



**EXTENDED CONSOLIDATED
QUARTERLY REPORT
OF THE CIECH GROUP
for the 2nd quarter of 2006**

I. CONSOLIDATED INTERIM FINANCIAL STATEMENT OF THE CIECH CHEMICAL GROUP

<i>in thousand PLN</i>	01.01.-30.06.2006			01.01.-30.06.2005			01.04.-30.06.2006			01.04.-30.06.2005		
	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL
Net sales income	982,296	-	982,296	1,037,830	41,104	1,078,934	511,064	-	511,064	511,526	25,860	537,386
Own costs of sales	(741,336)	-	(741,336)	(795,985)	(35,528)	(831,513)	(387,484)	-	(387,484)	(386,719)	(24,597)	(411,316)
Gross profit/loss on sales	240,960	-	240,960	241,845	5,576	247,421	123,580	-	123,580	124,807	1,263	126,070
Other operating revenue	8,664	-	8,664	9,734	609	10,343	2,143	-	2,143	3,594	537	4,131
Costs of sales	(76,179)	-	(76,179)	(89,870)	(2,413)	(92,283)	(40,004)	-	(40,004)	(48,603)	(1,399)	(50,002)
General management costs	(81,953)	-	(81,953)	(75,336)	(5,163)	(80,499)	(44,785)	-	(44,785)	(37,910)	(2,886)	(40,796)
Other operating costs	(20,831)	-	(20,831)	(20,173)	(1,113)	(21,286)	(8,670)	-	(8,670)	(11,615)	(113)	(11,728)
Operating profit/loss	70,661	-	70,661	66,200	(2,504)	63,696	32,264	-	32,264	30,273	(2,598)	27,675
Financial revenue	20,451	41,354	61,805	26,435	3,208	29,643	10,768	-	10,768	7,962	222	8,184
Financial costs	(7,811)	-	(7,811)	(15,032)	(288)	(15,320)	(4,849)	-	(4,849)	(8,190)	(102)	(8,292)
Net financial income / costs	12,640	41,354	53,994	11,403	2,920	14,323	5,919	-	5,919	(228)	120	(108)
Share in the net profit of subordinates valued using the equity method	852	-	852	5,298	-	5,298	443	-	443	315	-	315
Profit/loss before taxation	84,153	41,354	125,507	82,901	416	83,317	38,626	-	38,626	30,360	(2,478)	27,882
Income tax	(18,797)	(14,945)	(33,742)	(17,318)	(148)	(17,466)	(9,332)	-	(9,332)	(5,605)	342	(5,263)
Net profit/loss	65,356	26,409	91,765	65,583	268	65,851	29,294	-	29,294	24,755	(2,136)	22,619
Sales profit/loss relative to discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the financial year	65,356	26,409	91,765	65,583	268	65,851	29,294	-	29,294	24,755	(2,136)	22,619
including:												
Net profit/loss of shareholders of the parent company	64,649	26,409	91,058	59,401	269	59,670	28,724	-	28,724	23,079	(2,135)	20,944
Net profit/loss of minority shareholders	707	-	707	6,182	(1)	6,181	570	-	570	1,676	(1)	1,675
Earnings per share (in PLN):												
Basic	2.31	0.03	2.34	2.31	0.24	2.55	1.03	-	1.03	0.82	(0.08)	0.74
Diluted	2.31	0.03	2.34	2.15	0.22	2.38	1.03	-	1.03	0.82	(0.08)	0.74

CONSOLIDATED BALANCE SHEET

in thousand PLN

CONSOLIDATED BALANCE SHEET	30.06.2006	31.12.2005	30.06.2005	31.12.2004
<i>in thousand PLN</i>				
ASSETS				
Fixed assets				
Property, plant and equipment	764,110	704,458	733,431	725,068
Right of perpetual usufruct	1,449	733	2,325	2,099
Intangible assets, including:	28,202	21,588	17,033	15,630
- goodwill	39	39	45	6
Investment property	14,303	15,552	18,805	19,549
Long-term receivables	116	166	81	85
Investments in associates and co-subsidiaries valued using the equity method	41,871	39,431	42,593	32,190
Other long-term investments	18,327	25,752	32,446	32,179
Deferred income tax assets	9,660	10,141	2,322	2,179
Total fixed assets	878,038	817,821	849,036	828,979
Current assets				
Inventories	128,651	132,450	167,522	130,278
Short-term investments	57,229	269	26,038	1,174
Income tax receivables	3,044	5,324	1,432	8,073
Trade and other receivables	494,886	493,591	523,732	525,903
Cash and cash equivalents	161,527	101,216	65,621	36,106
Fixed assets held for sale	-	84,461	2,722	2,722
Total current assets	845,337	817,311	787,067	704,256
T o t a l A s s e t s	1,723,375	1,635,132	1,636,103	1,533,235
LIABILITIES				
Equity				
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	5,383	3,543	4,791	-
Other reserve capital	78,683	78,683	78,683	84,633
Exchange differences on translation of subordinatess	(187)	(248)	819	(1,067)
Retained earnings	638,440	572,220	519,951	467,021
Equity attributable to shareholders of the parent company	1,037,762	969,641	919,687	654,878
Minority interest	49,998	49,490	109,258	103,106
Total equity	1,087,760	1,019,131	1,028,945	757,984
Liabilities				
Liabilities in respect of loans, borrowings and other debt instruments	72,831	49,305	35,294	51,942
Employee benefits	27,608	25,821	24,242	24,097
Provisions (other long-term)	21,651	21,609	22,384	22,645
Deferred tax provision	13,770	13,263	12,369	12,283
Total long-term liabilities	135,860	109,998	94,289	110,967
Overdraft facility	1,473	12,976	1	7,585
Liabilities in respect of loans, borrowings and other debt instruments	122,524	124,190	143,363	237,452
Trade and other liabilities	317,285	314,329	341,921	392,425
Liabilities in respect of income tax	25,273	995	2,863	301

LIABILITIES	30.06.2006	31.12.2005	30.06.2005	31.12.2004
Provisions (short-term employee-benefit provisions and other provisions)	33,200	30,659	24,252	26,521
Liabilities relative to fixed assets held for sale	-	22,854	469	-
Total short-term liabilities	499,755	506,003	512,869	664,284
Total liabilities	635,615	616,001	607,158	775,251
Total liabilities	1,723,375	1,635,132	1,636,103	1,533,235

OFF-BALANCE SHEET ITEMS

<i>in thousand PLN</i>	30.06.2006	30.06.2005
1. Contingent receivables	1,500	2,000
- guarantees and sureties received	1,500	2,000
- other off-balance sheet receivables	-	-
2. Contingent liabilities	2,995	45,592
- guarantees and sureties granted	2,915	9,968
- other off-balance sheet liabilities	80	35,624
3. Other	652	2,500
- other	652	2,500
Total off-balance sheet items	5,147	50,092

CONSOLIDATED CASH FLOW STATEMENT

in thousand PLN

	01.01.-30.06.2006	01.01.-30.06.2005
Cash flows from operating activities		
Net profit (loss) for the period	91,765	65,851
Depreciation	45,886	44,167
Recognition / reversal of write-downs	3,342	(33)
Gains / losses in respect of exchange differences	3,518	(2,236)
Investment property revaluations	-	-
Gains / losses on investing activities	(44,283)	(17,754)
Gains / losses on disposal of fixed assets	(575)	(349)
Interest and share in profit	2,013	5,754
Input income tax	33,743	17,466
Gains / losses on shares in entities valued using the equity method	(852)	(5,298)
Operating result before change in working capital and provisions	134,557	107,568
Change in receivables	17,307	19,839
Change in inventories	3,959	(40,387)
Change in short-term liabilities	(57,108)	(66,702)
Change in provisions and employee benefits	4,675	(1,102)
Net cash generated from operating activities	103,390	19,216
Interest paid	(3,383)	(7,340)
Income tax paid	(7,161)	(12,002)
other adjustments	841	1,178
Gains / losses on disposal of discontinued operations	-	-
Net cash from operating activities	93,687	1,052

Cash flows from investing activities	01.01.-30.06.2006	01.01.-30.06.2005
Inflows (in "+")		
Disposal of intangible assets and property, plant and equipment	2,943	2,065
Disposal of a subsidiary	104,450	-
Disposal of investments	20,000	25,248
Dividends received	1,704	1,127
Interest received	180	727
Other inflows	6	25,677
Outflows ("-")		
Acquisition of intangible assets and property, plant and equipment	(105,466)	(55,501)
Acquisition of a subsidiary (net of cash acquired)	-	-
Acquisition of investment property	-	-
Acquisition of other investments	(75,000)	(44)
Research and development expense	-	-
Other outflows	(3,010)	(45,020)
Net cash from investing activities	(54,193)	(45,721)

Cash flows from financing activities	01.01.-30.06.2006	01.01.-30.06.2005
Inflows (in "+")		
Net proceeds from issue of shares and other equity instruments, and contributions to equity	-	192,875
Proceeds from issue of convertible preference shares	-	-
Proceeds from loans and borrowings taken	68,213	81,107
Other financial inflows	220	2,355
Outflows ("-")		
Purchase of treasury shares	-	-
Dividends paid to shareholders of the parent company	-	-
Dividends paid to minority shareholders	(1,083)	(1,218)
Expenditure on the repayment of loans and borrowings	(32,685)	(176,464)
Redemption of debt securities	-	(15,000)
Payment of finance lease liabilities	(632)	(2,436)
Other financial expenditure	(50)	(113)
Net cash from financing activities	33,983	81,106

Total net cash flows	73,477	36,437
-----------------------------	---------------	---------------

Cash as at beginning of period	88,240	28,521
Impact of changes due to exchange differences	(1,663)	662
Cash as at end of period	160,054	65,620

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

<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 subsidiaries	Retained earnings			
Equity as at (beginning of period) 01/01/2006:											
Reported previously	164,115	-	151,328	-	3,543	78,683	(248)	572,220	969,641	49,490	1,019,131
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-	-
Corrections of fundamental errors	-	-	-	-	-	-	-	-	-	-	-
Equity (restated) as at:	164,115	-	151,328	-	3,543	78,683	(248)	572,220	969,641	49,490	1,019,131
exchange differences on currency conversion related to foreign companies	-	-	-	-	-	-	61	-	61	70	131
revaluation of fixed assets	-	-	-	-	257	-	-	1,785	2,042	5	2,047
valuation of financial instruments	-	-	-	-	1,583	-	-	-	1,583	7	1,590
total revenue and costs for the financial year directly recognised in equity	-	-	-	-	1,840	-	61	1,785	3,686	82	3,768
net profit / (loss)	-	-	-	-	-	-	-	91,056	91,056	707	91,763
total revenue and costs for the financial year	-	-	-	-	1,840	-	61	92,841	94,742	789	95,531
change in the Group composition	-	-	-	-	-	-	-	(3,251)	(3,251)	589	(2,662)
payment of dividend to shareholders	-	-	-	-	-	-	-	(22,400)	(22,400)	(850)	(23,250)
profit-based bonus payments	-	-	-	-	-	-	-	(995)	(995)	(5)	(1,000)
other increases	-	-	-	-	-	-	-	25	25	(15)	10
Equity as at (end of period) 30/09/2006:	164,115	-	151,328	-	5,383	78,683	(187)	638,440	1,037,762	49,998	1,087,760

<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 on reserve	Other reserve capital	Exchange differences on translation of subordinates	Retained earnings			
Equity as at (beginning of period) 01/01/2005:											
Reported previously	123,096	(18,805)	-	-	-	84,633	(1,067)	467,021	654,878	103,106	757,984
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-	-
Corrections of fundamental errors	-	-	-	-	-	-	-	-	-	-	-
Equity (restated) as at:	123,096	(18,805)	-	-	-	84,633	(1,067)	467,021	654,878	103,106	757,984
Exchange differences on currency conversion related to foreign companies	-	-	-	-	-	-	1,886	-	1,886	1,060	2,946
Valuation of financial instruments	-	-	-	-	4,791	-	-	-	4,791	483	5,274
Total revenue and costs for the financial year directly recognised in equity	-	-	-	-	4,791	-	1,886	-	6,677	1,543	8,220
Net profit / (loss)	-	-	-	-	-	-	-	59,669	59,669	6,180	65,849
total revenue and costs for the financial year	-	-	-	-	4,791	-	1,886	59,669	66,346	7,723	74,069
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)	-	-	-
Other increases / decreases	-	-	-	-	-	-	-	(323)	(323)	(184)	(507)
Equity as at (end of period) 30/06/2005:	164,115	-	151,328	-	4,791	78,683	819	519,951	919,687	109,258	1,028,945

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

1. General information

This interim consolidated financial statement covering the period from January 1st, 2006 to June 30th, 2006, and any comparable data was approved for publication by the Management Board of Ciech SA on August 10th, 2006.

This consolidated statement comprises financial statements of Ciech SA and its subsidiaries (jointly referred to as the "Ciech Chemical Group"; "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, 19th Business 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 June 30th, 2005, 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 trade 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 second 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-Usługowe 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 branches (plants).

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

Name of Company/Group	Consolidation method as at 30.06.2006 and dependence on Ciech SA	Consolidation method as at 30.06.2005 and dependence on Ciech SA
1) Ciech SA	Parent company	Parent company
2) Ciech - Polfa SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
4) Przedsiębiorstwo Chemiczne Cheman SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA Since July 9th, 2004, after the merger with Ciech Petrol Sp. z o.o. also fully consolidated.
5) Petrochemia-Błachownia Group	sold in January 2006	Fully-consolidated lower-tier Group
5.1) Petrochemia-Błachownia SA	-	Lower-tier parent company (controlled by Ciech SA)
5.2) BI-Trans Sp. z o.o.	-	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
6) Soda Mątwy Group	Fully-consolidated lower-tier Group	Fully-consolidated lower-tier Group
6.1) Inowrocławskie Zakłady Chemiczne SODA MĄTWY SA	Lower-tier parent company (controlled by Ciech SA)	Lower-tier parent company (controlled by Ciech SA)
6.2) Transoda Sp. z o.o.	Indirect lower-tier subsidiary of Ciech SA - full consolidation since March 10th merged with the company Jantrans-Janikowo Sp. z o.o.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
6.3) Elektrociepłownie Kujawskie Sp. z o.o.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
6.4) 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.
7) Janikosoda Group	Fully-consolidated lower-tier Group	Fully-consolidated lower-tier Group
7.1) Janikowskie Zakłady Sodowe Janikosoda SA	Lower-tier parent company (controlled by Ciech SA)	Lower-tier parent company (controlled by Ciech SA)
7.2) 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.
8) Fosfory Group	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. Człuchów	Indirect lower-tier subsidiary of Ciech SA - full consolidation.	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
9) Alwernia Group	Fully-consolidated lower-tier parent company	Fully-consolidated lower-tier Group
9.1) Zakłady Chemiczne	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA

Name of Company/Group	Consolidation method as at 30.06.2006 and dependence on Ciech SA	Consolidation method as at 30.06.2005 and dependence on Ciech SA
Alwernia SA		
9.2) Alwernia Chrom Sp. z o. o	Entity sold in January 2006	Indirect lower-tier subsidiary of Ciech SA - full consolidation.
10) Polsin Pte. Ltd.	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
11.) Daltrade Plc.	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
12) Vitrosilicon SA	Fully consolidated subsidiary of Ciech SA	Fully consolidated subsidiary of Ciech SA
13) Przedsiębiorstwo Transportowo-Uslugowe TRASCLEAN Sp. z o.o.	Associate of Ciech SA valued using the equity method.	Associate of Ciech SA valued using the equity method.
14) Zach-Ciech Sp. z o.o.	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 in particular foreign and domestic trade in chemicals and related operations. The Company may also act as an agent for Polish and foreign companies.

Fully-consolidated lower-tier Groups

▪ **Soda Mątwy Group**

manufacture of other inorganic basic chemicals,
wholesale of chemical products,
production and distribution of electricity,
commodity transport services.

▪ **Fosfory Group**

manufacture of fertilisers and nitrogen compounds,
manufacture of other inorganic chemicals,
manufacture of other organic chemicals,
manufacture of refined petroleum products,
manufacture of plastics,
wholesale of grain, seeds and animal feeds,
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

- **Alwernia SA, company**
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, company**
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., company**
wholesale of pharmaceutical products,
wholesale of chemical products,
wholesale of perfume and cosmetics,
retail sale of medical and orthopaedic goods.

 - **Chemana SA, company**
 - 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 Ltd, company:**
 - wholesale and retail sales of a variety of goods in Far Eastern markets.

 - **Daltrade PLC, company:**
 - distribution and wholesale of chemicals on the UK chemical market.

Companies valued using the equity method.

- Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o., associate, Bydgoszcz.

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 the particular items of the Ciech Group's interim consolidated financial statement according to IFRS as at June 30th, 2006 and the comparable figures. Due diligence was exercised when preparing 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 material situation, financial results of operations and cash flow in a reliable way.

3. Basis for preparing the condensed consolidated financial statement

The presented financial statement has been prepared under the assumption of a 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 were presented in thousands of Polish zlotys (thousand PLN).

Preparation of the condensed financial statement in compliance with IFRS requires the Management Board to exercise professional judgement, estimates and objectives that impact the adopted principles and the amounts of the presented assets, liabilities, revenues and expenses. 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 are the basis for a professional judgement of the balance-sheet value of the assets and liabilities which do not arise 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 the future periods.

Management Board's professional judgements that have a significant impact on the consolidated financial statement and the estimates bearing a high risk of significant changes in the future periods are expanded on in Sections 10 and 21 of this condensed consolidated 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 (June 30th, 2006) by the National Bank of Poland at 4.0434. Particular items of the profit and loss account were translated into EURO at a rate calculated as the arithmetical mean of the average EUR exchange rates determined by the National Bank of Poland on the last day of each month, i.e.: from January to June 2006, respectively: 3.8285; 3.7726; 3.9357; 3.8740; 3.9472; 4.0434. The rate for the reporting period for the second quarter of 2006 is 3.9002.

4. Significant accounting and consolidation principles

No changes in the accounting principles occurred in the presented period. The accounting policy principles adopted by the Ciech Group were presented in the annual consolidated financial statement, published 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.

Accounting principles applicable during preparation of the periodic report for the second quarter ending on June 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 day, 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 SA was included in the introduction to the Annual Report prepared as at December 31st, 2005 publicly disclosed on May 29th, 2006.

We state that the Company starting from the tax year of 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 the amount payable to the Tax Office resulting from the actual 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 second quarter of 2006.

Ciech SA

On June 27th, 2006 pursuant to art. 17 in connection with art. 12 section 1 and section 2 item 2 of the Act of December 15th, 2000 on competition and consumer protection (consolidated text: Journal of Laws of 2005 No. 244, item 2080), the President of the Office of Competition and Consumer Protection, after carrying out antitrust proceedings instituted on the motion of Ciech SA, with its registered office in Warsaw, gave consent

to the concentration consisting of the takeover by Ciech SA of the control of Zakłady Chemiczne "Organika-Sarzyna" SA, with its registered office in Nowa Sarzyna.

On May 30th, 2006 Ciech SA signed a trade agreement with Z.Ch. "POLICE" SA for the purchase of 3,000 tons of fertilisers. It is another agreement with this company entered into for the period of 12 months for the supply of nitrogenous fertilisers, two-component and multiple-compound phosphate fertilisers, compounds of sodium and phosphoric acid. Their total value amounts to PLN 97.8 million.

On June 14th, 2006 the Ordinary General Shareholder's Meeting of Ciech SA approved the individual statement of Ciech SA and the consolidated financial statement of the Ciech Group for 2005. In addition, the Ordinary General Shareholder's Meeting of Ciech SA approved the distribution of the profit of Ciech SA generated 2005.

Vitrosilicon SA

On May 15th, 2006 Vitrosilicon SA, a subsidiary, signed a final agreement for the purchase from Alcol Sp. z o.o. ul. Roosevelta 106, Gniezno, ~~the property of the bottle manufacturer – Huta Szkła Pobiedziska~~. The value of the agreement amounts to PLN 13.5 million. Vitrosilicon, a manufacturer of glass blocks, lanterns, glazed and sodium and potassium water glass, intends to redirect the operation of the glass works to glass lanterns.

At the turn of May and June 2006 Vitrosilicon SA started another glass block production line thus doubling its production capacity for these products. The investment involved the assembly of another process line and modernisation of the production branch. Due to the modernisation, the emission of harmful substances to the environment was reduced while production parameters improved.

Fosfory Group

The work on the own network of regional agencies was completed.

It was decided to purchase the organised part of the company Koragro Sp. z o.o. in Korfantów (Opolskie Voivodship).

During the symposium on the harmfulness of a phosphogypsum dump to the natural environment on June 8th, 2006, an unambiguous opinion was given on the lack of a negative impact of the dump on the environment, including the health of the inhabitants.

Soda Mątwy Group

Installations for the production of dense soda ash using the monohydrate method are being built at the premises of the company Soda Mątwy, which follows the objective of improving the quality and meeting the market needs and increasing the competitiveness. Dense soda ash produced with the monohydrate method is characterised by its higher quality and there is growing demand for it on the market. The total value of the investment will amount to PLN 47,200,000 and will be completed in 2007.

On May 1st, 2006 an IT system, ORACLE, was launched (as part of the implementation of a common business platform of the Soda Division).

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

During the first two quarters of 2006, the Ciech Group recorded a consolidated net profit of PLN 91,765,000, the balance-sheet total was PLN 1,723,375,000 and cash increased by net PLN 73,477,000. The table below presents the selected financial data and the basic financial ratios for the first two quarters of 2006 and 2005.

Table No. 1
Selected financial information

<i>in thousand PLN</i>	First 2 quarters of 2006	First 2 quarters of 2005	2006/2005 dynamics
Net sales income	982,296	1,078,934	-9.0%
Own cost of sales	741,336	831,513	-10.8%
Gross profit/loss on sales	240,960	247,421	-2.6%
Costs of sales	76,179	92,283	-17.5%
General management costs	81,953	80,499	1.8%
Other operating revenue / costs	-12,167	-10,943	11.2%
Operating profit/loss	70,661	63,696	10.9%
Financial revenue / costs	53,994	14,323	277.0%
Share in profit of subordinates	852	5,298	-83.9%
Income tax	33,742	17,466	93.2%
Net profit/loss	91,765	65,851	39.4%
Net profit/loss of minority shareholders	707	6,181	-88.6%
Net profit/loss of shareholders of the parent company	91,058	59,670	52.6%
EBITDA	116,547	107,863	8.1%
Net profit/loss per share	2.34	2.55	-8.2%
Net profitability	9.3%	5.5%	67.6%
EBIT%	7.2%	5.9%	21.8%
EBITDA %	11.9%	10.0%	18.7%
Current ratio	1.7	1.5	13.3%
Quick ratio	1.4	1.2	16.7%
Debt ratio	36.9%	37.1%	-0.6%
Equity to assets ratio	60.2%	56.2%	7.1%

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 at the end of a given period / current liabilities at the end of a given period,

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

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

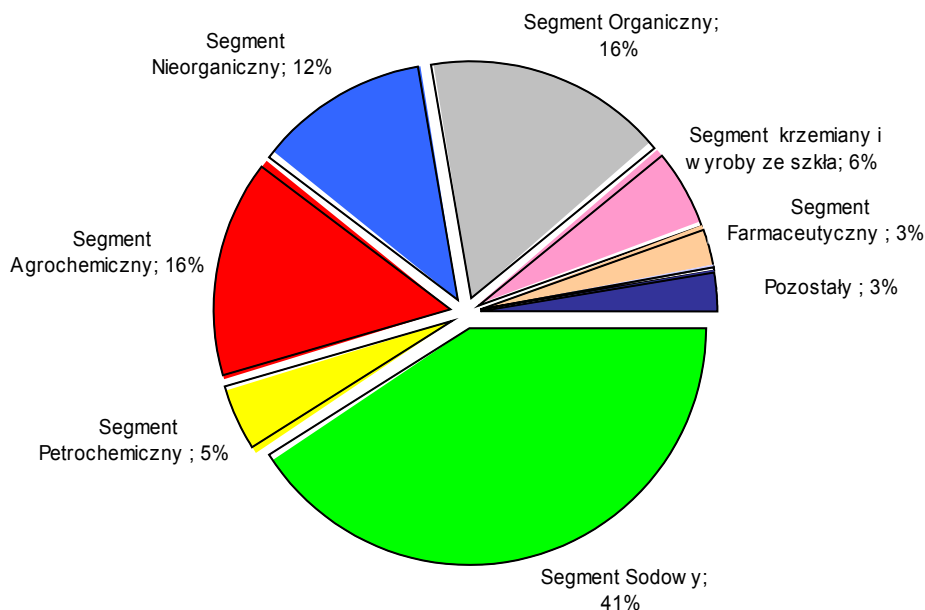
equity to assets ratio – total equity at the end of the period / total assets at the end of the period

Sales income

Consolidated net income from sales of the Group for the first two quarters of 2006 amounted to PLN 982,296,000 and was lower by 9% 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).

Figure 1. Structure of the income from sales

Income for the second quarter of 2006 by business segment was as follows:



Source: Ciech SA

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
Pozostały	Other

The domestic market continues to have the largest share in the Group's product and goods sales, while the European Union is the main export market. The geographical proximity and the lack of trade barriers make EU countries the natural export markets for the Ciech Group. The largest share of the Ciech Group's sales income (84%) in 2006 was generated by the four main business segments: the soda, agro-chemical, inorganic and organic segments. Table 2 presents sales values of particular segments in the first two quarters of 2006 and comparable period of 2005.

Soda Segment

In the first two quarters of 2006 the soda segment generated 41% 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 Mątwy SA and Janikosoda SA. Soda ash is the basic product of the segment, accounting for 75% of the segment sales. The Group's companies are the sole manufacturers of soda in Poland. In comparison to the comparable period in 2005 the income from the segment sales increased mainly due to the growth of sale prices.

Agro-Chemical Segment

In the first two quarters of 2006 the agro-chemical segment generated 16% of the Group's sales income. 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 also imports raw materials for the manufacture of fertilisers. The key income-generating products here are fertilisers, which account for over 55% of the segment income, and plant protection chemicals (32%). The drop in sales was mainly due to the low demand for fertilisers and plant and crop protection chemicals.

Petrochemical Segment

The share of the petrochemical segment in the Group's sales in the first two quarters of 2006 dropped in comparison with the same period in the previous year from 15% to 5%. The situation was determined by the sale of the fully-consolidated company, Petrochemia Blachownia SA and withdrawal of the Group from manufacture in this segment. The other sales are comprised of trade agency transactions of the company Ciech SA and of the company Cheman SA.

Inorganic Segment

In the first two quarters of 2006 the inorganic segment generated 12% of the Group's sales income. The subsidiary - Alwernia SA - manufactures phosphorus and chromium compounds and 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 goods of manufactures out of the Group sold by Ciech SA and other trade companies of the Group. The goods structure of the inorganic segment is fragmented; the main products of the segment are sodium tripolyphosphate which generates 23% of the segment's sales income and boric acid (14% of the segment's income). The segment's sales decreased in comparison with the same period in 2005 by 12%. This resulted from a lower volume of sales of products of Alwernia, including in particular a drop in demand for TPFS.

Organic Segment

In the first two quarters of 2006 the organic segment generated 12% of the Group's sales income. The key player in that segment is Ciech SA, which renders export sales agency services, too a large extent on a commission basis and on a processing basis (Zachem SA - EPI). The main products in the segment are plastics which account for 54% of the segment's income. Other major contributors to the segment's income are also epichlorohydrin and isocyanates (TDI), which jointly account for 40% of the segment's income. The income of the organic segment increased in comparison with what was obtained in the same period of 2005 by more than 50%. 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.

Silicates and glass products segment

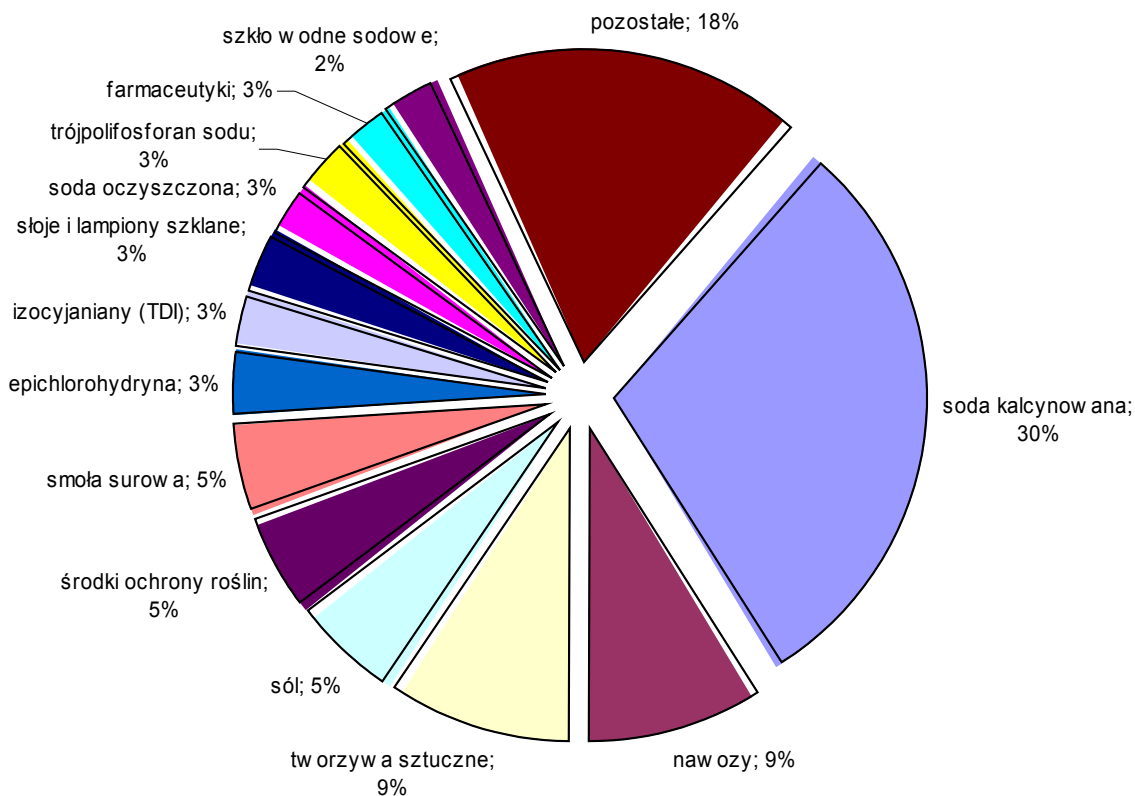
In the first two quarters of 2006 the silicates and glass products segment generated 6% of the Group's sales income. The subsidiary Vitrosilicon SA, which manufactures silicates, glass blocks and glass lanterns, is the main manufacturer in this segment. The company Vitrosilicon SA is the only manufacturer of glass blocks in Poland. Glass blocks and lanterns, which accounted for 41% of the segment's income, and sodium silicate in lumps, which accounted for 51% of the segment's income, contributed the most to the segment's income in the first quarters of 2006. The 9%-growth of sales in the segment in comparison to the same period of 2005 was caused by an increase in sales of selected ranges of goods in the segment, resulting from good market growth and higher demand.

Table No. 2
Net sales income - business segments

<i>in thousand PLN</i>	01.01.-30.06.2006	01.01.-30.06.2005
Soda Segment	398,389	364,855
Petrochemical Segment	45,574	163,041
Agro-Chemical Segment	152,823	165,301
Inorganic Segment	115,887	131,625
Organic Segment	156,570	96,134
Silicates and Glass Products Segment	56,334	51,825
Pharmaceutical Segment	26,640	24,404
Power Generation Segment	2,476	2,489
Other	27,603	38,156
Discontinued Operations Segment	0	41,104
TOTAL	982,296	1,078,934

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

Figure 2. Sales income structure by leading products.



Source: Ciech SA

soda kalcynowana	soda ash
nawozy	fertilisers
tworzywa sztuczne	plastics
sól	salt
środki ochrony roślin	plant protection chemicals
smoła surowa	crude tar
epichlorohydryna	epichlorohydrin
izocyjaniany	isocyanates
stoje 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

Gross profit on sales

Consolidated gross sales profit for the first two quarters of 2006 amounted to PLN 247,421,000. The gross margin rate grew from 22.9% (first 2 quarters of 2005) to 24.5% (first 2 quarters of 2006). A decrease in the gross sales profit in comparison with the result earned in the same period of 2005 resulted mainly from the discontinuation of the full consolidation of the sold company Petrochemia Blachownia.

Operating profit (EBIT)

After the first two quarters of 2006 the operating profit was PLN 70,661,000 (in the comparable period of 2005 it

amounted to PLN 63,696,000). The operating profit was mainly positively affected by 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). As the most advantageous one should assess an increase in the profitability of operating activities – an increase in the EBIT margin rate from 5.9% to 7.2% and EBITDA from 10% to 11.9%. This shows that the profitability of the Group's core activity is growing.

Net result

The consolidated net profit for the first two quarters of 2006 amounted to PLN 91,765,000. The net profitability achieved a level of 9.3% (5.5% 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 increase in the net profit in comparison with the same period in the previous year by 39% was mainly due to the sale of the company Petrochemia Blachownia SA (PLN 41,354,000, the profit on the transaction less the income tax amounting to PLN 26,409,000). Another major contributor to the growth was an increased operating profit (by PLN 6,965,000). An important contributor to the net profit for the first 2 quarters of 2005 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 and Vitrosilicon, the share of minority shareholders' net profit decreased. This led to an increase in the profit of shareholders of the parent company by approximately PLN 5 million).

**Table No. 3
Capital structure**

	30.06.2006	30.06.2005	2006/2005 dynamics
Value of assets	1,723,375	1,636,103	5.3%
Fixed assets	878,038	849,036	3.4%
Current assets, including:	845,337	787,067	7.4%
- inventories	128,651	167,522	-23.2%
- short-term receivables	497,930	525,164	-5.2%
- cash and cash equivalents	161,527	65,621	146.2%
- short-term investments	57,229	26,038	119.8%
Equity	1,087,760	1,028,945	5.7%
Parent company's equity	1,037,762	919,687	12.8%
Minority interest	49,998	109,258	-54.2%
Long-term liabilities	135,860	94,289	44.1%
Short-term liabilities	499,755	512,869	-2.6%

Equity

The consolidated equity of the Group as at June 30th, 2006 amounted to PLN 1,087,760,000 (including the equity of the parent company of PLN 1,037,762,000) and was higher than a year before by PLN 58,815,000. The decisive reason for the increase in equity was the net profit earned for the first 2 quarters of 2006 to the amount of PLN 91,765,000 and the profit earned in the second half of 2005, including the purchase from minority shareholders in the fourth quarter of 2005 of the shares in subsidiaries, Soda Mątwy SA, Janikosoda SA, Fosfory Sp. z o.o. and (directly and indirectly) in Vitrosilicon SA.

Fixed assets

The Group's fixed assets as at June 30th, 2006 amounted to PLN 878,038,000 and - as in the previous year - constituted approximately 50% of the total assets.

Current assets

The Group's current assets as at June 30th, 2006 amounted to PLN 845,337,000. The following dominated the current assets structure: (a) trade and other receivables – 59% of the current assets, (b) inventories – 15% and (c) cash and cash equivalents – 19%. In comparison to June 30th, 2005, the value of the current assets increased by 7.4%. This ensued mainly from an increase in: (a) cash and cash equivalents (by PLN 95,906,000) and (b) growth of short-term investments (by PLN 31,191,000). This was mainly a result of obtaining financial resources from the sale of shares in Blachownia by Ciech SA.

Consolidated liabilities

The (total long- and short-term) liabilities of the Ciech Group as at June 30th, 2006 amounted to PLN 635,615,000, which means an increase in comparison with June 30th, 2005 by nearly 5%. Long-term liabilities increased by 44%,

mainly due to an increase in the liabilities in respect of long-term loans and borrowings in the companies: Vitrosilicon (financing of investment purchases with long-term liabilities: Huta Pobiedziska) and Fosfory and Cheman (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 dropped by 3% compared to June 30th, 2005. The decrease affected mainly: (a) trade liabilities (above all due to the lack in 2006 of liabilities of Blachownia) and (b) short-term liabilities in respect of loans and borrowings (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 22,410,000, which resulted from the application of the simplified form of making advance corporate income tax payments by Ciech SA in 2006.

Net consolidated debt

Net debt as at June 30th, 2006 (comprising bank loans, borrowings and other financial liabilities less cash) amounted to PLN 35,301,000 (PLN 113,037,000 the year before). The significant decrease in the net debt ensued from a higher growth of cash than of financial liabilities. Also, for this reason, the Group's debt index (calculated as the ratio of net debt to the total assets) decreased in comparison with June 30th, 2005 from 7% to 2%.

The financial leverage (the ratio of net debt to the sum of net debt and total equity) was equal to 3% as at June 30th, 2006. For the previous year this index was at 10%.

The current ratio, calculated as the quotient of total current assets and total short-term liabilities amounted to 1.7, which means an improvement in liquidity compared to the value observed the year before when that ratio stood at 1.5.

As at June 30th, 2006, the equity to fixed assets ratio (total equity, long-term liabilities and provisions) amounted to 134%, with 119% in a comparable period.

The net debt to EBITDA ratio (annualised value) amounted to 0.1 as at June 30th, 2006. The net debt / equity ratio amounted to 3%.

Cash flows

The net cash flows after the first two quarters of 2006 amounted to PLN 73,477,000. Net cash from operating activities amounted to PLN 93,687,000 (in the comparable period in the previous year the flow amounted to PLN 1,052,000). The amount of means from operating activities was to the greatest extent affected 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 amounted to PLN -31,167,000.

The most important expenses in the first two quarters of 2006 were expenditures on fixed assets (mainly production assets) to the amount of PLN 105,466,000 and the deposit activity of Ciech SA. The greatest inflows were the means from the sale of the company Petrochemia Blachownia SA.

Net cash from financing activities amounted to PLN 33,983,000. Expenditure on the repayment of loans and borrowings amounted to PLN 32,685,000 and the proceeds from loans and borrowings taken amounted to PLN 68,213,000 (mainly Vitrosilicon).

Cash as disclosed in the cash flow statement as at the end of June 2006 totalled PLN 160,054,000.

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 30.06.2006	Purchase	Disposal
a) Fixed assets, including:	12,861	2,679
land, buildings, premises and civil engineering facilities	1,153	406
technical equipment and machinery	7,176	1,791
means of transport	2,712	453
other fixed assets	1,820	29
b) Fixed assets under construction	98,094	16,132
c) Advances for fixed assets under construction (net)	1,631	4,761
Total property, plant and equipment	112,586	23,572

Parent company - Ciech SA

Ciech SA purchased fixed assets for the total of PLN 410,000, including PLN 401,000 spent on purchases of technical equipment and machinery. All fixed assets were purchased with own funds.

Alwernia SA

Alwernia SA (lower-tier parent company) purchased fixed assets worth PLN 481,000, including PLN 153,000 spent on the purchase of technical equipment and machinery and PLN 213,000 on means of transport. The purchase of fixed assets to the amount of PLN 297,000 was financed with a loan, 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 68,000 including PLN 41,000 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 4,530,000 and purchased fixed assets for the amount of PLN 2,200,000, including PLN 1,591,000 spent on the purchase of means of transport, and for the amount of PLN 509,000 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 23,190,000 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 345,000; fixed assets were worth PLN 179,000 and fixed assets under construction PLN 166,000. All fixed assets were purchased with own funds.

Soda Małwy Group

The company IZCH Soda Małwy SA (lower-tier parent company) purchased fixed assets worth PLN 9,475,000 and fixed assets under construction worth PLN 27,412,000, advances for fixed assets under construction amounted to PLN 3,784,000. Moreover, the company sold fixed assets under construction worth PLN 16,132,000. The purchase of fixed assets to the amount of PLN 11,302,000 was financed with a loan, while the other fixed assets were purchased with own funds.

Vitrosilicon SA

The company assigned PLN 42,792,000 for the purchase of fixed assets under construction. The total value of property, plant and equipment amounted to PLN 42,840,000, including PLN 27,642,000 covered with a loan and borrowings, 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.

10. Provisions and revaluation write-downs on assets – from 01.04.2006 to 30.06.2006

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

Provisions recognised in Q2 2006	<i>in thousand PLN</i>
Income tax provision	1,888
Provision for retirement gratuities, leaves, bonuses, reimbursements, etc.	11,971
Environmental protection provision	34
Provision for expected liabilities (expenses)	3,705
Total	17,598

Provisions reversed in Q2 2006	<i>in thousand PLN</i>
Income tax provision	1,689
Provision for retirement gratuities, leaves, bonuses, reimbursements, etc.	10,237
Provision for expected losses	722
Environmental protection provision	2,188
Restructuring provision	271
Provision for commitments (expenses)	1,772
Total	16,879

Revaluation write-downs on assets (increase) in Q2 2006	<i>in thousand PLN</i>
Revaluation write-downs on receivables	8,226
Revaluation write-downs on inventories	538
Revaluation write-downs on PPE and intangible assets	-
Total	8,764

Revaluation write-downs on assets (decrease) in Q2 2006	<i>in thousand PLN</i>
Revaluation write-downs on receivables	6,323
Revaluation write-downs on inventories	660
Revaluation write-downs on PPE and intangible assets	557
Total	7,540

Deferred income tax assets in Q2 2006	<i>in thousand PLN</i>
Increase	4,080
Decrease	5,003

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

The level of revenues and financial results that the Ciech Group achieved to a large extent depends 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 lasting 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

Therefore, the sales of the Company are characterised by high cyclicalities and considerable evenness 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:

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

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

Seasonality of sales is recorded in the two key product ranges of the glass products segment: glass 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. This explains why in the first and fourth quarter there is usually a drop in prices and demand recorded, with the levels growing in the other quarters.

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 second quarter of 2006 that ended on June 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 Shareholder's Meeting of CIECH S.A., by virtue of a resolution no. 8 of June 14th, 2006, resolved to allot the amount of PLN 22,400,000 from the net profit of 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 June 30th, 2006 not recognised in the statement and that may have a significant impact on the future financial results of the Ciech Group.

Ciech SA is at an advanced stage for the purchase of a majority block of shares in the company Uzinele Sodice Govora SA (USG). Ciech SA has made progress in the following aspects of the transaction:

- a) Ciech SA entered into a conditional agreement for the purchase of shares in Uzinele Sodice Govora SA (USG) with S.C. Begacom SA, Romania. The agreement will come into force upon the fulfilment of a number of conditions precedent, the most important being the entry into a Novation Agreement by Ciech SA, Begacom and the agency AVAS (transfer of a privatisation contract to Ciech SA together with the shares in CET Govora (heat and power station) and AVAS).
- b) Moreover, on July 20th, 2006 Ciech SA signed a social agreement with trade unions at USG.
- c) On August 8th Ciech SA signed two agreements with CET Govora concerning the restructuring of the debt of USG to CET Govora and future collaboration on operating activities.

On August 7th, 2006 the President of the Office of Competition and Consumer Protection gave consent to the concentration consisting of the takeover by Ciech SA of the control of Zakłady Chemiczne ZACHEM SA. The agreement for the purchase of shares in Zakłady Chemiczne ZACHEM SA was signed on March 29th, 2006 and its entry into force is dependent inter alia on the above consent.

Other events occurring after June 30th, 2006.

An Extraordinary General Shareholders' Meeting of Ciech SA took place on July 24th, 2006, its objective being to make changes in the composition of the Management and Supervisory Boards of Ciech SA. The following Management Board members were dismissed:

Mr Ludwik Klinkosz - President of the Management Board of Ciech SA,
Mr Jerzy Golis - Member of the Management Board.

The following Management Board members were appointed:

Mr Mirosław Kochalski, who was entrusted with the position of the President of the Management Board
Mr Wojciech Wardacki, who was entrusted with the position of a Member of the Management Board

Moreover, the Extraordinary General Shareholder's Meeting dismissed the following members of the Supervisory Board:

Mr Edmund Pietrzak,
Mr Maksymilian Klank,
Ms Magdalena Bąkowska,
Ms Krystyna Dziworska,
Mr Marek Konopczyński,
Mr Wiesław Piosik,
Mr Maciej Rudnicki.

The Extraordinary General Shareholder's Meeting appointed the following members of the Supervisory Board:

Mr Andrzej Cwynar,
Mr Grzegorz Miś,
Mr Wojciech Fedko.

An Extraordinary General Shareholders' Meeting of Ciech SA took place on August 2nd, 2006, its objective also being to make changes in the composition of the Management and Supervisory Boards of Ciech SA. Mr Stefan Rojewski, performing the function of a Member of the Management Board, was dismissed from the Management Board. Moreover, the Extraordinary General Shareholder's Meeting of Ciech S.A. made the following changes in the composition of the Supervisory Board of Ciech SA:

Mr Andrzej Cwynar and Mr Zbigniew Markowski were dismissed from the Supervisory Board
Mr Wiktor Cwynar and Ms Alicja Pimpicka were appointed to the Supervisory Board.

On account of the above, the composition of the Supervisory Board of Ciech SA is as follows:

1. Mr Grzegorz Miś - Chairman of the Supervisory Board
2. Ms Alicja Pimpicka - Deputy Chairman of the Supervisory Board
3. Mr Wiktor Cwynar
4. Mr Wojciech Fedko
5. Mr Dariusz Krajowski-Kukiel.

With regard to the resolution adopted on August 2nd, 2006 by the Extraordinary General Shareholder's Meeting of Ciech SA on dismissing Mr Stefan Rojewski from the Management Board, the Management Board of Ciech SA requested the Supervisory Board to delegate temporarily a Supervisory Board member to the Management Board of

Ciech SA. On August 8th, 2006, the Supervisory Board of Ciech SA delegated Mr Wiktor Cwynar to perform temporarily the duties of a member of the Management Board. At the same time, the Management Board of Ciech SA convened an Extraordinary General Shareholder's Meeting for September 15th, 2006 in order to supplement the Management Board in accordance with requirements defined in the Articles.

15. Effects of changes in the structure of business entities of the Ciech Group in the 2nd quarter of 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 second quarter of 2006.

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

As at June 30th, 2006 the contingent receivables of the Ciech Group maintained the same level as at December 31st, 2005 and were PLN 1,500,000.

The amount of contingent liabilities as at June 30th, 2006 was PLN 2,995,000, which means a decrease by PLN 26,944,000 in comparison with December 31st, 2006. A drop in contingent liabilities for guarantees and sureties granted came to PLN 1,804,000. Other contingent liabilities decreased by PLN 25,140,000 compared to the end of 2005.

The drop in the amount of the 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 25,300,00 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 final loan settlement on February 3rd, 2006.

Moreover, on February 7th, 2006 Ciech SA granted a guarantee for Lokalbnken in Denmark for the liabilities of Dansker Unipol to the amount of DKK 1,000 (as at the balance-sheet date the value is PLN 542,000). The guarantee is effective until December 31, 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 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 dropped by PLN 400,000 as at June 31st, 2006 in comparison with December 31st, 2005. Additionally, in the first quarter of 2006 the value of bills of exchange discounted by the company Alwernia SA dropped by PLN 140,000.

The other off-balance sheet items as at June 30th, 2006 were PLN 652,000 and dropped in comparison with December 31st, 2005 by PLN 255,000.

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

17. Assets held for sale

As at June 30th, 2006 there are no fixed assets held for sale in the Ciech Group. No operations were discontinued in the 2nd 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% 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 assessed that the following entities are empowered to cast at least 5% of votes at the General 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.

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

	As at 15.05.06.	Shares acquired	Shares sold	as at 10.08.06
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

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

From statements submitted by the persons fulfilling management and supervisory functions it arises that as at August 10th, 2006 none of the persons fulfilling management and supervisory functions holds shares in Ciech SA.

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

I Ciech SA

Ciech SA liabilities (domestic and international) claimed in court or arbitration proceedings as at December 31st, 2006.

Action by Petro Carbo Chem Aktiengesellschaft (PCC)

PCC AG filed an action in 2000 claiming damages to the amount of PLN 21,364,000 and EUR 13,861.45 (equivalent to PLN 56,000) 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 SA 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 SA filed another appeal, on the grounds of infringement of the substantive law due to its incorrect interpretation and application, and violation by the Court of Appeal of the principle of free assessment of evidence as defined in the EU directives. On April 19th, 2005 Ciech SA received a final decision of the Supreme Court dismissing its appeal.

Because the appeal was dismissed, the case returned before the District Court 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 inter alia statutory interest in respect of lost dividend for 1999 and 2000.

On November 10th, 2005, the District Court judged against PCC to full dismiss 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 of PLN 56,000) 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 SA 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 SA, 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 US\$ 3,872,943 (equivalent of PLN 12,322,000) and statutory interest according to Polish law, calculated from September 16th, 2003, which as at June 30th, 2006 constituted the amount of PLN 4,268,000. In addition, Comexport demanded the return of the cost of court proceedings and the cost of legal service to the amount of EUR 204,436.26 (equivalent of PLN 827,000).

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 SA replied to the claim by filing for dismissal of Comexport's action, inter alia on the grounds of the force majeure certificates evidencing that the mines were closed down and that the sulphur industry was being 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 pleadings supported by evidence.

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

On October 27th, 2005 Ciech SA received a court judgement, according to which all three defendants: Ciech and sulphur mines in Grzybów and Tarnobrzeg were jointly and severally to pay the amount of US\$ 2,474,166 (equivalent of PLN 7,872,000) plus the interest of 5%, from September 17th, 2003, amounting as at June 30th, 2006 to US\$ 345,000 (equivalent of PLN 1,097,000) and US\$ 123,000 (equivalent of PLN 391,000) in respect of the cost 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 SA on March 22nd, 2006. The basis for lodging the complaint is inter alia 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 law 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 SA, which is currently subject to legal analysis.

Action by Enapharm

In June 2004 the Liquidator for Enapharm in Algeria filed a claim for US\$ 172,879.84 (equivalent to PLN 550,000) in damages concerning medication deliveries by Ciech SA between 1985 and 1991.

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

The case is pending before an Algerian court. Ciech SA is represented by a local attorney, supervised by a renowned Paris law office. At a hearing held in March 2005, the court agreed with the claimant and appointed an expert to assess whether the amount of the claimed damages is well founded. Another hearing date was not appointed.

Employee claims

Three cases are currently pending against Ciech SA, filed by its former employees dismissed due to the fault of the company. The employees are demanding to be restored to work. The projections as to the result of these suits are favourable.

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

Ciech SA 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 927,000 in respect of amounts due for goods and other amounts. The projections are favourable. Ciech SA recognised a revaluation write-down for the full amount receivable.

Administrative claims

Ciech SA filed a suit to the Chief Administrative Court for refunds of customs receivables totalling PLN 94,000. The projections as to the result are favourable. Ciech SA recognised a revaluation write-down for the full amount receivable.

Bankruptcy proceedings

The total of PLN 12,753,000 is being claimed in fifty-seven domestic bankruptcy proceedings. Ciech SA filed its receivables in international bankruptcy proceedings amounting to US\$ 689,632 and EUR 487,455 (the total is equivalent of PLN 4,165,000). The largest of these claims regard bankruptcy proceedings of: Chemapol – Prague (PLN 1.099,000), Euroftal N.V. Belgium (844,000), Petrimex – Bratislava (PLN 716,000) and WMW – Novosibirsk (477,000).

The projections as to the results of the bankruptcy proceedings are unfavourable, as Ciech SA 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 27.425,000 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 of PLN 110,000). 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	3.1816
EURO rate	4.0434

II. Subsidiaries

Soda Małwy SA 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 21,596,000, with the largest claim of PLN 20,033,000 pending against the company B. Lepiarz for amounts due for goods claimed in enforcement proceedings. According to the information of Soda Małwy SA – projections are unfavourable.

Other receivables of the Soda Małwy Capital Group include bankruptcy proceedings totalling PLN 1,736,000 and composition proceedings totalling PLN 123,000.

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

Janikosoda SA Group

No claims (liabilities) were filed against Janikosoda SA and its subsidiaries, which could affect their business. Complaints are pending before the Supreme Administrative Court, filed by Janikosoda SA against decisions issued between 1999 and 2000 by the Chief Environmental Protection Inspector, imposing penalties on Janikosoda S.A. for excessive emissions of pollutants to the atmosphere, to the amount of PLN 2,330,000. The above proceedings have been suspended since 2002 on request of both parties. Currently, Janikosoda are awaiting the dismissal of these proceedings.

The Janikosoda Capital Group's claims against several dozen trade debtors in civil court proceedings total PLN 538,000. 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 and composition proceedings to recover PLN 114,000.

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 business. The company is claiming the total of PLN 1,457,000 from debtors for deliveries and services, including the largest claim pursued through enforcement proceedings for PLN 890,000, 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 its business. The Alwernia SA Group is claiming trade receivables and damages from debtors to the total amount of PLN 419,000 through court actions and enforcement proceedings. PLN 975,000 was reported for bankruptcy proceedings.

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

Cheman SA

No claims (liabilities) were filed against Cheman SA that could materially affect its business. The company Cheman SA filed court cases against several dozen trade debtors for a total of PLN 6,123,000, including PLN 1,495,000 claimed in enforcement proceedings and PLN 1,558,000 reported for bankruptcy and composition proceedings.

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

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

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 4,697,000 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 GZNF "Fosfory" Group recognised a revaluation write-down on all these receivables.

22. Information concerning one or more non-standard transactions with affiliates concluded by Ciech SA or its subsidiaries (as per the information submitted by the companies)

Transaction party	Affiliation with the party to the transaction	Subject of the transaction	Financial terms	Characteristic features specific to the contract, in particular deviating from generally applicable terms and conditions of similar agreements	Additional information
Soda Małwy					
Transoda Sp. z o.o.	subsidiary	borrowing	T/N WIBOR + bank margin of 0.7% max. up to 6%	none	borrowing granted in 2004 - repayment extended with an annex of June 8th, 2005 to December 31st, 2005 and the repayment extended with an annex of December 28th, 2005 to June 30th, 2006, the debt balance of the borrower as at June 30th, 2006 PLN 200,000, as at June 30th, 2006 the borrowing being overdue, repaid finally on July 18th, 2006
Ciech SA					
Vitrosilicon SA	subsidiary	borrowing	PLN 3,500,000		repayment date March 31st, 2011; interest rate WIBOR 3M+1% for a year
Vitrosilicon SA	subsidiary	borrowing	PLN 4,500,000		repayment date March 31st, 2011; interest rate WIBOR 3M+1% for a year
Chemana SA	subsidiary	borrowing	PLN 4,650,000		repayment date June 30th, 2011 interest rate WIBOR 3M+1% for a year. Repayment of principal instalments from September 30th, 2008 on a quarterly basis, at the end of each quarter
Chemana SA	subsidiary	borrowing	PLN 4,800,000		repayment date June 30th, 2011 interest rate WIBOR 3M+1% for a year. Repayment of principal instalments from September 30th, 2008 on a quarterly basis, at the end of each quarter

23. Information concerning loan or borrowing sureties or guarantees extended by Ciech SA or its subsidiary (as per the information submitted by the entities)

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				
Ciech SA						
KREDYT BANK SA, Sieradz Branch		4,500	by August 31st, 2006	payment to Ciech SA equal to 1% of the surety value	Chemana SA - Warsaw	subsidiary
KREDYT BANK SA, Sieradz Branch		3,750	by August 31st, 2006	payment to Ciech SA equal to 1% of the surety value	Chemana SA - Warsaw	subsidiary
BANK HANDLOWY SA		4,800	by June 30th, 2006	payment to Ciech SA equal to 1% of the surety value	Ciech-Polfa Sp. z o. o.	subsidiary
PKN ORLEN SA		1,200	no fixed date	payment to Ciech SA equal to 1% of the surety value	Chemana SA - Warsaw	subsidiary
BANK PKO SA 1st Branch in Warsaw		6,000	by August 31st, 2006	Payment to Ciech SA equal to 1% of the surety value (of PLN 2 million) + PLN 10,000 on increase + PLN 4,000	Chemana SA	subsidiary
BANK PKO SA 1st Branch in Warsaw		500	by January 21st, 2007		Chemana SA	subsidiary
Total Ciech SA		20,750				
Soda Mątwy SA						
ING BSK Leasing SA		515	by March 31st, 2007	none (lease agreement)	Transoda Sp. z o. o.	indirect subsidiary
Bank Handlowy w Warszawie SA		600	by October 31st, 2007	none	Transoda Sp. z o. o.	indirect subsidiary
Total Soda Mątwy SA		1,115				
Janikosoda SA						
BOŚ Poznań	EUR 1,977	7,996	by November 16th, 2009	no fee	Vitrosilicon SA	subsidiary
Total Janikosoda SA		7,996				
Total amount of loans covered by surety		29,861				

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 thousand s	in thousand PLN				
Soda Mątwy SA						
National Fund for Environmental Protection and Water Management (NFOŚiGW)		800	by December 31st, 2006	Real-estate taxes payable to the Town Office in Inowrocław constitute the collateral of the granted surety	Town Office in Inowrocław	none
Total Soda Mątwy SA		800				

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 thousand s	in thousand PLN				
Ciech SA						
Lokalbanken Denmark	DKK 1,000	542	31.12.2006	payment to Ciech SA equal to 1% of the guarantee value + reimbursement of banking costs	Danske Unipol AS - Denmark	subsidiary
Total Ciech SA		542				
Janikosoda						
Kompania Węglowa SA		112,000	01.01.2005 -31.12.2007		EC Kujawy	indirect subsidiary
Total Janikosoda		112,000				
Total amount of guarantees granted		112,542				

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 dominant 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%	2,843	90	1,132	0.35%	0.11%	Subsidiary
2) Polcommerce GmbH, Austria	100.00%	26,723	403	13,069	3.28%	1.29%	Subsidiary
3) Ciech-Service Sp. z o.o.	100.00%	2,106	37	1,062	0.26%	0.10%	Subsidiary
4) Boruta-Kolor Sp. z o.o.	100.00%	3,290	(292)	17,701	0.40%	1.74%	Subsidiary
5) Ciech Polfa Group							
5.1.) Polcommerce Ltd., Hungary	100.00%	1,213	(157)	972	0.15%	0.10%	Indirect subsidiary
6) InChem Sp. z o.o.	100.00%	23	(145)	2,397	0.00%	0.24%	Subsidiary
7) Ciech Finance Sp. z o.o.	100.00%	-	(7)	39	0.00%	0.00%	Subsidiary
8) Soda Mątwy Group							
8.1.) Soda-Med. Sp. z o.o.	95.72%	487	(33)	2,828	0.06%	0.28%	Indirect subsidiary
9) Nordiska Unipol AB	97.78%	12,980	189	9,306	1.59%	0.92%	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%	1,214	30	1,634	0.15%	0.16%	Indirect subsidiary
11) Chemiepetrol GmbH	60.00%	17,984	649	5,563	2.21%	0.55%	Subsidiary
12) Danske UmipolA/S	55.00%	14,902	519	3,882	1.83%	0.38%	Subsidiary

* no longer trading

Total value	Non-consolidated entities	Ciech Group (without eliminations)	Share (%)
Balance-sheet totals	59,637	2,460,804	2.42%
Net income from sales of goods and products plus financial operations	83,765	1,791,156	4.68%

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 June 30th, 2005 attributable to the Ciech Group (in thousand PLN).	Purchase cost (in thousand PLN).	Purchase cost revaluation write-downs (in thousand PLN).

					PLN)
1) Suomen Unipol Oy	15.00%	24.78%	826	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	23,836	14,046	489

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 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

A process for the first pilot assessment of employees on the basis of Management By Objectives (MBO) was prepared and then implemented in the 2nd quarter of 2006. The process had been preceded by a cycle of training workshops in preparation for professional employee assessment (factor analysis, evaluation interview, objective setting/adjustment for the 2nd half of the year). The top and middle managerial staff of Ciech SA were trained.

Development programmes e.g. Talent Promotion or Manager's Academy, addressed to outstanding employees of the Ciech Chemical Group, are being continued. The programmes implemented result in a number of interesting ideas - currently at the design stage.

In April of this year the first part of the "Super manager" competition was adjudicated, the competition being an element of the employee incentive and satisfaction enhancement programme ad promoting the best managers in the company. Stage I - "Manager with a human face" – concerned features and managerial competence characterising people who manage others, in particular: the ability to motivate, reward, assess, support the development of employees, create the right atmosphere for co-operation and the ability to use an effective style for managing people.

Other information

Work related to the implementation of a new quality assurance system, compliant with the GMP B2 standard, for trading in feed materials (baking soda and soda ash) in Ciech SA was completed in June 2006. Obtaining the GMP certificate (planned for the 4th quarter of this year) will add to the competitiveness of the Ciech Chemical Group as a manufacturer and supplier in the range being certified – at the moment IZCH Soda Mątwy SA is the sole manufacturer of baking soda and ash soda in Europe holding this type of certificate.

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

- Planned conclusion of purchasing transactions by Ciech SA for the 80% of shares in the companies Zachem SA and Organika-Sarzyna SA, which shall lead to a considerable growth of the operation and revenue of Ciech SA and the Ciech Group.
- Continuing prosperity of the European glass-making industry and domestic construction industry, which are important target markets for Ciech SA (expected 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 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 and Ukraine 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.

External factors of a general nature

Economic situation in Europe and worldwide

Ciech SA's operations rely to a large extent on chemical product exports, the level and profitability of which depend on the global economic situation in Europe and worldwide. A global economic slump could affect the demand for raw materials on global markets, thus reducing the exports turnover of Ciech SA. It is estimated that in 2006 global economy will grow at the existing pace of approx. 3.6% a year (GDP); while in the European Union (25) much slower (2.3%), although the dynamics should be higher than last year (1.6%). As for 2006, the European Chemical Industry Council (CEFIC) predicts slight and short lasting improvement of the chemical production dynamics in EU25 (for chemicals without pharmacy to 2.6% from 2.4% in 2005). Prices of chemicals are also expected to rise further.

Situation in the industries of the recipients 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 manufacturing industry. How those industries expand depends on the general economic situation in Poland. The increase in industrial production at fixed prices recorded in the first 6 months of 2006 increased by as much as 12.3% (in the comparable period of 2005 by 1.5%). Similarly, the dynamics of the chemical industry was +11.5% (+2.2% in 2005) with regard to the manufacture of chemical products and +12.2% (3.3% in 2005) with regard to the manufacture of rubber and plastics products. The acceleration of the economic growth forecast for 2006 (to 4.5-5% GDP compared to 3.4% in 2005) is reflected in the higher dynamics of sales in the chemical sector, which usually grows faster than the whole economy.

Financial standing of the agricultural industry

Ciech SA derives a certain portion of its revenue, mainly on mineral fertilisers and plant protection chemicals, from the agricultural sector. Ciech SA 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 benefit the demand for agro-chemical products and consequently, the demand for the Ciech Capital Group's products 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 Ciech SA's revenues. If no significant purchasing-power improvement is recorded in the agricultural sector, the demand for fertilizers 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 Ciech SA's turnover 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 Ciech SA's imports of raw materials. Large fluctuations in demand and prices, caused either by high economic growth rate or by an economic slump, will negatively affect the Ciech SA's trade in chemical raw materials.

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

Ciech SA is currently monitoring works on the draft Regulation concerning REACH. Efforts were also undertaken to prepare a preliminary effect analysis with regard to the system implementation in Ciech SA 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. The chemical industry must yet wait for the second reading in the European Parliament, which may spell another year or two spent struggling for provisions that are more favourable.

PLN/EURO exchange rates

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

Internal factors

Feasibility of technology investment projects such as: construction of the second glass block production line, construction of a monohydrate system, 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 (glass blocks, launching the system at the turn of May and June of this year), enhance the quality and properties of its products (the monohydrate investment) and introduce new products with potential for becoming the 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, boost the sales and profitability of glass blocks, 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 return on sales. Failure to carry through the technology investments might lead to a gradual decline in the CIECH Group's position in these markets and a lack of improvement in the sales returns.

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 of 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 SA became a holder of almost 100% interest in the soda companies (99.26% in JZS Janikosoda and 99.77% in IZCh Soda Małtwy SA). Once the whole equities are acquired in full, the Company will analyse in detail the feasibility and advisability of a merger of the soda companies.

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

As part of its growth strategy, the Ciech Group plans to build three new divisions (complementary to the existing soda division) to handle the Group's three key areas of the chemical sector: a phosphorus division, organic division and inorganic division. At the moment Ciech SA is establishing the Organic Division which will be based on the companies ZACHEM SA and Organika-Sarzyna SA. 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.

27. Reconciliation of data of equity presented in the statement for the first half of 2005 and data presented currently (2nd quarter of 2005).

Since 2002 the companies of the Ciech Group have been systematically introducing changes in accountancy policy standardising principles for the 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 according to IAS/IFRS. 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 crew.

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 standardised documentation (in particular methods and principles) regarding these measurements in individual companies.

Ciech SA hired a renowned 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 the view to meet the requirements of the auditor and eliminate 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 by the February and 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 June 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 – adjustment to intra-group sales transactions for fixed assets which were revaluated

In the consolidated statement an adjustment was made to the adjustments of an intra-group sales transaction for fixed assets which were revaluated at fair value.

Adjustment no. 5 – adjustment to minority interest

In connection with changes made to the equity of individual companies an adjustment was made to equities due to minority shareholders.

Specification	01.01-30.06.2005 according to IFRS presented with the statement for H1 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	adjustment to intra-group sales transactions for fixed assets which were revaluated	adjustment to minority interest in connection with changes in the value of the equity of individual companies	other adjustments	01.01-30.06.2005 according to IFRS presented with the statement for H1 2006 as comparable data
		ADJUSTMENT NO. 1	ADJUSTMENT NO. 2	ADJUSTMENT NO. 3	ADJUSTMENT NO. 4	ADJUSTMENT NO. 5		
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	-			5,274		(483)		4,791
Other reserve capital	78,683							78,683
Exchange differences on translation of subordinates	798						21	819
Retained earnings	562,423	(52,415)	8,890	(88)	(672)	1,320	493	519,951
Equity attributable to shareholders of the parent company	957,347	(52,415)	8,890	5,186	(672)	837	514	919,687
Minority interest	110,058					(837)	37	109,258
Total equity	1,067,405	(52,415)	8,890	5,186	(672)	0	551	1,028,945
Profit/loss for the financial year	57,021	10,209	(1,878)	54	129	0	316	65,851
Net profit/loss of shareholders of the parent company	51,780	10,209	(1,878)	54	129	(940)	316	59,670
Net profit/loss of minority shareholders	5,241					(940)		6,181

II. CONDENSED INDIVIDUAL FINANCIAL STATEMENT OF CIECH SA FOR THE 2ND QUARTER OF 2006 PREPARED IN ACCORDANCE WITH THE POLISH ACCOUNTING STANDARDS.

BALANCE SHEET

ASSETS	as at 30/06/06 end of the 2nd quarter 2006	as at 31/03/06 end of the previous quarter 2006	as at 31/12/05 end of the previous year	as at 30/06/05 end of the 2nd quarter 2005
I. Fixed assets	496,355	493,127	492,865	490,638
1. Intangible assets, including:	8,725	8,789	9,098	10,681
- Goodwill	-	-	-	-
2. Property, plant and equipment	22,756	22,955	24,691	28,843
3. Long-term receivables	-	-	-	-
3.1. From affiliates	-	-	-	-
3.2. From other entities	-	-	-	-
4. Long-term investments	447,727	446,590	444,790	445,622
4.1. Immovable property	10,790	10,961	10,961	11,040
4.2. Intangible assets	-	-	-	-
4.3. Long-term financial assets	436,937	435,629	433,829	434,582
a) in affiliates, including:	435,630	434,444	432,644	434,459
b) in other entities	1,307	1,185	1,185	123
4.4. Other long-term investments	-	-	-	-
5. Long-term prepayments and accrued income	17,147	14,793	14,286	5,492
5.1. Deferred income tax assets	17,071	14,678	14,169	5,492
5.2. Other prepayments and accrued income	76	115	117	-
II. Current assets	517,996	490,143	410,311	408,367
1. Inventories	23,684	11,285	10,987	20,497
2. Short-term receivables	305,385	297,934	310,688	331,446
2.1. from affiliates	62,551	51,692	48,709	76,812
2.2. from other entities	242,834	246,242	261,979	254,634
3. Short-term investments	186,450	179,541	88,212	55,462
3.1. Short-term financial assets	186,450	179,541	88,212	55,462
a) in affiliates	9,183	9,049	38,815	9,069
b) in other entities	56,442	75,510	257	25,859
c) cash and other money assets	120,825	94,982	49,140	20,534
3.2. Other short-term investments	-	-	-	-
4. Short-term prepayments and accrued income	2,477	1,383	424	962
Total Assets	1,014,351	983,270	903,176	899,005

LIABILITIES	as at 30/06/06 end of the 2nd quarter 2006	as at 31/03/06 end of the previous quarter 2006	as at 31/12/05 end of the previous year	as at 30/06/05 end of the 2nd quarter 2005
I. Equity	682,037	667,766	584,079	570,865
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	345,787	326,918	326,740	325,565
5. Revaluation reserve	(308)	(939)	(761)	(413)
6. Other reserve capital	76,199	76,199	76,199	76,199

LIABILITIES	as at 30/06/06 end of the 2nd quarter 2006	as at 31/03/06 end of the previous quarter 2006	as at 31/12/05 end of the previous year	as at 30/06/05 end of the 2nd quarter 2005
7. Profit (loss) brought forward	-	41,900	-	-
8. Net profit (loss)	120,358	83,687	41,900	28,687
9. Write-downs from net profit during the financial year (negative figure)	-	-	-	-
II. Liabilities and provisions for liabilities	332,314	315,504	319,097	328,140
1. Provisions for liabilities	21,605	20,778	20,736	21,495
1.1. Provision for deferred income tax	205	658	266	325
1.2. Provision for retirement benefits and similar benefits	2,207	2,087	2,247	2,410
a) long-term	1,567	1,607	1,607	2,102
b) short-term	640	480	640	308
1.3. Other provisions	19,193	18,033	18,223	18,760
a) long-term	-	-	-	-
b) short-term	19,193	18,033	18,223	18,760
2. Long-term liabilities	16,174	17,317	18,527	22,625
2.1. towards affiliates	-	-	-	-
2.2. towards other entities	16,174	17,317	18,527	22,625
3. Short-term liabilities	287,412	268,738	271,314	279,825
3.1. Towards affiliates	146,005	152,287	167,690	155,776
3.2. Towards other entities	140,730	115,669	103,025	123,385
3.3. Special funds	677	782	599	664
4. Accruals and deferred income	7,123	8,671	8,520	4,195
4.1. Negative goodwill	-	-	-	-
4.2. Other accruals and deferred income	7,123	8,671	8,520	4,195
a) long-term	-	-	-	-
b) short-term	7,123	8,671	8,520	4,195
Total liabilities	1,014,351	983,270	903,176	899,005
Book value	682,037	667,766	584,079	570,865
Number of shares	28,000,000	28,000,000	28,000,000	28,000,000
Book value per share (in PLN)	24.36	23.85	20.86	20.39
Diluted number of shares	28,000,000	28,000,000	28,000,000	28,000,000
Diluted book value per share (in PLN)	24.36	23.85	20.86	20.39

OFF-BALANCE SHEET ITEMS

<i>in thousand PLN</i>	as at 30/06/06 end of the 2nd quarter 2006	as at 31/03/06 end of the previous quarter 2006	as at 31/12/05 end of the previous year	as at 30/06/05 end of the 2nd quarter 2005
1. Contingent receivables	-	-	-	2,000
1.1. From affiliates (in respect of)	-	-	-	-
- guarantees and sureties received	-	-	-	-
1.2. From other entities (in respect of)	-	-	-	2,000
- guarantees and sureties received	-	-	-	2,000
2. Contingent liabilities	21,292	25,954	26,571	26,668
1.1. Towards affiliates (in respect of)	20,750	25,954	26,435	25,421
- guarantees and sureties granted	20,750	25,954	26,435	25,421
1.2. Towards other entities (in respect of)	542	-	136	1,247
- guarantees and sureties granted	542	-	136	1,247

<i>in thousand PLN</i>	as at 30/06/06 end of the 2nd quarter 2006	as at 31/03/06 end of the previous quarter 2006	as at 31/12/05 end of the previous year	as at 30/06/05 end of the 2nd quarter 2005
3. Other (in respect of)	9,400	9,400	9,400	9,400
- other commercial sureties	9,400	9,400	9,400	9,400
Total off-balance sheet items	30,692	35,354	35,971	38,068

PROFIT AND LOSS ACCOUNT

No	Specification	2nd quarter of 2006 period from 01/04/06 to 30/06/06	First 2 quarters year-to-date 2006 period from 01/01/06 to 30/06/06	2nd quarter of 2005 period from 01/04/05 to 30/06/05	First 2 quarters year-to-date 2005 period from 01/01/05 to 30/06/05
A.	Net income from sales of products, goods and materials, including:	369,130	702,576	387,064	811,511
	<i>from affiliates</i>	65,678	132,710	87,413	194,808
	Net income from sales of products	12,913	24,093	21,723	38,369
	Net income from sales of goods and materials	356,217	678,483	365,341	773,142
B.	Costs of products, goods and materials sold, including:	298,164	568,920	322,905	694,991
	<i>to affiliates</i>	53,095	106,193	76,291	167,964
	Costs of manufacture of the products sold	77	135	65	171
	Value of goods and materials sold	298,087	568,785	322,840	694,820
C.	Gross profit (loss) on sales	70,966	133,656	64,159	116,520
D.	Costs of sales	27,291	49,828	32,604	59,392
E.	General management costs	19,158	35,123	12,975	28,462
F.	Profit (loss) on sales	24,517	48,705	18,580	28,666
G.	Other operating revenue	1,243	2,693	1,826	3,993
	Profit on sale of non-financial fixed assets	1	307	14	49
	Subsidies	-	-	-	-
	Other operating revenue	1,242	2,386	1,812	3,944
H.	Other operating costs	1,437	2,862	4,871	8,107
	Loss on sale of non-financial fixed assets	-	-	-	-
	Revaluation of non-financial assets	720	1,613	244	1,006
	Other operating costs	717	1,249	4,627	7,101
I.	Operating profit (loss)	24,323	48,536	15,535	24,552
J.	Financial revenue	29,978	112,673	19,556	21,136
	Dividends and share in profit, including:	23,090	23,171	14,567	14,567
	<i>from affiliates</i>	23,090	23,171	14,567	14,567
	Interest, including:	1,442	2,821	4,002	5,037
	<i>from affiliates</i>	349	552	3,522	3,589
	Profit on sale of investments	228	78,887	299	299
	Revaluation of investments	1,014	1,014	333	333
	Other	4,204	6,780	355	900
K.	Financial costs	14,229	17,717	10,254	13,410
	Interest, including:	748	1,571	758	3,074
	<i>for affiliates</i>	-	-	-	-
	Loss on sale of investments	-	-	-	-
	Revaluation of investments	11,463	14,463	6,100	6,100
	Other	2,018	1,683	3,396	4,236
L.	Profit (loss) on business activity	40,072	143,492	24,837	32,278
M.	Result of extraordinary events	-	-	-	-
	Extraordinary gains	-	-	-	-

No	Specification	2nd quarter of 2006 period from 01/04/06 to 30/06/06	First 2 quarters year-to-date 2006 period from 01/01/06 to 30/06/06	2nd quarter of 2005 period from 01/04/05 to 30/06/05	First 2 quarters year-to-date 2005 period from 01/01/05 to 30/06/05
	Extraordinary losses	-	-	-	-
N.	Gross profit (loss)	40,072	143,492	24,837	32,278
O.	Income tax	3,400	23,134	1,903	3,591
	current part	6,246	26,096	2,980	4,441
	deferred part	(2,846)	(2,962)	(1,077)	(850)
P.	Other obligatory profit decreases (loss increases)	-	-	-	-
R.	Net profit (loss)	36,672	120,358	22,934	28,687
	Net profit (loss) (annualised)	133,571	-	25,166	-
	Weighted average number of ordinary shares	28,000,000	-	22,768,300	-
	Profit (loss) per ordinary share (in PLN)	4.77	-	1.11	-
	Weighted average diluted number of ordinary shares	28,000,000	-	27,803,074	-
	Diluted profit (loss) per ordinary share (in PLN)	4.77	-	0.91	-

CASH FLOW STATEMENT

	2nd quarter of 2006 period from 01/04/06 to 30/06/06	First 2 quarters year-to-date 2006 period from 01/01/06 to 30/06/06	2nd quarter of 2005 period from 01/04/05 to 30/06/05	First 2 quarters year-to-date 2005 period from 01/01/05 to 30/06/05
A. Cash flows from operating activities				
I. Net profit (loss)	36,671	120,358	22,934	28,687
II. Total adjustments	(28,683)	(82,581)	(32,548)	(31,893)
1. Depreciation	1,441	2,966	1,791	3,928
2. Gains (losses) in respect of exchange differences	4,422	2,949	(365)	(1,253)
3. Interest and share in profit (dividends)	(23,082)	(23,011)	(14,000)	(12,204)
4. Gains (losses) on investing activities	10,222	(65,743)	5,383	5,507
5. Change in provisions	828	870	1,324	1,539
6. Change in inventories	(12,398)	(12,696)	7,263	(2,037)
7. Change in receivables	(4,834)	13,234	15,260	(20,038)
8. Change in short-term liabilities, with the exception of borrowings and loans	(1,778)	3,359	(48,159)	(5,452)
9. Change in prepayments and accruals	(4,998)	(6,311)	(1,045)	(1,883)
10. Other adjustments	1,494	1,802	-	-
III. Net operating cash flows (I+/-II)	7,988	37,777	(9,614)	(3,206)
B. Cash flows from investing activities				
I. Inflows	29,936	135,698	34,499	34,906
1. Disposal of intangible assets and property, plant and equipment	1	1,242	43	371
2. Sale of investments in immovable property and intangible assets	-	-	-	-
3. From financial assets, including:	25,435	129,956	25,956	26,035
a) in affiliates	5,435	109,956	5,956	5,956
sale of financial assets	(300)	104,000	203	203
interest	145	285	-	-
dividends and share in profit	5,590	5,671	5,753	5,753
b) in other entities	20,000	20,000	20,000	20,079

	2nd quarter of 2006 period from 01/04/06 to 30/06/06	First 2 quarters year-to-date 2006 period from 01/01/06 to 30/06/06	2nd quarter of 2005 period from 01/04/05 to 30/06/05	First 2 quarters year-to-date 2005 period from 01/01/05 to 30/06/05
sale of financial assets	20,000	20,000	20,000	20,000
interest	-	-	-	79
4. Other investment inflows	4,500	4,500	8,500	8,500
II. Outflows	4,358	87,090	58,927	67,096
1. Acquisition of intangible assets and property, plant and equipment	1,158	4,090	1,362	4,594
2. Investments in immovable property and intangible assets	-	-	-	-
3. For financial assets, including:	3,200	83,000	40,065	45,002
a) in affiliates	3,200	8,000	65	65
purchase of financial assets	-	-	65	65
long-term borrowings granted	3,200	8,000	-	-
b) in other entities	-	75,000	40,000	44,937
purchase of financial assets	-	75,000	40,000	44,937
other	-	-	-	-
4. Other investment outflows	-	-	17,500	17,500
III. Net cash flows from investing activities (I-II)	25,578	48,608	(24,428)	(32,190)
C. Cash flows from financing activities				
I. Inflows	1,177	2,429	18,738	234,002
1. Net proceeds from issue of shares and other equity instruments, and additional contributions to equity	-	-	-	192,875
2. Loans and borrowings	1,177	2,429	20,910	38,918
3. Issue of debt securities	-	-	-	-
4. Other financial inflows	-	-	(2,172)	2,209
II. Outflows	7,331	15,560	27,471	181,906
1. Purchase of treasury shares	-	-	-	-
2. Dividends and other payments towards owners	-	-	-	-
3. Other outflows under distribution of profit than payments to owners	-	-	-	-
4. Repayment of loans and borrowings	7,045	14,932	27,488	163,973
5. Redemption of debt securities	-	-	-	15,000
6. Due to other financial liabilities	-	-	-	-
7. Payment of finance lease liabilities	-	-	-	149
8. Interest	286	628	567	2,784
9. Other financial expenditure	-	-	(584)	-
III. Net cash flows from financing activities (I-II)	(6,154)	(13,131)	(8,733)	52,096
D. Total net cash flows (A.III+/-B.III+/-C.III)	27,412	73,254	(42,775)	16,700
E. Balance sheet change in cash, including:	25,843	71,686	(43,168)	16,906
change in cash due to foreign exchange differences	(1,569)	(1,569)	(393)	(206)
F. Cash as at beginning of period	94,982	49,140	63,902	3,628
G. Cash as at end of period (F +/- D), including:	120,825	122,324	21,127	20,328
not fully disposable	464	464	93	378

STATEMENT OF CHANGES IN EQUITY

	2nd quarter of 2006 period from 01/04/06 to 30/06/06	First 2 quarters year-to-date /2006 period from 01/01/06 to 30/06/06	2005 period from 01/01/05 to 31/12/05	First 2 quarters year-to-date /2005 period from 01/01/05 to 30/06/05
I. Equity as at beginning of period (OB)	584,079	584,079	356,022	356,022
a) changes of the adopted accounting principles (policy)	-	-	-	-
b) corrections of fundamental errors	-	-	-	-
I.a. Equity capital as at beginning of period (OB), after reconciliation with comparable data	584,079	584,079	356,022	356,022
1. Share capital as at beginning of period:	140,001	140,001	98,982	98,982
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)	-	-	-	-
1.2. Share capital as at end of period	140,001	140,001	140,001	140,001
2. Called up share capital as at beginning of period	-	-	-	-
2.1. Changes in called up share capital	-	-	-	-
a) increases (in respect of)	-	-	-	-
b) decreases (in respect of)	-	-	-	-
2.2. Called up share capital as at end of period	-	-	-	-
3. Treasury shares as at beginning of period	-	-	(6,176)	(6,176)
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
3.2. Treasury shares as at end of period	-	-	-	-
4. Capital reserve as at beginning of period	326,918	326,740	157,186	157,186
4.1. Changes in capital reserve	18,869	19,047	169,554	168,379
a) increases (in respect of)	19,503	19,681	169,941	168,742
- issue of shares at a premium	-	-	151,328	151,328
- distribution of profit	19,500	19,500	14,824	14,823
- positive difference from revaluation of fixed assets	3	181	1,580	382
- other increases	-	-	2,209	2,209
b) decrease (in respect of)	634	634	387	363
- negative difference from revaluation of fixed assets	634	634	387	363
4.2. Capital reserve as at end of period	345,787	345,787	326,740	325,565
5. Revaluation reserve as at beginning of period	(939)	(761)	432	432
5.1. Changes in revaluation reserve	631	453	(1,193)	19
a) increases (in respect of)	634	634	387	363
- transfer of revalued FA to capital reserve with regard to their liquidation or sale	634	634	387	363
b) decreases (in respect of)	3	181	1,580	382

	2nd quarter of 2006 period from 01/04/06 to 30/06/06	First 2 quarters year-to-date /2006 period from 01/01/06 to 30/06/06	2005 period from 01/01/05 to 31/12/05	First 2 quarters year-to-date /2005 period from 01/01/05 to 30/06/05
- transfer of revalued FA to capital reserve with regard to their liquidation or sale	3	181	1,580	382
5.2. Revaluation reserve as at end of period	(308)	(308)	(761)	413
6. Other reserve capital as at beginning of period	76,199	76,199	82,375	82,375
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
6.2. Other reserve capital as at end of period	76,199	76,199	76,199	76,199
7. Profit (loss) brought forward as at beginning of period	41,900	41,900	23,223	23,223
7.1. Profit brought forward as at beginning of period	41,900	41,900	23,223	23,223
a) changes of the adopted accounting principles (policy)	-	-	-	-
b) corrections of fundamental errors	-	-	-	-
7.2. Profit brought forward, as at beginning of period, after reconciliation to comparable data	41,900	41,900	23,223	23,223
a) increases (in respect of)	83,687	-	-	-
- profit for 1st quarter of 2006	83,687	-	-	-
b) decreases (in respect of)	41,900	41,900	23,223	23,223
- distribution of profit brought forward	19,500	19,500	14,823	14,823
- dividend	22,400	22,400	8,400	8,400
7.3. Profit brought forward as at end of period	83,687	-	-	-
7.4. Loss brought forward as at beginning of period	-	-	-	-
a) changes of the adopted accounting principles (policy)	-	-	-	-
b) corrections of fundamental errors	-	-	-	-
7.5. Loss brought forward, as at beginning of period, after reconciliation with comparable data	-	-	-	-
a) increases (in respect of)	-	-	-	-
b) decreases (in respect of)	-	-	-	-
7.6 Loss brought forward as at end of period	-	-	-	-
7.7 Profit (loss) brought forward as at end of period	83,687	-	-	-
8. Net result	36,671	120,358	41,900	28,687
a) net profit	36,671	120,358	41,900	28,687
b) net loss	-	-	-	-
c) write-downs from profit	-	-	-	-
II. Equity as at end of period (CB)	682,037	682,037	584,079	570,865
III. Equity capital, after providing for the proposed distribution of profit (coverage of loss)	682,037	682,037	561,679	570,865

1. Provisions and revaluation write-downs on assets of Ciech SA – from 01.04.2006 to 30.06.2006

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

Provisions recognised in the period	<i>in thousand PLN</i>
Employee-benefit provision	3,394
Provision for costs	998
Provision for expected losses	-
Restructuring provision	-
Provision for liabilities	1,160
Deferred tax provision	-
Total	5,552

Reversed and used provisions in the period	<i>in thousand PLN</i>
Employee-benefit provision	5,011
Provision for costs	724
Provision for expected losses	-
Restructuring provision	-
Provision for liabilities	-
Deferred tax provision	453
Total	6,188

Revaluation write-downs recognised in the period	<i>in thousand PLN</i>
Revaluation write-downs on long-term financial assets	11,463
Revaluation write-downs on intangible assets	-
Revaluation write-downs on inventories	3
Revaluation write-downs on receivables	920
Total	12,386

Revaluation write-downs on reversed and used provisions in the period	<i>in thousand PLN</i>
revaluation write-downs on long-term financial assets	-
Revaluation write-downs on inventories	143
Revaluation write-downs on receivables	850
Total	993

Deferred income tax assets	<i>in thousand PLN</i>
Increases	3,291
Decreases	898

2. Financial assets of Ciech SA

CHANGES IN LONG-TERM FINANCIAL ASSETS	01.01.-30.06.2006	01.01.-31.12.2005	01.01.-30.06.2005
As at beginning of period	481,074	459,626	459,626
a) increases (in respect of)	17,450	47,628	4,965
purchase of shares	-	40,560	65
capital increase	-	5,750	4,900
transfer from short-term financial assets	-	1,318	-
borrowings granted	17,450	-	-
b) decreases (in respect of)	61,587	73,425	30,009
sale of shares	-	803	203
transfer to short-term financial assets	-	25,243	-
other	-	134	-
revaluation write-down	61,587	47,245	29,806
As at end of period	436,937	433,829	434,582

CHANGES IN SHORT-TERM FINANCIAL ASSETS	01.01.-30.06.2006	01.01.-31.12.2005	01.01.-30.06.2005
As at beginning of period	89,962	5,394	5,394
- shares	26,993	1,750	1,750
- other short-term financial assets	257	16	16
- borrowings granted	13 572	-	-
- cash	49,140	3,628	3,628
a) increases (in respect of)	127,869	84,568	51,818
- shares	-	25,243	-
- other short-term financial assets	65	241	272
- other securities	56,119	-	25,571
- borrowings granted	-	13,572	9,069
- cash	71,685	45,512	16,906
b) decreases (in respect of)	31,382	1,750	1,750
- shares	25,243	-	-
- borrowings granted	4,389	-	-
- revaluation write-down	1,750	1,750	1,750
As at end of period	186,449	88,212	55,462

3. Transactions of Ciech SA with consolidated entities

List of transactions with consolidated entities as at 30.06.2006

	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	-	218	-	-	-
2.	CIECH-Polfa Sp. z o.o.	402	146	144	-	775
3.	Daltrade Plc	10,854	-	-	-	652
4.	Elektrociepłownie Kujawskie Sp. z o.o.	799	-	-	-	-
5.	Gdańskie Zakłady Nawozów Fosforowych "FOSFOR" Sp. z o.o.	30,583	3,365	-	286	854
6.	Inowrocławskie Zakłady Chemiczne SODA MĄTWY S.A.	840	151,377	-	-	8,139
7.	Janikowskie Zakłady Sodowe JANIKOSODA S.A.	724	159,977	-	-	11,219
8.	Polsin Pte. Ltd.	8,109	28	-	-	245
9.	Przedsiębiorstwo Chemiczne Cheman S.A.	12,109	23	141	175	-
10.	Transoda Sp. z o.o.	-	7,354	-	-	-
11.	VITROSILICON S.A.	8,649	19,901	-	44	-
12.	Zakłady Chemiczne "Alwernia" S.A.	18,409	12,810	-	44	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	1,455
6.	Inowrocławskie Zakłady Chemiczne SODA MĄTWY 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	-	-	251
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 30.06.2005

	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	-	171	-	-	-
2.	CIECH-Polfa Sp. z o.o.	472	161	461	-	290
3.	Daltrade Plc	10,953	2	-	-	-
4.	Elektrociepłownie Kujawskie Sp. z o.o.	765	-	-	-	-
5.	Gdańskie Zakłady Nawozów Fosforowych "FOSFOR" Sp. z o.o.	39,997	6,491	-	69	1,455
6.	Inowrocławskie Zakłady Chemiczne SODA MĄTWY S.A.	448	155,312	-	43	2,033

	Name of company	Sale of goods and services	Purchase of goods and services	Other operating revenue	Financial revenue (interest)	Financial revenue (dividends)
7.	Janikowskie Zakłady Sodowe JANIKOSODA S.A.	394	165,328	-	37	6,658
8.	Petrochemia-Blachownia S.A.	19,455	79,701	177	-	2,150
9.	Polsin Pte. Ltd.	645	23	-	-	-
10.	Przedsiębiorstwo Chemiczne Cheman S.A.	21,795	45	182	215	-
11.	Transoda Sp. z o.o.	-	4,193	-	-	-
12.	VITROSILICON S.A.	8,637	18,176	-	-	550
13.	Zakłady Chemiczne "Alwernia" S.A.	67,755	8,446	-	15	303

4. Additional information of Ciech SA for the second quarter ending on June 30th, 2006.

Accounting principles applicable in preparation of the periodic report for the second quarter ending on June 30th, 2006

The quarterly report of Ciech SA was prepared in accordance with applicable accounting principles, with the use of valuation of assets and liabilities and measurement of the net financial result as at the balance-sheet day, 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 a method of preparing the financial statement and comparable data in Ciech S.A. was included in the introduction to the Annual Report prepared as at December 31st, 2005 publicly disclosed on May 11th, 2006.

III. Statement of the Management Board

This extended consolidated quarterly report of the Ciech Group for the 2nd quarter of 2006 was approved by the Management Board of the Company at its registered office on August 10th, 2006.

Warsaw, August 10th, 2006

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

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

.....
Wiktor Cwynar – Member of the Management Board of Ciech SA

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