Ciech SA. The greatest inflows were the means from the sale of the company Petrochemia Blachownia SA.

Net cash generated from financing activities amounted to PLN 33,711,000. The main source of the growing means was the excess of loans taken over loans repaid to the amount of PLN 55,390,000 (including mainly an increase in the financing from loans in Vitrosilicon). During the first 3 quarters of 2006 owners and minority shareholders were paid dividends totalling PLN 23,777,000 (PLN 9,780,000 in the comparable period in the previous year).

Cash as disclosed in the cash flow statement as at the end of September 2006 amounted to PLN 166,197,000.

## 7. Income and results by particular business segments.

## 01.01.-30.09.2006

<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	Other Operations	Eliminations (consolidation adjustments)	TOTAL
Revenue from third parties	543,775	2,965	255,224	66,378	264,151	37,798	93,872	181,196	43,472		1,488,831
Revenue from intersegment sales	87,611	70,558	258		224		205	1,623	21,521	(121,438)	60,562
<b>Total revenue</b>	<b>631,386</b>	<b>73,523</b>	<b>255,482</b>	<b>66,378</b>	<b>264,375</b>	<b>37,798</b>	<b>94,077</b>	<b>182,819</b>	<b>64,993</b>	<b>(121,438)</b>	<b>1,549,393</b>
<b>Segment result</b>	<b>198,977</b>	<b>8,371</b>	<b>23,733</b>	<b>3,527</b>	<b>44,246</b>	<b>14,355</b>	<b>13,789</b>	<b>41,515</b>	<b>26,539</b>	<b>(20,151)</b>	<b>354,901</b>
<b>Unallocated (costs) revenue</b>											(239,243)
<b>Operating profit</b>											<b>115,658</b>
Net financial income (costs)											9,210
Share in profit of associates									706		706
Tax											(26,941)
Profit on discontinued operations											26,809
<b>Net profit</b>											<b>125,442</b>

## 01.01.-30.09.2005

<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	Other Operations	Eliminations (consolidation adjustments)	TOTAL
Revenue from third parties	548,060	2,952	147,937	295,241	298,883	39,106	86,187	197,604	36,514		1,652,483
Revenue from intersegment sales	45,859	160,346	1,868	65	290	54	155	1,843	23,226	(217,109)	16,597
<b>Total revenue</b>	<b>593,919</b>	<b>163,298</b>	<b>149,805</b>	<b>295,306</b>	<b>299,173</b>	<b>39,160</b>	<b>86,342</b>	<b>199,447</b>	<b>59,740</b>	<b>(217,109)</b>	<b>1,669,080</b>
<b>Segment result</b>	<b>136,419</b>	<b>9,185</b>	<b>14,620</b>	<b>7,943</b>	<b>45,655</b>	<b>15,080</b>	<b>12,343</b>	<b>26,004</b>	<b>26,960</b>	<b>(5,254)</b>	<b>288,954</b>
<b>Unallocated (costs) revenue</b>											(180,207)
<b>Operating profit</b>											<b>108,747</b>
Net financial income (costs)											8,354
Share in profit of associates									6,735		6,735
Tax											(26,427)
<b>Net profit</b>											<b>97,409</b>

## 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 30.09.2006	Purchase	Disposal
a) Fixed assets, including:	17,948	6,247
land, buildings, premises and civil engineering facilities	2,209	1,481
technical equipment and machinery	9,456	4,552
means of transport	3,439	158
other fixed assets	2,844	56
b) Fixed assets under construction	136,867	18,470
c) Advances for fixed assets under construction (net)	2,770	6,237
<b>Total property, plant and equipment</b>	<b>157,585</b>	<b>30,954</b>

### Parent company - Ciech SA

Ciech SA purchased fixed assets for the total of PLN 871,000, including PLN 723,000 spent on purchases of technical equipment and machinery. All fixed assets were purchased with own funds.

### Zakłady Chemiczne Alwernia SA

The company Alwernia SA purchased fixed assets worth PLN 679,000, including PLN 237,000 spent on the purchase of technical equipment and machinery and PLN 299,000 on transport means. The purchase of fixed assets to the amount of PLN 387,000 was financed under a leasing contract, while the other fixed assets were purchased with own funds.

### Przedsiębiorstwo Chemiczne Cheman SA

The company Cheman SA purchased PPE for the total of PLN 180,000, including PLN 107,000 spent on the purchase of transport means, while PLN 50,000 was spent 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. (lower-tier parent company) purchased fixed assets under construction worth PLN 7,932,000 and purchased fixed assets for the amount of PLN 2,777,000, including PLN 1,875,000 spent on the purchase of transport means, 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 JZS Janikosoda SA (lower-tier parent company) assigned the amount of PLN 33,956,000 for the purchase of fixed assets under construction. The purchase was covered with own funds.

### Ciech – Polfa Sp. z o. o.

The company purchased PPE worth PLN 651,000, fixed assets were worth PLN 485,000 and fixed assets under construction PLN 166,000. All fixed assets were purchased with own funds.

### Soda Mątwy Group

The company IZCH Soda Mątwy SA (lower-tier parent company) purchased fixed assets worth PLN 12,795,000 and fixed assets under construction worth PLN 40,330,000, advances for fixed assets under construction amounted to PLN 3,784,000. Moreover, the company sold fixed assets under construction worth PLN 18,470,000. The purchase of fixed assets to the amount of PLN 18,973,000 was financed with a loan, while the other fixed assets were purchased with own funds.

### Vitrosilicon SA

The company assigned PLN 54,483,000 for the purchase of fixed assets under construction. The total value of property, plant and equipment amounted to PLN 54,571,000, including PLN 37,957,000 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 01.07.2006 to 30.09.2006

In the third quarter of 2006 the Ciech Group's condensed consolidated report showed the following adjustments for recognition and release of provisions and revaluation write-downs on assets.

<b>Recognised provisions in Q3 2006</b>	<i>in thousand PLN</i>
Income tax provision	800
Provision for retirement gratuities, leaves, bonuses, reimbursements, etc.	9,281
Environmental protection provision	1,902
Provision for expected liabilities (expenses)	3,360
<b>Total</b>	<b>15,343</b>

<b>Released provisions in Q3 2006</b>	<i>in thousand PLN</i>
Income tax provision	660
Provision for retirement gratuities, leaves, bonuses, reimbursements, etc.	6,158
Provision for expected losses	20
Environmental protection provision	192
Restructuring provision	1,221
Provision for commitments (expenses)	2,460
<b>Total</b>	<b>10,711</b>

<b>Revaluation write-downs on assets (increase) in Q3 2006</b>	<i>in thousand PLN</i>
Revaluation write-downs on receivables	8,380
Revaluation write-downs on inventories	67
Revaluation write-downs on long-term financial assets (shares)	64
Revaluation write-downs on PPE and intangible assets	-
<b>Total</b>	<b>8,511</b>

<b>Revaluation write-downs on assets (decrease) in Q3 2006</b>	<i>in thousand PLN</i>
Revaluation write-downs on receivables	1,483
Revaluation write-downs on inventories	894
Revaluation write-downs on long-term financial assets (shares)	-
Revaluation write-downs on PPE and intangible assets	446
<b>Total</b>	<b>2,823</b>

<b>Deferred income tax assets in Q3 2006</b>	<i>in thousand PLN</i>
Increase	1,334
Decrease	7,978

### 11. Seasonality and cyclicity of the operations of Ciech SA 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 for exports and domestic sales, and of the target markets

So, the sales of the Group are characterised by high cyclicity over the year.

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.

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 3rd quarter of 2006 that ended on September 30th, 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 the 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.

## **14. Events occurring after September 30th, 2006 not recognised in the statement and that may have a significant impact on the future financial results of the Ciech Group.**

On October 27th, 2006 Ciech SA together with Ciech Polfa Sp. z o.o. (a subsidiary of Ciech SA) signed a letter of intent concerning the sale of shares in Ciech Polfa Sp. z o.o. by Ciech SA, 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. In line with its development strategy, Ciech SA gives up further operations and expansion in the pharmaceutical distribution market.

On October 26th, 2006 Ciech SA signed in Bucharest an agreement the parties to which are Ciech SA, 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 - Uzinele Sodice Govora SA - from S.C. Begacom SA to Ciech SA. The agreement shall lead to initiating a procedure in which Ciech SA will take over the majority interest in USG. The transaction shall be closed by the end of this year.

On October 25th, 2006 Ciech SA signed a TDI sales trade operator agreement with Zakłady Chemiczne Zachem SA. The agreement determines the terms and conditions of sales of all the TDI manufactured in Zachem SA by Ciech SA; its sales account for nearly 50% of the company's revenue. TDI is used for the manufacture of polyurethane foams for, among others, the furniture industry. The agreement will be valid from November 1st, 2006 to December 31st, 2007 and its estimated value in 2007 shall be PLN 450 million.

On November 1st, 2006 in the Organika Division of Ciech SA, a TDI Sales Office, which according to the signed agreement will carry out sales activity for the whole output of TDI in Zachem SA, was appointed. The fundamental objective of the Organika Division is to increase 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.

On October 11th, 2006 Ciech SA signed with Nafta Polska SA with the participation of the Minister of Treasury, a protocol of subsidiary arrangements to the sales agreements for shares in Zakłady Chemiczne Zachem SA and shares in Zakłady Chemiczne Organika-Sarzyna SA 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 SA would be changed and would amount to PLN 80,038,000. The Minister of Treasury will apply to the Council of Ministers for its consent to the sale of Zakłady Chemiczne Zachem SA and Zakłady Chemiczne Organika-Sarzyna SA to Ciech SA.

In October 2006 the company IZCh Soda Mątwy SA, in view of the decisions received from the Tax Office of Kujawy and Pomerania that were advantageous to the Company and were in accordance with interpretations of regulations of tax law in force, submitted an amended a corporate income tax return for 2005 showing an excess payment of PLN 1,011,000. The results of the amended return submitted will be charged against the financial result of 2006.

**15. Effects of changes in the structure of business entities of the Ciech Group in the Q3 2006, including business mergers, acquisitions or disposals of the group's entities, long-term investments, divisions, restructuring and discontinuation.**

None of the above mentioned events occurred in the Ciech Group in the third quarter of 2006.

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

As at September 30th, 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 SA from TU Allianz Polska SA.

The amount of contingent liabilities as at September 30th, 2006 was PLN 1,722,000, which means a decrease by PLN 28,217,000 in comparison with December 31st, 2005. A drop in contingent liabilities for guarantees and sureties granted came to PLN 3,067,000. Other contingent liabilities decreased by PLN 25,150,000 compared to the end of 2005.

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, which showed the 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). In January 2005 Ciech SA granted sureties without specific deadlines for loans worth PLN 1,247,000, taken out at BRE-Multibank SA by Ciech SA employees entitled to purchase shares in the company (employee shares) as part of a closed public offering. As at December 31st, 2005 the surety value was PLN 136,000. The surety expired on the final loan settlement on February 3rd, 2006.

Moreover, on February 7th, 2006 Ciech SA granted a guarantee for Lokalbanken in Denmark for the liabilities of Danske Unipol to the amount of DKK 1,000 (as at the balance-sheet date the value is PLN 534,000). The guarantee is effective until December 31st, 2006. On account of the repayment of the last instalment of the borrowing received by IZCh Soda Małwy SA from NFOŚiGW, the value of the guarantee of PLN 1,541,000 granted by Bank Handlowy w Warszawie SA to NFOŚiGW expired as of March 31st, 2006. Then, on account of the repayment of subsequent instalments of the borrowing taken out from NFOŚiGW by the Town Office in Inowrocław covered by a surety from IZCh Soda Małwy SA, the contingent liability due to this fell by PLN 400,000 as at September 30th, 2006 in comparison with December 31st, 2005. Further, in the 3rd quarter of 2006 contingent liabilities decreased by PLN 1,500,000 due to the expiry of liabilities of the company Cheman SA to the Customs Chamber and Customs Office. Additionally, in 2006 the value of bills of exchange discounted by the company Alwernia SA dropped by PLN 150,000.

The other off-balance sheet items as at September 30th, 2006 were PLN 540,000 and fell in comparison with December 31st, 2005 by PLN 367,000.

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

### 17. Assets held for sale

As at September 30th, 2006 there are no fixed assets held for sale in the Ciech Group. No operations were discontinued in the 3rd quarter of 2006.

### 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 SA published a forecast of 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 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 SA 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 Management Board of Ciech SA sustains the published forecast.

### 19. The Shareholders of Ciech SA holding at least 5% of shares/votes at the General Meeting

The Management Board of Ciech SA, 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 votes at general shareholders' meetings of the Company:

- Kompania Węglowa SA - 10,270,800 shares directly constituting 36.68 % of the share capital of Ciech SA; votes: 10,270,800 directly constituting 36.68% of the total number of votes at the General Meeting.
- Franklin Templeton Investments, UK – 2,000,000 shares directly constituting 7.14% of the share capital of Ciech SA; votes: 2,000,000 directly constituting 7.14% of the total number of votes at the General Meeting.
- Otwarty Fundusz Emerytalny PZU “Złota Jesień” – 1,712,732 shares directly constituting 6.12% of the share capital of Ciech SA; votes: 1,712,732 directly constituting 6.12% of the total number of votes at the General Meeting.
- Commercial Union Investment Management SA (CUIM) Poland – 1,504,961 shares directly constituting 5.37% of the share capital of Ciech SA; votes: 1,504,961 directly constituting 5.37% of the total number of votes at the General Meeting.
- Pioneer Pekao Investment Management SA (PPIM) Poland – 1,410,325 shares directly constituting 5.04% of the share capital of Ciech SA; votes: 1,410,325 directly constituting 5.04% of the total number of votes at the General Meeting,

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

On September 11th, 2006 Ciech SA 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 SA 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 Ciech SA 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 SA 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 SA (at least 5%).

	As at 25.09.06	Shares acquired	Shares sold	As at 13.11.06
Kompania Węglowa SA	10,270,800	-	-	10,270,800
Franklin Templeton Investments, UK	2,000,000	-	-	2,000,000
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	1,712,732	-	-	1,712,732
Commercial Union Investment Management SA (CUIM) Poland	1,504,961	-	-	1,504,961
Pioneer Pekao Investment Management SA (PPIM); including Pioneer investment funds managed by PPIM	1,410,325	-	-	1,410,325
	1,443,379	-	-	1,443,379

#### 20. Changes in the shares in Ciech SA held by Management Board or Supervisory Board Members

From statements submitted by the members of managing and supervisory bodies it arises that as at November 13th, 2006 none of the members of managing and supervisory bodies holds stakes or shares in Ciech SA or shares in affiliates.

#### 21. Procedures pending before courts, in arbitration proceedings or public administration bodies as at September 30th, 2006.

##### I. Ciech SA

#### Ciech S.A.'s liabilities (domestic and international) claimed in court or arbitration proceedings as at September 30th, 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 55,000) for failing to fulfil the agreement for transfer of shares of Petrochemia Blachownia Sp. z o.o. 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. After the preliminary judgement became final, 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 55,000) in respect of damages for lost dividends for 1999 and lost benefits in respect of increased value of Petrochemia Blachownia.

On April 18th, 2006, Ciech S.A. replied to the appeal filing for dismissal of the whole appeal and keeping the same defence strategy. According to a renowned law office representing Ciech S.A., the claims of PCC AG included in the appeal have no basis. At present the parties are waiting for another hearing date to be appointed.

#### 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 the deliveries of Polish sulphur to Brazil in the period from 1996 to 1999. The sued parties were Ciech SA and the sulphur mines in Tarnobrzeg and Grzybów. The amount of the claim was USD 3,872,943 (equivalent of PLN 12,171,000) and statutory interest according to the Polish law, calculated from September 16th, 2003, which as at September 30th, 2006 constituted the amount of PLN 4,569,000. 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 814,000).

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 certificate 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. 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 solicitors 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 solicitors. 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 and the sulphur mines in Grzybów and Tarnobrzeg were jointly and severally to pay the amount of USD 2,474,166 (equivalent to PLN 7,775,000) plus interest of 5%, from September 17th, 2003, amounting as at September 30th, 2006 to USD 376,000 (equivalent to PLN 1,181,000) and USD 123,000 (equivalent to PLN 387,000) in respect of the costs of court proceedings. The awarded amount constitutes the lost profit claimed for by Comexport.

On November 18th, 2005 Ciech 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, 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, Ciech S.A. is preparing 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 543,000) 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. 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 on the Algerian market.

The case is pending before an Algerian court. Ciech S.A. is represented by a local solicitor, 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. Another hearing date was not appointed.

### Employee claims

Four cases are currently pending against Ciech S.A., filed by its former employees dismissed for reasons attributable to the company. The employees are demanding to be restored to work. The projections as to the result of these suits are favourable.

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

### **Ciech SA's debtors (domestic and international)**

#### **Receivables claimed in courts or arbitration proceedings**

Ciech SA filed nine civil suits against its domestic trade debtors for the total of PLN 796,000 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**

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

Ciech SA filed its receivables in international bankruptcy proceedings amounting to USD 689,632 and EUR 487,455 (the total is equivalent to PLN 4,109,000). The largest of these claims regard bankruptcy proceedings of: Chemapol – Prague (PLN 1,085,000), Euroftal N.V. Belgium (PLN 832,000), Petrimex – Bratislava (PLN 706,000) and WMW – Novosibirsk (471,000).

The projections as to the results of the bankruptcy proceedings are unfavourable, as Ciech SA's receivables are not privileged.

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

#### **Enforcement and composition proceedings**

Ciech SA is claiming PLN 27,540,000 from domestic debtors through thirty four 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 lodged a complaint at the District Court against the decision to dismiss the enforcement proceedings. The case has not been decided to date.

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 108,000).

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           3.1425

EURO rate 3.9835

## II. Subsidiaries

### Soda Małwy Group

No claims (liabilities) were filed against Soda Małwy SA and its subsidiaries which could significantly affect their business. Receivables claimed in court and enforcement proceedings by Soda Małwy SA and its subsidiaries amount to PLN 21,906,000, 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 Małwy SA, the projections are unfavourable. Other receivables of the Soda Małwy Capital Group include bankruptcy proceedings totalling PLN 1,750,000 and composition proceedings totalling PLN 118,000.

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

### Janikosoda Group

No claims (liabilities) were filed against Janikosoda SA 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 has paid the penalty for 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 501,000. 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 SA Group recognised a revaluation write-down on all the proceedings pending.

### Vitrosilicon SA

No claims (liabilities) were filed against the company that could affect its trade activities. The company is claiming the total of PLN 1,392,000 from debtors for deliveries and services, including the largest claim pursued through enforcement proceedings for PLN 825,000 and PLN 502,000 pursued through bankruptcy proceedings.

Vitrosilicon SA recognised a revaluation write-down on all the proceedings pending.

### Group of Zakłady Chemiczne Alwernia SA

No claims (liabilities) were filed against the Alwernia Group, which could materially affect the result of its activity. The Alwernia SA Group is claiming trade receivables and damages from debtors to the total amount of PLN 439,000 through court actions and enforcement proceedings. PLN 1,084,000 was reported for bankruptcy proceedings.

The Group of Zakłady Chemiczne Alwernia SA recognised a revaluation write-down on all the proceedings pending.

### Przedsiębiorstwo Chemiczne Cheman SA

No claims (liabilities) were filed against Cheman SA that could materially affect the result of its activity. The company Cheman SA filed court cases against several dozen trade debtors for a total of PLN 5,593,000, including PLN 3,059,000 claimed in enforcement proceedings and PLN 1,323,000 reported for bankruptcy and composition proceedings.

Cheman SA 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 4,583,000 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.

## 22. Information concerning one or more non-standard and non-routine transactions with affiliates concluded by Ciech SA or its subsidiaries

In the presented period there were no non-standard and non-routine transactions with affiliates in the Ciech Group whose value would exceed the equivalent of EUR 500,000 denominated in Polish zlotys.

## 23. Information concerning loan or borrowing sureties or guarantees extended by Ciech SA 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 SA and the borrower
	currency in thousands	in thousand PLN				
<b>Ciech SA</b>						
KREDYT BANK SA, Sieradz Branch		4,500	by 31.08.2007	payment to Ciech SA equal to 1% of the surety value	Chemana SA - Warsaw	subsidiary
KREDYT BANK SA, Sieradz Branch		3,750	by 15.09.2007	payment to Ciech SA equal to 1% of the surety value	Chemana SA - Warsaw	subsidiary
PKN ORLEN SA		1,200	no fixed date	payment to Ciech SA equal to 1% of the surety value	Chemana SA - Warsaw	subsidiary
BANK PKO SA 1st Branch in Warsaw		4,000	by 31.07.2007	payment to Ciech SA equal to 1% of the surety value (of PLN 2 million) + PLN 10,000 on increase + PLN 4,000 + PLN 5,000 on extension	Chemana SA	subsidiary
BANK PKO SA 1st Branch in Warsaw		500	by 31.07.2007		Chemana SA	subsidiary
<b>Total Ciech SA</b>		<b>13,950</b>				
<b>Soda Mątwy SA</b>						
ING BSK Leasing SA		387	by 31.03.2007	none (lease agreement)	Transoda Sp. z o. o.	indirect subsidiary
Bank Handlowy w Warszawie SA		600	by 31.10.2007	none	Transoda Sp. z o. o.	indirect subsidiary
<b>Total Soda Mątwy SA</b>		<b>987</b>				
<b>Janikosoda SA</b>						
BOŚ Poznań	EUR 1,830	7,296	by 16.11.2009	no fee	Vitrosilicon SA	subsidiary
<b>Total Janikosoda SA</b>		<b>7,296</b>				
<b>Total amount of loans covered by surety</b>		<b>22,233</b>				

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 SA and the borrower
	currency in thousands	in thousand PLN				



<b>Soda Mątwy SA</b>						
National Fund for Environmental Protection and Water Management (NFOSiGW)		400	by 31.12.2006	Real-estate taxes payable to the Town Council in Inowrocław constitute the collateral of the granted surety	Town Council in Inowrocław	none
<b>Total Soda Mątwy SA</b>		<b>400</b>				

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 SA and the Principal
	currency in thousands	in thousand PLN				
<b>Ciech SA</b>						
Lokalbanken Denmark	DKK 1,000	534	by 31.12.2006	payment to Ciech SA equal to 1% of the guarantee value + reimbursement of banking costs	Danske Unipol AS – Denmark	subsidiary
<b>Total Ciech SA</b>		<b>534</b>				
<b>Janikosoda SA</b>						
Kompania Węglowa SA		112,000	by 31.12.2007		Elektrociepłownie Kujawskie Sp. z o.o.	indirect subsidiary
<b>Total Janikosoda SA</b>		<b>112,000</b>				
<b>Total amount of guarantees granted</b>		<b>112,534</b>				

## 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 SA'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 SA's income (%)	Ciech SA's balance-sheet total (%)	Dependence on Ciech SA
1) Chemia.com SA	100.00%	4,284	253	1,313	0.34%	0.13%	Subsidiary
2) Polcommerce GmbH, Austria	100.00%	38,776	445	13,027	3.09%	1.26%	Subsidiary
3) Ciech-Service Sp. z o.o.	100.00%	3,311	92	1,75	0.26%	0.10%	Subsidiary
4) Boruta-Kolor Sp. z o.o.	100.00%	10,061	(1,069)	17,464	0.80%	1.69%	Subsidiary

Non-consolidated entities	Ciech SA'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 SA's income (%)	Ciech SA's balance-sheet total (%)	Dependence on Ciech SA
5) Ciech Polfa Group							
5.1.) Polcommerce Ltd., Hungary	100.00%	1,838	(330)	843	0.15%	0.08%	Indirect subsidiary
6) InChem Sp. z o.o.	100.00%	37	(248)	2,300	0.00%	0.22%	Subsidiary
7) Ciech Finance Sp. z o.o.	100.00%	-	(14)	31	0.00%	0.00%	Subsidiary
8) Soda Małwy Group							
8.1.) Soda-Med. Sp. z o.o.	95.72%	738	8	2,863	0.06%	0.28%	Indirect subsidiary
9) Nordiska Unipol AB	97.78%	22,005	273	8,672	1.75%	0.84%	Subsidiary
10) Alwernia Group							
10.1.) Alwernia Fosforany Sp. z o.o.*	73.75%	-	-	50	0.00%	0.00%	Indirect subsidiary
10.2.) Soc-Al. Sp. z o.o.	69.88%	1,642	19	1,614	0.13%	0.16%	Indirect subsidiary
11) Chemiepetrol GmbH	60.00%	28,434	1,299	6,739	2.26%	0.65%	Subsidiary
12) Danske Unipol A/S	55.00%	24,268	853	7,709	1.93%	0.75%	Subsidiary

\* no longer trading

Total value	Non-consolidated entities	Ciech Group (without eliminations)	Share (%)
Balance-sheet totals	63,700	2,548,703	2.50%
Net income from sales of goods and products plus financial operations	135,394	2,734,701	4.95%

The equity method was not applied to the indirect associate of the Ciech Group: Suomen Unipol Oy. The measurement of this entity is irrelevant for the consolidated statement.

Entities not valued using the equity method	Ciech SA's direct share in the company	Ciech SA's share in the company (direct + indirect)	Equity as at September 30th, 2006 attributable to the Ciech Group (in thousand PLN)	Purchase cost (in thousand PLN)	Purchase cost revaluation write-downs (in thousand PLN)
1) Suomen Unipol Oy	15.00%	24.78%	908	132	0

Entities not valued using the equity method	Net income from sales of goods and products plus financial operations of the entity (in thousand PLN)	Balance-sheet total of the entity (in thousand PLN)	Net profit / (loss) (in thousand PLN)
1) Suomen Unipol Oy	38,388	12,349	705

Ciech SA also holds shares in entities where its control has been restricted or lost:

- Calanda Polska Sp. z o.o. - company in liquidation, 95.70% shares/votes held directly by Ciech SA
- ZAO-Polfa Ciech, Russia - company in bankruptcy, 65.00% shares/votes held directly by Ciech SA
- Polsin-Karbid Sp. z o.o. - company in bankruptcy, 22.76% total shares/votes held by Ciech SA, shares/votes (direct+indirect) via Ciech SA and Polsin Pte. Ltd.
- K. Foster & Son Ltd.- loss of control, 46.51%, shares/votes held indirectly by Ciech SA through Daltrade Plc.
- Polfa Nigeria - loss of control, no contact with the company, 20% share held directly by Ciech SA
- Zach-Ciech Sp. z o.o - 35.65% shares/votes held directly by Ciech SA, the Company's bankruptcy was declared by the District Court in Katowice on January 24th, 2006.

## 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

In the 3rd quarter of 2006 the Management Board of Ciech SA undertook efforts to develop a common position with union organisations as regards employee issues. The Management Board approved the trend, scope and schedule of work on internal regulations for collective employment issues. The Management By Objectives system (MBO) that functions in Ciech SA and the methodology of employee assessment carried out in the 2nd quarter of 2006 were assessed. The implemented MBO systems and incentive tools will be improved on the basis of collected opinions.

On September 19th and 20th, 2006 a certification company - KEMA Quality Polska Sp. z o.o. - carried out a second supervision audit in Ciech SA. The audit did not reveal any system incompatibilities. Ciech SA retained an ISO 9001:2000 management system compliance certificate in the area of: "Commercial activity on the domestic and foreign markets in chemicals, chemical raw materials and relevant products".

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

- Planned conclusion of purchasing transactions by Ciech S.A. for the 80% of shares in the companies Zachem S.A. and Organika-Sarzyna S.A., which shall lead to a considerable growth of the operations and revenue of Ciech S.A. and the Ciech Group
- Continuation of the process of investment in soda manufacturing companies in CEE countries in order to reinforce the Soda Division.
- Continuation of the process of investment analyses of silicate manufacturing companies in CEE countries in order to develop the Organic Division.
- Continuing prosperity of the European glass-making industry and domestic construction industry, which are important target markets for Ciech S.A. (start of new production lines for plate glass in Europe in 2006).
- Closing of the Solvay soda ash production plant in Austria, with production capacity of 150,000 tons/year towards the end of 2005, which will lead to an increased exploitation of production capacities in Europe for the whole year of 2006 (balancing supply and demand).
- Equity investments of the Indian manufacturers of soda ash in European factories (Brunner Mond, UK acquired by TATA Chemicals Ltd. and Bega UPSOM Ocna Mures, Romania acquired by Gujarat Heavy Chemicals Ltd.) towards the end of 2005. These acquisitions will somewhat change the balance of power in the European and world market of soda ash.
- 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 this year of the TDI system at the concern Dow Chemical, Italy (with production capacities of approx. 110,000 tons/year that account for a dozen or so per cent of production capacities of Europe), which will contribute to an improvement of the competitive positions of other European suppliers, including Ciech S.A. (which at present sells the product from Zachem S.A. - a company which is to enter the Ciech Group in the near future).
- Planned soda ash price increases for 2007 by approx. 5% by the largest European suppliers.
- 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 SA'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 on global markets, thus reducing the exports turnover of Ciech SA.

It is estimated that in 2007 global economy will grow slower than this year (increase in GDP by 3.1% as compared to 3.6% in 2006 according to the European Chemical Industry Council - CEFIC). In the European Union (25) the dynamics will be even smaller (2.2% as compared to 2.3% in 2006).

As for 2006, CEFIC predicted slight and short lasting improvement of the chemical production dynamics in EU25 (for chemicals without pharmacy to 2.6% from 2.4% in 2005). In 2007, however, the growth rate is expected to fall to 2.2%.

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

Ciech SA 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. Industrial production at fixed prices recorded in the first 9 months of 2006 increased by as much as 12.3% (in the comparable period of 2005 by 2.5%). Similarly, the dynamics of the chemical industry was +10.9% (+3.2% in 2005) with regard to the manufacture of chemical products and +14.2% (+5.9% in 2005) with regard to the manufacture of rubber and plastics products.

The acceleration of the economic growth forecast for 2006 (to 4.8-5.5% GDP compared to 3.4% in 2005) is reflected in the high dynamics of sales in the chemical sector, which usually grows at a similar or faster pace than the whole economy.

#### **Financial standing of the agricultural industry**

Ciech S.A. 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 a growing significance of multiple-compound fertilisers. The factors that will most likely contribute to an increase in the consumption of agro-chemical products and consequently, the demand for the products of the Ciech Group will be 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 Ciech SA. 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 SA's income from agro-chemical product sales.

#### **Situation in the raw material market**

A major portion of the turnover of Ciech S.A. 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)**

Ciech S.A. is currently monitoring work on the draft Regulation concerning REACH. Efforts were also undertaken to prepare a preliminary effect analysis with regard to the system implementation in Ciech S.A. and its subsidiaries. Relevant work is underway.

On November 17th, 2005, the European Parliament in the first reading adopted the draft Regulation concerning REACH, introducing to it several hundred amendments. Effects of the second reading in the European Parliament (planned for October/November this year) may lead to decisions on further changes and on the effective date of new provisions.

**PLN/EUR exchange rates** The majority of export sales of Ciech S.A.'s are settled in EURO. A strong EURO means higher profitability of export sales, both for Ciech S.A. 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 affects Ciech S.A.'s return on sales. However, if the domestic currency becomes stronger against the EURO, the profitability of exports will probably decline and the Ciech S.A.'s export volumes will be negatively affected.

**Internal factors****Implementation of 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 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 will also result in increased opportunities of 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. Ciech SA 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.

**Effective internal consolidation of the soda segment**

The project of consolidation of the soda segment will consist in: (i) acquiring 100% of shares in both soda companies by purchase of the remaining shares from minor shareholders and (ii) continued cost streamlining. The execution of this project and implementation of operating perfection projects will allow for further cuts in the unit costs of soda ash production, leading to an increase in the Ciech Group's competitive edge in the soda segment. In October 2005, Ciech S.A. became a holder of almost 100% interest in the soda companies (99.26% in JZS Janikosoda SA and 99.77% in IZCh Soda Małty SA).

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

As part of its growth strategy, the Ciech Group plans to build three other divisions (complementary to the existing soda division) to handle the Group's key areas of the chemical sector: a phosphorus division, organic division and inorganic division. At the moment Ciech S.A. is establishing the Organic Division which will be based on the companies Zachem S.A. and Organika-Sarzyna S.A. These acquisitions should be concluded by the end of 2006 at the latest.

**Quality and continuity of the management staff and employees**

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

**Basic risks and uncertainties of the operations of the Ciech Group****Risk of reversal of the positive economic growth rate trends in Poland**

Ciech S.A.'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 the export slump). The chemical sector may suffer indirect consequences of a possible downturn in the economy. A weaker demand for chemical products may affect Ciech S.A.'s revenues and impair its financial performance.

**Risk of economic stagnation 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 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 Ciech S.A.

**Risk of an increase of competition in the soda segment.**

The main products of the Ciech Group include soda products manufactured in subsidiaries: JZS Janikosoda S.A. and IZCh Soda Małty S.A. The processes of concentration of production, which can be more and more often observed in Europe, contribute to the increase of competition from big, supra-regional chemical corporations that manufacture soda ash. Ciech S.A. is going to participate in these processes by acquisitions of new entities.

**27. Reconciliation of data of equity presented in the statement for Q3 2005 with data presented currently (Q3 2005 as comparable data).**

Since 2002 the companies of the Ciech Group have been systematically introducing changes in accountancy policy standardising principles of measurement and financial result calculation methods and introducing adjustments aimed at the elimination of differences between PAS and IAS (e.g. actuarial valuations, deferred tax settlement etc.). One of the crucial challenges to the Group was to implement measurement of fixed assets at fair value as of the day of the switch to IAS/IFRS reporting. The companies of the Ciech Group measured fixed assets at the turn of 2004 and 2005, with the assistance of experts and their own technical team.

The first statement according to IFRS, audited by the audit company Deloitte, was developed by the Ciech Group for the 1st half of 2005. In their letter addressed to the Management Board of Ciech SA, upon an interim audit, a statutory auditor recommended to review the measurements developed and to standardise documentation (in particular methods and principles) regarding these measurements in individual companies.

Ciech SA hired a well known Company that was expected to perform the following tasks as recommended by the auditor:

1. analysis of reports presenting the results of the measurement of fixed assets at fair value, for the companies included in the project,
2. analysis and review of the comments of the auditor and/or expert cooperating with the auditor, with regard to reports on the measurement of fixed assets at fair value for individual companies of the Group,
3. development of a questionnaire for the entities measuring fixed assets in individual companies of the Group included in the project,
4. workshops with the entities measuring fixed assets in individual companies of the Group,
5. development of instructions with detailed recommendations as regards the range of additional activities to be performed by the entities performing the measurement in individual companies of the Group,
6. development of proposed contents of the report presenting the minimum detailed information as expected by the auditor,
7. verification of additional work performed by the entities performing measurements, with a view to meeting the requirements of the auditor and eliminating potential irregularities or inaccuracies.

The measurement verification process in the companies proved to be an extensive undertaking and resulted in re-measurement or additional measurement of fixed assets (in 4 subsidiaries), which made the process go beyond the pre-arranged schedule. The verification process performed by the hired Company and the auditor was completed in February/March 2006.

Re-measurement or additional measurement of PPE at the companies resulted in a change of previous figures and adjustments in the statement. An additional component of the verification of measurement, required by the audit company, was for particular companies to develop and carry out tests for the impairment of fixed assets with the use of the discounted cash flow method (DCF). As a result of the verification and audit of annual statements of individual companies, the following adjustments in individual items were introduced:

A list and description of adjustments introduced as at September 30th, 2005 is presented below:

**Adjustment no. 1 - Revaluation of fixed assets and intangible assets (plus adjustment of depreciation)**

The adjustment concerns the completion of the measurement of fixed assets and intangible assets used in a hyperinflationary economy at fair value measured based on estimates by professional property appraisers.

**Adjustment no. 2 – Change of the income tax with regard to the revaluation of fixed assets and intangible assets**

An adjustment was made to the deferred tax related to the adjustments introduced to the revaluation of fixed assets and intangible assets.

**Adjustment no. 3 - Measurement of investments in an associate with regard to the measurement of the portfolio of financial assets available for sale**

In the statements of lower-tier groups the measurement of the associate PTU SA valuated using the equity method was adjusted. An adjustment was made to the recognition of the measurement of the AFS portfolio (of assets available for sale). Pursuant to the regulations binding insurance companies this portfolio may be measured with the capital and referred to the financial result at the moment of sale only.

**Adjustment no. 4 – Reclassification of a special purpose fund to capital**

In the consolidated statement the special purpose fund was reclassified from the item of short-term liabilities to the item of capital (retained earnings).



Item	01.01-30.09.2005 according to IFRS presented with the statement for Q3 2005	Adjustment to the revaluation of fixed assets and intangible assets (plus adjustment of depreciation)	Adjustment to the income tax with regard to the revaluation of fixed assets and intangible assets	Measurement of investments in an associate with regard to the measurement of the portfolio of financial assets available for sale	Reclassification of a special purpose fund to capital	Other adjustments	01.01-30.09.2005 according to IFRS presented with the statement for Q3 2006 as comparable data
		ADJUSTMENT NO. 1	ADJUSTMENT NO. 2	ADJUSTMENT NO. 3	ADJUSTMENT NO. 4		
Share capital	164,115						164,115
Treasury shares	-						-
Share premium reserve	151,328						151,328
Equity components relative to assets held for sale	-						-
Revaluation reserve	-			4,997			4,997
Other reserve capital	78,683						78,683
Exchange differences on translation of subordinates	-278					404	126
Retained earnings	589,621	(46,555)	7,657	(82)	250	75	550,966
<b>Equity attributable to shareholders of the parent company</b>	<b>983,469</b>	<b>(46,555)</b>	<b>7,657</b>	<b>4,915</b>	<b>250</b>	<b>479</b>	<b>950,215</b>
Minority interest	110,627	(1,280)	194	496	-	204	110,241
<b>Total equity</b>	<b>1,094,096</b>	<b>(47,835)</b>	<b>7,851</b>	<b>5,411</b>	<b>250</b>	<b>683</b>	<b>1,060,456</b>
<b>Profit/loss for the financial year</b>	<b>86,243</b>	<b>13,929</b>	<b>(2,894)</b>	<b>54</b>	<b>-</b>	<b>77</b>	<b>97,409</b>
Net profit/loss of shareholders of the parent company	79,770	12,505	(2,623)	49	-	62	89,763
Net profit/loss of minority shareholders	6,473	1,424	(271)	5	-	15	7,646



## II. CONDENSED INDIVIDUAL FINANCIAL STATEMENT OF CIECH SA FOR Q3 2006 PREPARED IN ACCORDANCE WITH THE POLISH ACCOUNTING STANDARDS.

### BALANCE SHEET

ASSETS	as at 30/09/06 end of the 3rd quarter of 2006	as at 30/06/06 end of the previous quarter of 2006	as at 31/12/05 end of the previous year	as at 30/09/05 end of the 3rd quarter of 2005
<b>I. Fixed assets</b>	<b>491,093</b>	<b>496,285</b>	<b>492,865</b>	<b>489,829</b>
1. Intangible assets, including:	8,212	8,725	9,098	10,192
- Goodwill	-	-	-	-
2. Property, plant and equipment	22,552	22,756	24,691	27,746
3. Long-term receivables	-	-	-	-
3.1. Due from affiliates	-	-	-	-
3.2. Due from other entities	-	-	-	-
4. Long-term investments	447,435	447,728	444,790	445,834
4.1. Immovable property	10,684	10,791	10,961	11,133
4.2. Intangible assets	-	-	-	-
4.3. Long-term financial assets	436,751	436,937	433,829	434,701
a) in affiliates, including:	435,630	435,630	432,644	433,260
b) in other entities	1,121	1,307	1,185	1,441
4.4. Other long-term investments	-	-	-	-
5. Long-term prepayments and accrued income	12,894	17,076	14,286	6,057
5.1. Deferred income tax assets	12,852	17,000	14,169	6,057
5.2. Other prepayments and accrued income	42	76	117	-
<b>II. Current assets</b>	<b>541,102</b>	<b>518,015</b>	<b>410,311</b>	<b>422,772</b>
1. Inventories	25,080	23,684	10,987	18,684
2. Short-term receivables	310,253	305,385	310,688	318,265
2.1. due from affiliates	52,603	62,551	48,709	72,393
2.2. due from other entities	257,650	242,834	261,979	245,872
3. Short-term investments	204,955	186,469	88,212	84,790
3.1. Short-term financial assets	204,955	186,469	88,212	84,790
a) in affiliates	11,238	9,183	38,815	9,047
b) in other entities	56,792	56,461	257	21,276
c) cash and other money assets	136,925	120,825	49,140	54,467
3.2. Other short-term investments	-	-	-	-
4. Short-term prepayments and accrued income	814	2,477	424	1,033
<b>Total Assets</b>	<b>1,032,195</b>	<b>1,014,300</b>	<b>903,176</b>	<b>912,601</b>

LIABILITIES	as at 30/09/06 end of the 3rd quarter of 2006	as at 30/06/06 end of the previous quarter of 2006	as at 31/12/05 end of the previous year	as at 30/09/05 end of the 3rd quarter of 2005
<b>I. Equity</b>	<b>704,694</b>	<b>683,288</b>	<b>584,079</b>	<b>585,085</b>
1. Share capital	140,001	140,001	140,001	140,001
2. Called up share capital (negative figure)	-	-	-	-
3. Treasury shares (negative figure)	-	-	-	-
4. Capital reserve	345,785	345,787	326,740	325,580
5. Revaluation reserve	(306)	(308)	(761)	398
6. Other reserve capital	76,199	76,199	76,199	76,199
7. Profit (loss) brought forward	-	-	-	-

LIABILITIES	as at 30/09/06 end of the 3rd quarter of 2006	as at 30/06/06 end of the previous quarter of 2006	as at 31/12/05 end of the previous year	as at 30/09/05 end of the 3rd quarter of 2005
8. Net profit (loss)	143,015	121,609	41,900	42,907
9. Write-downs from net profit during the financial year (negative figure)	-	-	-	-
<b>II. Liabilities and provisions for liabilities</b>	<b>327,501</b>	<b>331,012</b>	<b>319,097</b>	<b>327,516</b>
1. Provisions for liabilities	19,200	19,182	20,736	21,338
1.1. Provision for deferred income tax	641	205	266	523
1.2. Provision for retirement benefits and similar benefits	944	944	2,247	2,295
a) long-term	458	458	1,607	2,102
b) short-term	486	486	640	193
1.3. Other provisions	17,615	18,033	18,223	18,520
a) long-term	-	-	-	-
b) short-term	17,615	18,033	18,223	18,520
2. Long-term liabilities	14,341	16,174	18,527	20,366
2.1. towards affiliates	-	-	-	-
2.2. towards other entities	14,341	16,174	18,527	20,366
3. Short-term liabilities	283,631	287,287	271,314	280,851
3.1. Towards affiliates	143,603	146,005	167,690	163,628
3.2. Towards other entities	139,614	140,605	103,025	116,801
3.3. Earmarked funds	414	677	599	422
4. Accruals and deferred income	10,329	8,369	8,520	4,961
4.1. Negative goodwill	-	-	-	-
4.2. Other accruals and deferred income	10,329	8,369	8,520	4,961
a) long-term	-	-	-	-
b) short-term	10,329	8,369	8,520	4,961
<b>Total liabilities</b>	<b>1,032,195</b>	<b>1,014,300</b>	<b>903,176</b>	<b>912,601</b>

Book value	704,694	683,288	584,079	585,085
Number of shares	28,000,000	28,000,000	28,000,000	28,000,000
Book value per share (in PLN)	25.17	24.40	20.86	20.90
Diluted number of shares	28,000,000	28,000,000	28,000,000	28,000,000
Diluted book value per share (in PLN)	25.17	24.40	20.86	20.90

**OFF-BALANCE SHEET ITEMS**

<i>in thousand PLN</i>	as at 30/09/06 end of the 3rd quarter of 2006	as at 30/06/06 end of the previous quarter of 2006	as at 31/12/05 end of the previous year	as at 30/09/05 end of the 3rd quarter of 2005
<b>1. Contingent receivables</b>	-	-	-	<b>2,000</b>
1.1. Due from affiliates (in respect of)	-	-	-	-
- guarantees and sureties received	-	-	-	-
1.2. Due from other entities (in respect of)	-	-	-	2,000
- guarantees and sureties received	-	-	-	2,000
<b>2. Contingent liabilities</b>	<b>14,484</b>	<b>21,292</b>	<b>26,571</b>	<b>26,020</b>
1.1. Towards affiliates (in respect of)	14,484	21,292	26,435	25,391
- guarantees and sureties granted	14,484	21,292	26,435	25,391
1.2. Towards other entities (in respect of)	-	-	136	629
- guarantees and sureties granted	-	-	136	629

<i>in thousand PLN</i>	as at 30/09/06 end of the 3rd quarter of 2006	as at 30/06/06 end of the previous quarter of 2006	as at 31/12/05 end of the previous year	as at 30/09/05 end of the 3rd quarter of 2005
<b>3. Other (in respect of)</b>	<b>9,400</b>	<b>9,400</b>	<b>9,400</b>	<b>9,400</b>
- other commercial sureties	9,400	9,400	9,400	9,400
<b>Total off-balance sheet items</b>	<b>23,884</b>	<b>30,692</b>	<b>35,971</b>	<b>37,420</b>

## PROFIT AND LOSS ACCOUNT

No.	Item	3rd quarter of 2006 period from 01/07/06 to 30/09/06	3 quarters year- to-date 2006 period from 01/01/06 to 30/09/06	3rd quarter of 2005 period from 01/07/05 to 30/09/05	3 quarters year- to-date 2005 period from 01/01/05 to 30/09/05
<b>A.</b>	<b>Net income from sales of products, goods and materials, including:</b>	<b>439,517</b>	<b>1,142,093</b>	<b>416,077</b>	<b>1,227,588</b>
	<i>from affiliates</i>	79,586	212,296	92,639	287,447
	Net income from sales of products	10,092	34,185	19,043	57,412
	Net income from sales of goods and materials	429,425	1,107,908	397,034	1,170,176
<b>B.</b>	<b>Costs of products, goods and materials sold, including:</b>	<b>364,768</b>	<b>933,688</b>	<b>352,729</b>	<b>1,047,720</b>
	<i>to affiliates</i>	62,239	168,432	79,559	247,523
	Costs of manufacture of the products sold	78	213	112	283
	Value of goods and materials sold	364,690	933,475	352,617	1,047,437
<b>C.</b>	<b>Gross profit (loss) on sales</b>	<b>74,749</b>	<b>208,405</b>	<b>63,348</b>	<b>179,868</b>
<b>D.</b>	<b>Costs of sales</b>	<b>25,051</b>	<b>74,879</b>	<b>28,124</b>	<b>87,516</b>
<b>E.</b>	<b>General management costs</b>	<b>14,985</b>	<b>50,193</b>	<b>14,101</b>	<b>42,563</b>
<b>F.</b>	<b>Profit (loss) on sales</b>	<b>34,713</b>	<b>83,333</b>	<b>21,123</b>	<b>49,789</b>
<b>G.</b>	<b>Other operating revenue</b>	<b>1,790</b>	<b>5,592</b>	<b>5,367</b>	<b>9,360</b>
	Profit on sales of non-financial fixed assets	70	377	3,286	3,335
	Subsidies	-	-	-	-
	Other operating revenue	1,720	5,215	2,081	6,025
<b>H.</b>	<b>Other operating costs</b>	<b>10,126</b>	<b>12,834</b>	<b>3,488</b>	<b>11,595</b>
	Loss on sales of non-financial fixed assets	-	-	-	-
	Revaluation of non-financial assets	4,785	6,398	2,758	3,805
	Other operating costs	5,341	6,436	730	7,790
<b>I.</b>	<b>Operating profit (loss)</b>	<b>26,377</b>	<b>76,091</b>	<b>23,002</b>	<b>47,554</b>
<b>J.</b>	<b>Financial revenue</b>	<b>929</b>	<b>114,499</b>	<b>1,545</b>	<b>22,681</b>
	Dividends and share in profit, including:	43	23,214	223	14,790
	<i>from affiliates</i>	-	23,171	223	14,790
	Interest, including:	1,551	4,372	855	5,892
	<i>from affiliates</i>	426	978	389	3,978
	Profit on sale of investments	-	78,887	97	396
	Revaluation of investments	421	1,435	151	484
	Other	(1,086)	6,591	219	1,119
<b>K.</b>	<b>Financial costs</b>	<b>(1,224)</b>	<b>17,246</b>	<b>6,619</b>	<b>20,029</b>
	Interest, including:	670	2,241	592	3,666
	<i>for affiliates</i>	-	-	-	-
	Loss on sale of investments	-	-	-	-
	Revaluation of investments	64	14,527	1,200	7,300
	Other	(1,958)	478	4,827	9,063
<b>L.</b>	<b>Profit (loss) on business activity</b>	<b>28,530</b>	<b>173,344</b>	<b>17,928</b>	<b>50,206</b>
<b>M.</b>	<b>Result of extraordinary events</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

No.	Item	3rd quarter of 2006 period from 01/07/06 to 30/09/06	3 quarters year- to-date 2006 period from 01/01/06 to 30/09/06	3rd quarter of 2005 period from 01/07/05 to 30/09/05	3 quarters year- to-date 2005 period from 01/01/05 to 30/09/05
	Extraordinary gains	-	-	-	-
	Extraordinary losses	-	-	-	-
<b>N.</b>	<b>Gross profit (loss)</b>	<b>28,530</b>	<b>173,344</b>	<b>17,928</b>	<b>50,206</b>
<b>O.</b>	<b>Income tax</b>	<b>7,124</b>	<b>30,329</b>	<b>3,708</b>	<b>7,299</b>
	current part	2,540	28,636	4,075	8,516
	deferred part	4,584	1,693	(367)	(1,217)
	<b>Other obligatory profit decreases (loss increases)</b>	-	-	-	-
<b>R.</b>	<b>Net profit (loss)</b>	<b>21,406</b>	<b>143,015</b>	<b>14,220</b>	<b>42,907</b>
	Net profit (loss) (annualised)	142,008	-	37,509	-
	Weighted average number of ordinary shares	28,000,000	-	26,701,547	-
	Profit (loss) per ordinary share (in PLN)	5.07	-	1.40	-
	Weighted average diluted number of ordinary shares	28,000,000	-	27,933,647	-
	Diluted profit (loss) per ordinary share (in PLN)	5.07	-	1.34	-

**CASH FLOW STATEMENT**

	3rd quarter of 2006 period from 01/07/06 to 30/09/06	3 quarters year- to-date 2006 period from 01/01/06 to 30/09/06	3rd quarter of 2005 period from 01/07/05 to 30/09/05	3 quarters year- to-date 2005 period from 01/01/05 to 30/09/05
<b>A. Cash flows from operating activities</b>				
<b>I. Net profit (loss)</b>	<b>21,406</b>	<b>143,015</b>	<b>14,220</b>	<b>42,907</b>
<b>II. Total adjustments</b>	<b>11,431</b>	<b>(74,676)</b>	<b>18,985</b>	<b>(12,908)</b>
1. Depreciation	1,481	4,446	1,587	5,515
2. Gains (losses) in respect of exchange differences	(2,599)	341	(704)	(1,957)
3. Interest and share in profit (dividends)	44	(23,182)	98	(12,106)
4. Gains (losses) on investing activities	(429)	(66,172)	(2,333)	3,174
5. Change in provisions	17	(1,536)	(156)	1,383
6. Change in inventories	(1,397)	(14,093)	1,813	(224)
7. Change in receivables	(12,229)	823	4,551	(15,487)
8. Change in short-term liabilities, with the exception of borrowings and loans	19,813	21,802	14,118	8,666
9. Change in prepayments and accruals	7,807	2,813	130	(1,753)
10. Other adjustments	(1,077)	82	(119)	(119)
<b>III. Net operating cash flows (I+/-II)</b>	<b>32,837</b>	<b>68,339</b>	<b>33,205</b>	<b>29,999</b>
<b>B. Cash flows from investing activities</b>				
<b>I. Inflows</b>	<b>8,029</b>	<b>144,099</b>	<b>18,384</b>	<b>53,290</b>
1. Disposal of intangible assets and property, plant and equipment	120	1,362	4,317	4,688
2. Sale of investments in immovable property and intangible assets	-	-	-	-
3. From financial assets, including:	7,909	138,237	14,067	40,102
a) in affiliates	7,909	118,237	9,146	15,102
sale of financial assets	-	104,300	-	203
interest	266	623	246	246

	3rd quarter of 2006 period from 01/07/06 to 30/09/06	3 quarters year- to-date 2006 period from 01/01/06 to 30/09/06	3rd quarter of 2005 period from 01/07/05 to 30/09/05	3 quarters year- to-date 2005 period from 01/01/05 to 30/09/05
dividends and share in profit	7,643	13,314	8,900	14,653
b) in other entities	-	20,000	4,921	25,000
sale of financial assets	-	20,000	5,000	25,000
interest	-	-	(79)	-
4. Other investment inflows	-	4,500	-	8,500
<b>II. Outflows</b>	<b>2,711</b>	<b>88,219</b>	<b>2,166</b>	<b>69,262</b>
1. Acquisition of intangible assets and property, plant and equipment	711	3,219	847	5,441
2. Investments in immovable property and intangible assets	-	-	-	-
3. For financial assets, including:	-	83,000	1,319	46,321
a) in affiliates	-	8,000	-	65
purchase of financial assets	-	-	-	65
long-term borrowings granted	-	8,000	-	-
b) in other entities	-	75,000	1,319	46,256
purchase of financial assets	-	75,000	1,319	46,256
other	-	-	-	-
4. Other investment outflows	2,000	2,000	-	17,500
<b>III. Net cash flows from investing activities (I-II)</b>	<b>5,318</b>	<b>55,880</b>	<b>16,218</b>	<b>(15,972)</b>
<b>C. Cash flows from financing activities</b>				
<b>I. Inflows</b>	-	-	-	<b>195,084</b>
1. Net proceeds from issue of shares and other equity instruments, and additional contributions to equity	-	-	-	192,875
2. Loans and borrowings	-	-	-	-
3. Issue of debt securities	-	-	-	-
4. Other financial inflows	-	-	-	2,209
<b>II. Outflows</b>	<b>24,435</b>	<b>37,176</b>	<b>15,114</b>	<b>158,102</b>
1. Purchase of treasury shares	-	-	-	-
2. Dividends and other payments towards owners	22,400	22,400	8,400	8,400
3. Other outflows under distribution of profit than payments to owners	-	-	-	-
4. Repayment of loans and borrowings	1,771	13,884	6,248	131,303
5. Redemption of debt securities	-	-	-	15,000
6. Due to other financial liabilities	-	-	-	-
7. Payment of finance lease liabilities	-	-	-	149
8. Interest	264	892	466	3,250
9. Other financial expenditure	-	-	-	-
<b>III. Net cash flows from financing activities (I-II)</b>	<b>(24,435)</b>	<b>(37,176)</b>	<b>(15,114)</b>	<b>36,982</b>
<b>D. Total net cash flows (A.III +/- B.III +/- C.III)</b>	<b>13,720</b>	<b>87,043</b>	<b>34,309</b>	<b>51,009</b>
<b>E. Balance-sheet change in cash, including:</b>	<b>16,100</b>	<b>87,785</b>	<b>33,933</b>	<b>50,839</b>
change in cash due to exchange differences	2,380	742	(376)	(170)
<b>F. Cash as at beginning of period</b>	<b>122,393</b>	<b>49,070</b>	<b>20,328</b>	<b>3,628</b>
<b>G. Cash as at end of period (F +/- D), including:</b>	<b>136,113</b>	<b>136,113</b>	<b>54,637</b>	<b>54,637</b>
not fully disposable	172	172	44	44

## STATEMENT OF CHANGES IN EQUITY

	3rd quarter of 2006 period from 01/07/06 to 30/09/06	3 quarters year- to-date 2006 period from 01/01/06 to 30/09/06	2005 period from 01/01/05 to 31/12/05	3 quarters year- to-date 2005 period from 01/01/05 to 30/09/05
<b>I. Equity as at beginning of period (OB)</b>	<b>584,079</b>	<b>584,079</b>	<b>356,022</b>	<b>356,022</b>
a) changes of the adopted accounting principles (policy)	-	-	-	-
b) corrections of fundamental errors	-	-	-	-
<b>I.a. Equity as at beginning of period (OB), after reconciliation with comparable data</b>	<b>584,079</b>	<b>584,079</b>	<b>356,022</b>	<b>356,022</b>
<b>1. Share capital as at beginning of period</b>	<b>140,001</b>	<b>140,001</b>	<b>98,982</b>	<b>98,982</b>
1.1. Changes in share capital	-	-	41,019	41,019
a) increases (in respect of)	-	-	41,019	41,019
- issue of shares	-	-	41,019	41,019
b) decreases (in respect of)	-	-	-	-
<b>1.2. Share capital as at end of period</b>	<b>140,001</b>	<b>140,001</b>	<b>140,001</b>	<b>140,001</b>
<b>2. Called up share capital as at beginning of period</b>	-	-	-	-
2.1. Changes in called up share capital	-	-	-	-
a) increases (in respect of)	-	-	-	-
b) decreases (in respect of)	-	-	-	-
<b>2.2. Called up share capital as at end of period</b>	-	-	-	-
<b>3. Treasury shares as at beginning of period</b>	-	-	<b>(6,176)</b>	<b>(6,176)</b>
3.1. Changes in treasury shares	-	-	6,176	6,176
a) increases (in respect of)	-	-	-	-
b) decreases (in respect of)	-	-	6,176	6,176
- sales	-	-	6,176	6,176
<b>3.2. Treasury shares as at end of period</b>	-	-	-	-
<b>4. Capital reserve as at beginning of period</b>	<b>345,787</b>	<b>326,740</b>	<b>157,186</b>	<b>157,186</b>
4.1. Changes in capital reserve	(2)	19,045	169,554	168,394
a) increases (in respect of)	1	19,682	169,941	168,761
- issue of shares at a premium	-	-	151,328	151,328
- distribution of profit	-	19,500	14,824	14,823
- positive difference from revaluation of fixed assets	1	182	1,580	401
- other increases	-	-	2,209	2,209
b) decrease (in respect of)	3	637	387	367
- negative difference from revaluation of fixed assets	3	637	387	367
<b>4.2. Capital reserve as at end of period</b>	<b>345,785</b>	<b>345,785</b>	<b>326,740</b>	<b>325,580</b>
<b>5. Revaluation reserve as at beginning of period</b>	<b>(308)</b>	<b>(761)</b>	<b>432</b>	<b>432</b>
5.1. Changes in revaluation reserve	2	455	(1,193)	(34)
a) increases (in respect of)	3	637	387	367

	3rd quarter of 2006 period from 01/07/06 to 30/09/06	3 quarters year- to-date 2006 period from 01/01/06 to 30/09/06	2005 period from 01/01/05 to 31/12/05	3 quarters year- to-date 2005 period from 01/01/05 to 30/09/05
- transfer of revalued FA to capital reserve with regard to their liquidation or sale	3	637	387	367
b) decreases (in respect of)	1	182	1,580	401
- transfer of revalued FA to capital reserve with regard to their liquidation or sale	1	182	1,580	401
<b>5.2. Revaluation reserve as at end of period</b>	<b>(306)</b>	<b>(306)</b>	<b>(761)</b>	<b>398</b>
<b>6. Other reserve capital as at beginning of period</b>	<b>76,199</b>	<b>76,199</b>	<b>82,375</b>	<b>82,375</b>
6.1. Changes in other reserve capital	-	-	(6,176)	(6,176)
a) increases (in respect of)	-	-	-	-
b) decreases (in respect of)	-	-	6,176	6,176
- sales of treasury shares	-	-	6,176	6,176
<b>6.2. Other reserve capital as at end of period</b>	<b>76,199</b>	<b>76,199</b>	<b>76,199</b>	<b>76,199</b>
<b>7. Profit (loss) brought forward as at beginning of period</b>	<b>-</b>	<b>41,900</b>	<b>23,223</b>	<b>23,223</b>
<b>7.1. Profit brought forward as at beginning of period</b>	<b>-</b>	<b>41,900</b>	<b>23,223</b>	<b>23,223</b>
a) changes of the adopted accounting principles (policy)	-	-	-	-
b) corrections of fundamental errors	-	-	-	-
<b>7.2. Profit brought forward, as at beginning of period, after reconciliation with comparable data</b>	<b>-</b>	<b>41,900</b>	<b>23,223</b>	<b>23,223</b>
a) increases (in respect of)	121,609	-	-	-
- profit for 2 quarters of 2006	121,609	-	-	-
b) decreases (in respect of)	-	41,900	23,223	23,223
- distribution of profit brought forward	-	19,500	14,823	14,823
- dividend	-	22,400	8,400	8,400
<b>7.3. Profit brought forward as at end of period</b>	<b>121,609</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>7.4. Loss brought forward as at beginning of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) changes of the adopted accounting principles (policy)	-	-	-	-
b) corrections of fundamental errors	-	-	-	-
<b>7.5. Loss brought forward, as at beginning of period, after reconciliation with comparable data</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
a) increases (in respect of)	-	-	-	-
b) decreases (in respect of)	-	-	-	-
<b>7.6 Loss brought forward as at end of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>7.7 Profit (loss) brought forward as at end of period</b>	<b>121,609</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8. Net result</b>	<b>21,406</b>	<b>143,015</b>	<b>41,900</b>	<b>42,907</b>
a) net profit	21,406	143,015	41,900	42,907
b) net loss	-	-	-	-
c) write-downs from profit	-	-	-	-
<b>II. Equity as at end of period (CB)</b>	<b>704,694</b>	<b>704,694</b>	<b>584,079</b>	<b>585,085</b>

	3rd quarter of 2006 period from 01/07/06 to 30/09/06	3 quarters year- to-date 2006 period from 01/01/06 to 30/09/06	2005 period from 01/01/05 to 31/12/05	3 quarters year- to-date 2005 period from 01/01/05 to 30/09/05
<b>III. Equity capital, after providing for the proposed distribution of profit (coverage of loss)</b>	<b>704,694</b>	<b>704,694</b>	<b>561,679</b>	<b>585,085</b>

#### 1. Provisions and revaluation write-downs on assets of Ciech SA – from 01.07.2006 to 30.09.2006

In the third quarter of 2006 the Ciech SA's condensed statement showed the following adjustments for recognition and release of provisions and revaluation write-downs on assets.

<b>Provisions recognised in the period</b>	<i>in thousand PLN</i>
Employee-benefit provision	5,681
Provision for costs	2,653
Deferred tax provision	436
<b>Total</b>	<b>8,770</b>

<b>Released and used provisions in the period</b>	<i>in thousand PLN</i>
Employee-benefit provision	4,422
Provision for costs	1,975
Restructuring provision	418
<b>Total</b>	<b>6,815</b>

<b>Revaluation write-downs recognised in the period</b>	<i>in thousand PLN</i>
Revaluation write-downs on long-term financial assets	64
Revaluation write-downs on receivables	4,706
<b>Total</b>	<b>4,770</b>



<b>Released and used revaluation write-downs in the period</b>	<i>in thousand PLN</i>
Revaluation write-downs on inventories	104
Revaluation write-downs on receivables	605
<b>Total</b>	<b>709</b>

<b>Deferred income tax assets</b>	<i>in thousand PLN</i>
Increases	516
Decreases	4,664

## 2. Financial Assets of Ciech SA

<b>CHANGES IN LONG-TERM FINANCIAL ASSETS</b>	<b>01.01.-30.09.2006</b>	<b>01.01.-31.12.2005</b>	<b>01.01.-30.09.2005</b>
<b>As at beginning of period</b>	<b>481,074</b>	<b>464,526</b>	<b>464,526</b>
<b>a) increases (in respect of)</b>	<b>17,450</b>	<b>42,728</b>	<b>1,383</b>
purchase of shares	-	41,878	1,383
capital increase	-	850	-
borrowings granted	17,450	-	-
<b>b) decreases (in respect of)</b>	<b>61,773</b>	<b>73,425</b>	<b>31,208</b>
sale of shares	-	803	203
transfer to short-term financial assets	-	25,243	-
other	-	134	-
revaluation write-down	61,773	47,245	31,005
<b>As at end of period</b>	<b>436,751</b>	<b>433,829</b>	<b>434,701</b>

<b>CHANGES IN SHORT-TERM FINANCIAL ASSETS</b>	<b>01.01.-30.09.2006</b>	<b>01.01.-31.12.2005</b>	<b>01.01.-30.09.2005</b>
<b>As at beginning of period</b>	<b>91,205</b>	<b>6,637</b>	<b>6,637</b>
- shares	26,993	1,750	1,750
- other short-term financial assets	257	16	16
- borrowings granted	14,815	1,243	1,243
- cash	49,140	3,628	3,628
<b>b) increases (in respect of)</b>	<b>146,448</b>	<b>84,568</b>	<b>81,146</b>
- shares	-	25,243	-
- other short-term financial assets	-	241	442
- other securities	56,663	-	20,818
- borrowings granted	2,000	13,572	9,047
- cash	87,785	45,512	50,839
<b>c) decreases (in respect of)</b>	<b>32,698</b>	<b>2,993</b>	<b>2,993</b>
- shares	25,243	-	-
- other short-term financial assets	128	-	-
- borrowings granted	4,334	-	-
- revaluation write-down	2,993	2,993	2,993
<b>As at end of period</b>	<b>204,955</b>	<b>88,212</b>	<b>84,790</b>

### 3. Transactions of Ciech SA with consolidated entities

#### List of transactions with consolidated entities as at 30.09.2006

	Name of company	Sale of goods and services	Purchase of goods and services	Other operating revenue	Financial revenue (interest)	Financial revenue (dividends)
1.	Agrochem Sp. z o.o. Dobre Miasto	-	262	-	-	-
2.	CIECH-Polfa Sp. z o.o.	571	209	218	-	775
3.	Daltrade Plc.	14,860	-	-	-	652
4.	Elektrociepłownie Kujawskie Sp. z o.o.	1,260	-	-	-	-
5.	Gdańskie Zakłady Nawozów Fosforowych "FOSFOR" Sp. z o.o.	55,361	6,058	-	454	854
6.	Inowrocławskie Zakłady Chemiczne SODA MAŁY S.A.	1,343	221,670	-	-	8,139
7.	Janikowskie Zakłady Sodowe JANIKOSODA S.A.	(1,086)	242,677	-	-	11,219
8.	Polsin Pte. Ltd.	12,969	28	-	-	245
9.	Przedsiębiorstwo Chemiczne Cheman S.A.	19,885	23	211	328	-
10.	Transoda Sp. z o.o.	-	11,449	-	-	-
11.	VITROSILICON S.A.	13,974	29,449	-	149	-
12.	Zakłady Chemiczne "Alwernia" S.A.	31,637	24,983	-	47	270

#### List of transactions with consolidated entities as at 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 Sp. z o.o. Dobre Miasto	-	341	-	-	-
2.	CIECH-Polfa Sp. z o.o.	919	342	597	-	290
3.	Daltrade Plc.	21,459	2	-	-	-
4.	Elektrociepłownie Kujawskie Sp. z o.o.	1,684	-	-	-	-
5.	Gdańskie Zakłady Nawozów Fosforowych "FOSFOR" Sp. z o.o.	64,155	10,971	-	359	1,456
6.	Inowrocławskie Zakłady Chemiczne SODA MAŁY S.A.	1,599	313,239	-	43	2,033
7.	Janikowskie Zakłady Sodowe 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 Pte. Ltd.	1,060	2,033	-	-	258
10.	Przedsiębiorstwo Chemiczne Cheman S.A.	36,928	169	1,166	34	-
11.	Transoda Sp. z o.o.	-	8,215	-	-	-
12.	VITROSILICON S.A.	17,644	36,224	-	-	550
13.	Zakłady Chemiczne "Alwernia" S.A.	101,763	17,413	-	52	303

#### List of transactions with consolidated entities as at 30.09.2005

	Name of company	Sale of goods and services	Purchase of goods and services	Other operating revenue	Financial revenue (interest)	Financial revenue (dividends)
1.	Agrochem Sp. z o.o. Dobre Miasto	-	255	-	-	-
2.	CIECH-Polfa Sp. z o.o.	687	249	237	-	290
3.	Daltrade Plc.	15,183	2	-	-	-
4.	Elektrociepłownie Kujawskie Sp. z o.o.	1,184	-	-	-	-
5.	Gdańskie Zakłady Nawozów Fosforowych "FOSFOR" Sp. z o.o.	63,850	8,966	-	214	1,456

	Name of company	Sale of goods and services	Purchase of goods and services	Other operating revenue	Financial revenue (interest)	Financial revenue (dividends)
6.	Inowrocławskie Zakłady Chemiczne SODA MAŁY S.A.	708	233,799	-	43	2,033
7.	Janikowskie Zakłady Sodowe JANIROSODA S.A.	592	248,892	-	37	6,658
8.	Petrochemia-Blachownia S.A.	35,510	109,056	3,518	-	2,150
9.	Polsin Pte. Ltd.	865	909	-	-	-
10.	Przedsiębiorstwo Chemiczne Cheman S.A.	29,070	90	218	300	-
11.	Transoda Sp. z o.o.	-	6,217	-	-	-
12.	VITROSILICON S.A.	13,169	28,221	-	-	550
13.	Zakłady Chemiczne "Alwernia" S.A.	93,002	13,256	-	175	303

#### 4. Additional information of Ciech SA for the third quarter ending on September 30th, 2006.

##### **Accounting principles applicable during preparation of the periodic report for the third quarter ending on September 30th, 2006**

The quarterly report of Ciech SA 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.

### **III. Statement of the Management Board**

This extended consolidated quarterly report of the Ciech Group for the 3rd quarter of 2006 was approved by the Management Board of the Company at its registered office on November 13th, 2006.

Warsaw, November 13th, 2006.

.....  
**Mirosław Kochalski - President of the Management Board of Ciech SA**

.....  
**Rafał Pasieka – Member of the Management Board of Ciech SA**

.....  
**Wojciech Wardacki – Member of the Management Board of Ciech SA**

.....  
**Kazimierz Przelomski – CFO of Ciech SA**