



**EXTENDED CONSOLIDATED
QUARTERLY REPORT
OF THE CIECH CHEMICAL GROUP
in the 1st quarter of 2007**

CONSOLIDATED SELECTED FIGURES	in thousands PLN		in thousands EUR	
	1st quarter year-to-date from 01/01/07 to 31/03/07	1st quarter year-to-date from 01/01/06 to 31/03/06	1st quarter year-to-date from 01/01/07 to 31/03/07	1st quarter year-to-date from 01/01/06 to 31/03/06
Net sales revenue	919 741	471 232	235 449	122 538
Operating profit (loss)	155 942	38 397	39 920	9 985
Profit (loss) before taxes	153 572	45 127	39 314	11 735
Total net profit (loss)	130 909	62 471	33 512	16 245
Net profit (loss) of shareholders of the parent company	130 267	62 334	33 348	16 209
Net profit (loss) of minority shareholders	642	137	164	36
Net cash flow from operating activities	23 591	47 554	6 039	12 366
Net cash flow from investing activities	(45 490)	(8 018)	(11 645)	(2 085)
Net cash flow from financing activities	64 300	(13 914)	16 460	(3 618)
Total net cash flow	42 401	25 622	10 854	6 663
Total Assets	2 902 241	1 665 980	750 030	423 300
Long-term liabilities	599 643	114 024	154 967	28 972
Short-term liabilities	1 013 524	470 887	261 926	119 645
Total equity	1 289 074	1 081 069	333 137	274 683
Equity attributable to equity holders of the parent company	1 239 122	1 030 937	320 228	261 945
Minority's share	49 952	50 132	12 909	12 738
Share capital	164 115	164 115	42 412	41 699
Profit (loss) per share (in PLN / EUR)	4.67	2.22	1.20	0.58

INDIVIDUAL SELECTED FIGURES	in thousands PLN		in thousands EUR	
	1st quarter year-to-date from 01/01/07 to 31/03/07	1st quarter year-to-date from 01/01/06 to 31/03/06	1st quarter year-to-date from 01/01/07 to 31/03/07	1st quarter year-to-date from 01/01/06 to 31/03/06
Net income from sale of products, goods and materials	533 332	333 446	136 530	86 708
Profit (loss) on operating activity	43 756	24 287	11 201	6 316
Gross profit (loss)	44 241	103 494	11 325	26 912
Net profit (loss)	35 896	83 746	9 189	21 777
Net cash flow from operating activities	66 140	28 961	16 931	7 531
Net cash flow from investing activities	(34 196)	23 030	(8 754)	5 989
Net cash flow from financing activities	33 142	(6 635)	8 484	(1 725)
Total net cash flow	65 086	45 356	16 662	11 794
Total assets	1 566 380	984 891	404 802	250 245
Liabilities and reserves for liabilities	800 377	314 830	206 842	79 993
Long-term liabilities	252 827	18 924	65 338	4 808
Short-term liabilities	547 550	295 906	141 504	75 185
Equity	766 003	670 061	197 959	170 252
Share capital	164 115	164 115	42 412	41 699

I. CONSOLIDATED FINANCIAL REPORT OF THE CIECH CHEMICAL GROUP

CONSOLIDATED INCOME STATEMENT <i>in thousands of Polish zlotys</i>	01.01.-31.03.2007			01.01.-31.03.2006		
	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL
Net sales revenue	919 518	223	919 741	471 232	-	471 232
Cost of sales	(663 140)	(210)	(663 350)	(353 852)	-	(353 852)
Gross profit/loss on sales	256 378	13	256 391	117 380	-	117 380
Other operating income	45 097	-	45 097	6 521	-	6 521
Selling costs	(63 421)	(356)	(63 777)	(36 175)	-	(36 175)
Administrative expenses	(66 105)	-	(66 105)	(37 168)	-	(37 168)
Other operating expenses	(15 664)	-	(15 664)	(12 161)	-	(12 161)
Operating profit/loss	156 285	(343)	155 942	38 397	-	38 397
Finance income	6 284	-	6 284	9 283	-	9 283
Finance costs	(10 790)	-	(10 790)	(2 962)	-	(2 962)
Net financial income / costs	(4 506)	-	(4 506)	6 321	-	6 321
Share of the net profits of subsidiaries accounted for using the equity method	2 136	-	2 136	409	-	409
Profit/loss before taxes	153 915	(343)	153 572	45 127	-	45 127
Income tax	(22 663)	-	(22 663)	(9 465)	-	(9 465)
Net profit/loss	131 252	(343)	130 909	35 662	-	35 662
Sales profit/loss relative to discontinued operations	-	-	-	-	26 809	26 809
Profit for the marketing year	131 252	(343)	130 909	35 662	26 809	62 471
including:						
Profit/loss attributable to equity holders of the parent company	130 610	(343)	130 267	35 630	26 704	62 334
Profit/loss attributable to minority interest	642	-	642	32	105	137
Profit per share (in PLN):						
Basic	4.68	(0.01)	4.67	1.27	0.95	2.22
Diluted	4.68	(0.01)	4.67	1.27	0.95	2.22

CONSOLIDATED BALANCE SHEET*in thousands of Polish zlotys*

CONSOLIDATED BALANCE SHEET	31.03.2007	31.12.2006	31.03.2006	31.12.2005
<i>in thousands of Polish zlotys</i>				
ASSETS				
Non-current assets				
Property, plant and equipment	1 157 977	1 156 719	716 689	704 458
Perpetual leasehold rights	1 578	1 534	998	733
Intangible assets, including:	354 913	354 705	21 026	21 588
- goodwill	325 136	323 091	39	39
Investment property	14 298	14 430	14 555	15 552
Long-term receivables	35	37	3 068	166
Investments in associates and joint ventures accounted for using the equity method	46 370	42 220	42 426	39 431
Other long-term investments	55 116	39 464	14 676	25 752
Deferred tax assets	25 226	26 162	9 754	10 141
Total non-current assets	1 655 513	1 635 271	823 192	817 821
Current assets				
Inventories	222 389	243 179	129 972	132 450
Short-term investments	3 228	614	75 519	269
Income tax receivable	8 596	10 399	3 909	5 324
Trade and other receivables	813 663	696 869	510 077	493 591
Cash and cash equivalents	198 852	147 453	123 311	101 216
Current assets available for sale	-	2 327	-	84 461
Total current assets	1 246 728	1 100 841	842 788	817 311
Total Assets	2 902 241	2 736 112	1 665 980	1 635 132
EQUITY AND LIABILITIES				
Equity				
Share capital	164 115	164 115	164 115	164 115
Treasury shares	(6 124)	(6 124)	-	-
Share premium reserve	151 245	151 328	151 328	151 328
Equity components relative to assets available for sale	-	-	-	-
Revaluation reserve	18 143	11 986	5 914	3 543
Other reserve capital	78 682	78 683	78 683	78 683
Foreign exchange differences arising from translation of subsidiaries	(521)	(1 082)	(431)	(248)
Retained earnings	833 582	687 877	631 328	572 220
Equity attributable to equity holders of the parent company	1 239 122	1 086 783	1 030 937	969 641
Minority interest	49 952	50 435	50 132	49 490
Total equity	1 289 074	1 137 218	1 081 069	1 019 131
Liabilities				
Borrowings and other debt instruments	350 405	316 863	51 737	49 305
Employee benefits	55 812	55 502	27 268	25 821
Other long-term reserves	104 356	103 934	21 644	21 609
Other long-term liabilities	72 623	72 545	-	-
Deferred tax provision	16 447	15 143	13 375	13 263
Total non-current liabilities	599 643	563 987	114 024	109 998
Overdraft facility	23 744	14 311	9 373	12 976

CONSOLIDATED BALANCE SHEET

Borrowings and other debt instruments	346 002	276 368	107 156	124 190
Trade and other payables	542 896	651 501	303 040	314 329
Income tax payable	42 362	27 714	20 412	995
Provisions (short-term employee-benefit and other provisions)	58 520	65 013	30 906	30 659
Liabilities arising from non-current assets available for sale	-	-	-	22 854
Total current liabilities	1 013 524	1 034 907	470 887	506 003
Total liabilities	1 613 167	1 598 894	584 911	616 001
Total Liabilities	2 902 241	2 736 112	1 665 980	1 635 132

OFF-BALANCE SHEET ITEMS

<i>in thousands of Polish zlotys</i>	31.03.2007	31.03.2006
1. Contingent receivables	-	1 500
- guarantees and sureties received	-	1 500
- other off-balance sheet receivables	-	-
2. Contingent liabilities	43 710	5 776
- guarantees and sureties granted	41 666	5 307
- other off-balance sheet liabilities	2 044	469
3. Other	690	795
- other	690	795
Total off-balance sheet items	44 400	8 071

CONSOLIDATED CASH FLOW STATEMENT*in thousands of Polish zlotys*

CONSOLIDATED CASH FLOW STATEMENT	01.01-31.03.2007	01.01-31.03.2006
<i>in thousands of Polish zlotys</i>		
Cash flows from operating activities		
Profit (loss) for the period	130 909	62 471
Depreciation	37 017	22 962
Recognition / reversal of impairment losses	(63)	3 629
Gains / losses on foreign exchange differences	(1 702)	(1 398)
Investment property revaluations	(27)	-
Gains / losses on investing activities	(733)	(2 766)
Gains / losses on disposal of current assets	(15 357)	(1 019)
Interest and dividends	3 723	2 225
Input income tax	22 663	9 465
Gains / losses on shares in entities accounted for using the equity method	(2 136)	(409)
Operating profit before changes in current assets and reserves	174 294	95 160
Changes in receivables	(172 972)	14 105
Changes in inventories	24 908	2 571
Changes in current liabilities	17 727	(32 382)
Changes in reserves and employee benefits	(5 180)	664
Net cash generated from operations	38 777	80 118
Interest paid	(4 922)	(2 108)
Income taxes paid	(7 083)	(3 124)

CONSOLIDATED CASH FLOW STATEMENT	01.01-31.03.2007	01.01-31.03.2006
<i>in thousands of Polish zlotys</i>		
other adjustments	(3 181)	(523)
Gains / losses on disposal of discontinued operations	-	(26 809)
Net cash from operating activities	23 591	47 554
Cash flows from investing activities		
Inflows (in "+")		
Disposal of intangible assets and property, plant and equipment	18 695	2 249
Disposal of a subsidiary	-	104 750
Disposal of investments	-	-
Dividends received	-	81
Interest received	4 106	203
Other inflows	-	3
Outflows (in "-")		
Acquisition of intangible assets and property, plant and equipment	(50 468)	(32 842)
Acquisition of subsidiary (net of cash acquired)	(2 763)	-
Purchase of investment property	-	-
Purchase of other investments	-	(79 800)
Research and development expense	-	-
Margin deposit	(15,046)	-
Other inflows	(14)	(2 662)
Net cash used in investing activities	(45 490)	(8 018)
Cash flows from financing activities		
Inflows (in "+")		
Proceeds from issue of share capital and other equity instruments, and capital contributions	-	-
Proceeds from issue of convertible preference shares	-	-
Proceeds from borrowings	90 456	22 664
Other financial inflows	-	31
Outflows (in "-")		
Purchase of treasury shares	-	-
Dividends paid and other payments to equity holders	-	-
Dividends paid to minority interest holders	-	-
Repayment of borrowings	(25 765)	(36 001)
Redemption of debt securities	-	-
Payment of finance lease liabilities	(376)	(299)
Other financial outflows	(15)	(309)
Net cash used in financing activities	64 300	(13 914)
Total net cash flow	42 401	25 622
Cash at beginning of period	133 142	88 240
Impact of foreign exchange differences	(435)	76
Cash at end of period	175 108	113 938

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

<i>in thousands of Polish zlotys</i>	Allocated to shareholders of the parent company							Retained earnings	Total equity attributable to equity holders of the parent company	Minority interest	Total equity
	Share capital	Treasury shares	Share premium reserve	Equity components relative to assets available for sale	Revaluation reserve	Other reserve capital	Foreign exchange differences arising from translation of subsidiaries				
Equity as of (beginning of period) 01/01/2007:											
Brought forward	164 115	(6 124)	151 328	-	11 986	78 683	(1 082)	687 877	1 086 783	50 435	1 137 218
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-	-
Fundamental error corrections	-	-	-	-	-	-	-	-	-	-	-
Balance (restated) at:	164 115	(6 124)	151 328	-	11 986	78 683	(1 082)	687 877	1 086 783	50 435	1 137 218
exchange differences on translating foreign operations	-	-	-	-	-	-	561	-	561	(115)	446
adjustment of fixed assets	-	-	-	-	3 913	-	-	-	3 913	12	3 925
measurement at the current value of long-term liabilities	-	-	-	-	-	-	-	14 299	14 299	1 168	15 467
financial instrument measurement	-	-	-	-	269	-	-	-	269	-	269
long-term investment measurement	-	-	-	-	2 009	-	-	-	2 009	5	2 014
total income and expenditure for the financial year recognised directly in equity	-	-	-	-	6 191	-	561	14 299	21 051	1 070	22 121
Net profit (loss)	-	-	-	-	-	-	-	130 267	130 267	642	130 909
total income and expenditure for the financial year	-	-	-	-	6 191	-	561	144 566	151 318	1 712	153 030
changes in the group's composition	-	-	(83)	-	(34)	(1)	-	-	(118)	(1 031)	(1 149)
recognition of minority interest in equity of minority shareholders - adjustment connected with negative capitals of the companies	-	-	-	-	-	-	-	1 154	1 154	(1 154)	-
other increases	-	-	-	-	-	-	-	(15)	(15)	(10)	(25)
Equity as of (end of period) 31/03/2007:	164 115	(6 124)	151 245	-	18 143	78 682	(521)	833 582	1 239 122	49 952	1 289 074

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

<i>in thousands of Polish zlotys</i>	Allocated to shareholders of the parent company							Retained earnings	Total equity attributable to equity holders of the parent company	Minority interest	Total equity
	Share capital	Treasury shares	Share premium reserve	Equity components relative to assets available for sale	Revaluation reserve	Other reserve capital	Foreign exchange differences arising from translation of subsidiaries				
Equity as of (beginning of period) 01/01/2006:											
Brought forward	164 115	-	151 328	-	3 543	78 683	(248)	572 220	969 641	49 490	1 019 131
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-	-
Fundamental error corrections	-	-	-	-	-	-	-	-	-	-	-
Balance (restated) at:	164 115	-	151 328	-	3 543	78 683	(248)	572 220	969 641	49 490	1 019 131
exchange differences on translating foreign operations	-	-	-	-	-	-	(183)	-	(183)	(95)	(278)
financial instrument measurement	-	-	-	-	2 371	-	-	-	2 371	12	2 383
total income and expenditure for the financial year recognised directly in equity	-	-	-	-	2 371	-	(183)	-	2 188	(83)	2 105
Net profit (loss)	-	-	-	-	-	-	-	62 334	62 334	137	62 471
total income and expenditure for the financial year	-	-	-	-	2 371	-	(183)	62 334	64 522	54	64 576
changes in the group's composition	-	-	-	-	-	-	-	(3 251)	(3 251)	588	(2 663)
Other increases	-	-	-	-	-	-	-	25	25	-	25
Equity as of (end of period) 31/03/2006:	164 115	-	151 328	-	5 914	78 683	(431)	631 328	1 030 937	50 132	1 081 069

Additional information to the financial report of the Ciech Capital Group

1. General Information

Presented consolidated financial report for the period from January 1st, 2007 to March 31st, 2007, including comparative information was approved for publication by the Management Board of Ciech SA on May 10th, 2007.

This consolidated report comprises the financial statements of CIECH SA, the parent company and its subsidiaries (jointly called the "Ciech Group"; "the Group"), and the Group's interests in associates and joint ventures.

Description of organization in the Ciech Group

The Ciech Capital Group's parent company is CIECH Spółka Akcyjna with its registered office in Warsaw, at ul. Powązkowska 46/50, registered under entry no. 0000011687 with the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register.

The Ciech Group is a group of domestic and foreign manufacturing, distribution, and trade companies operating in the chemical industry. As of March 31st, 2007, it comprised 52 business entities, including:

- parent company CIECH SA
- 33 subsidiaries, including:
 - 25 domestic subsidiaries
 - 8 foreign subsidiaries
- 16 domestic associates
- 2 foreign associates

The Ciech Group comprises direct subsidiaries and directly associated companies, for which CIECH SA is a parent company, as well as indirect subsidiaries and indirectly associated companies, whose parent companies are direct subsidiaries of CIECH SA.

The Ciech Group conducts manufacturing activity connected with the sale of own products, and trading activity related to trading with goods. Trading activity is carried out in major part by CIECH SA and by domestic and foreign commercial companies being Ciech SA's subsidiaries, manufacturing activity, however, is carried out by the Ciech SA's subsidiaries of the manufacturing type.

When preparing the consolidated financial statement for the first quarter of 2007, the following companies were taken into consideration:

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

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

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

The parent company does not have branches.

List of consolidated entities measured using the equity method in the first quarter of 2007: comparative figures

Company/Group	Consolidation method as of 31.03.2007 and CIECH SA's control	Consolidation method as of 31.03.2006 and CIECH SA's control
1) CIECH SA	Parent company	Parent company
2) CIECH POLFA Sp. z o.o.	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
3) CIECH FINANCE Group	-	-
3.1) CIECH FINANCE Spółka z ograniczoną odpowiedzialnością	Fully consolidated subsidiary of CIECH SA	The company was not subject to consolidation due to intangibility of financial data
3.2) Cheman S.A.	Indirect lower-tier subsidiary of CIECH SA – full consolidation on the level of the Ciech Group. Subsidiaries of CIECH FINANCE Spółka z ograniczoną odpowiedzialnością have been included in the consolidation by CIECH SA starting with the statement for the financial year 2006.	Fully consolidated subsidiary of CIECH SA
4) PETROCHEMIA-BLACHOWNIA Group	-	Fully-consolidated lower-tier Capital Group
4.1) Petrochemia-Blachownia Spółka Akcyjna	-	The company was sold on January 10th, 2006
4.2) BI-Trans Sp. z o.o.	-	The company was sold on January 10th, 2006
5) SODA MAŁTY Group	Fully-consolidated lower-tier Capital Group	Fully-consolidated lower-tier Capital Group
5.1) SODA MAŁTY S.A.	Lower-tier group parent (subsidiary of CIECH SA)	Lower-tier group parent (subsidiary of CIECH SA)
5.2) TRANSODA Sp. z o.o.	Indirect lower-tier subsidiary of CIECH SA; full consolidation. Since March 10th, 2006 merged with "Jantrans-Janikowo" Spółka z ograniczoną odpowiedzialnością	Indirect lower-tier subsidiary of CIECH SA; full consolidation.

Company/Group	Consolidation method as of 31.03.2007 and CIECH SA's control	Consolidation method as of 31.03.2006 and CIECH SA's control
5.3) Elektrociepłownie Kujawskie Spółka z ograniczoną odpowiedzialnością	Indirect lower-tier subsidiary of CIECH SA; full consolidation.	Indirect lower-tier subsidiary of CIECH SA; full consolidation.
5.4) Polskie Towarzystwo Ubezpieczeń SA	Indirect lower-tier associate with Ciech SA valuated using the equity method.	Indirect lower-tier associate of Ciech SA valuated using the equity method.
6) JANIKOSODA Group	Fully-consolidated lower-tier Capital Group	Fully-consolidated lower-tier Capital Group
6.1) JANIKOSODA S.A.	Lower-tier group parent (subsidiary of CIECH SA)	Lower-tier group parent (controlled by CIECH SA)
6.2) Polskie Towarzystwo Ubezpieczeń SA	Indirect lower-tier associate with Ciech SA valuated using the equity method.	Indirect lower-tier associate of Ciech SA valuated using the equity method.
7) FOSFORY Group	Fully-consolidated lower-tier Capital Group	Fully-consolidated lower-tier Capital Group
8.1) GZNF "FOSFORY" Sp. z o.o.	Lower-tier group parent (controlled by CIECH SA)	Lower-tier group parent (controlled by CIECH SA)
8.2) "AGROCHEM" Spółka z ograniczoną odpowiedzialnością - in Dobre Miasto	Indirect lower-tier subsidiary of CIECH SA; full consolidation.	Indirect lower-tier subsidiary of CIECH SA; full consolidation.
8.3) "AGROCHEM" Spółka z ograniczoną odpowiedzialnością - in 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 Capital Group
9.1) "Alwernia" S.A.	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
9.2) ALWERNIA-CHROM Spółka z ograniczoną odpowiedzialnością	The company was sold in January 2006	The company was sold in January 2006
10) POLSIN PRIVATE LIMITED	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) VITOSILICON S.A.	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
13) Przedsiębiorstwo Transportowo-Uługowe TRASCLEAN Sp. z o.o.	CIECH SA's subsidiary, fully consolidated since December 31st, 2006	Associate with Ciech SA valuated using the equity method.
14) Zakłady Chemiczne "Organika-Sarzynia" SA	CIECH SA's subsidiary, fully consolidated since December 31st, 2006	-
15) ZACHEM Group		
15.1) ZACHEM S.A.	CIECH SA's subsidiary, fully consolidated since December 31st, 2006	-
15.2) ZACHEM UCR Spółka z ograniczoną odpowiedzialnością	Indirect lower-tier subsidiary of CIECH SA; full consolidation.	-
15.3) ZACHEM Barwniki Spółka z ograniczoną odpowiedzialnością	Indirect lower-tier subsidiary of CIECH SA; full consolidation.	-
16) S.C. Uzinele Sodice Govora S.A.	CIECH SA's subsidiary, fully consolidated since December 31st, 2006	-
17) ZACH-CIECH Sp. z o.o.	-	Bankruptcy of the Company was declared on January 24th, 2006.

The business of the parent company and its subsidiaries is:**▪ CIECH SA, Parent Company**

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

Fully consolidated lower-tier subsidiary Groups:**▪ SODA MĄTWY Group**

- manufacture of other inorganic basic chemicals
- wholesale of chemical products
- production and distribution of electricity
- transport services of goods shipping

▪ FOSFORY Group

- manufacture of fertilizers 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 seeds
- transshipment services based on own transshipment and storage base

▪ JANIKOSODA Group

- production of salt
- manufacture of industrial gas
- manufacture of other inorganic basic chemicals
- manufacture of other chemical products n.e.c.

▪ ZACHEM Group

- manufacture of organic and other non-organic chemicals
- manufacture and sales of plastics
- manufacture of plastic plates, sheets, tubes and profiles
- manufacture of dyes and pigments
- manufacture of other general-purpose machinery n.e.c.

Fully consolidated entities:**▪ Zakłady Chemiczne "Alwernia" Spółka Akcyjna**

- manufacture of other inorganic basic chemicals
- manufacture of dyes and pigments
- manufacture of other organic basic chemicals
- manufacture of fertilizers and nitrogen compounds
- manufacture of gypsum
- production of heat (steam and hot water)

▪ "VITROSILICON" Spółka Akcyjna

- manufacture of other inorganic basic chemicals
- manufacture of household and technical glassware
- manufacture of plastic packing goods
- manufacture of other plastic products

▪ "CIECH POLFA" Spółka z ograniczoną odpowiedzialnością

- wholesale of pharmaceutical goods
- wholesale of chemical products
- wholesale of perfume and cosmetics
- retail sale of medical and orthopaedic goods

- **Przedsiębiorstwo Chemiczne Cheman Spółka Akcyjna**
 - wholesale and distribution of solid inorganic and organic chemicals
 - wholesale and distribution of materials for household chemicals
 - wholesale and distribution of cosmetic and pharmaceutical materials
 - wholesale and distribution of builders, pigments, raw materials for paints and varnishes
 - wholesale and distribution of food and feed additives
 - wholesale and distribution of acids, bases, and other liquid chemicals
- **Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna**
 - manufacture of plastics
 - manufacture of pesticides and other agro-chemical products
- **CIECH FINANCE Spółka z ograniczoną odpowiedzialnością**
 - management of disinvestment projects connected with unnecessary fixed assets (immovable property) and financial assets (shares of capital companies)
- **Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Spółka z ograniczoną odpowiedzialnością**
 - international transport of liquid chemicals
 - tank truck- and rail tank car wash
- **S.C. Uzinele Sodice Govora SA**
 - manufacture of other inorganic basic chemicals
 - wholesale of chemical products
- **POLSIN PRIVATE LIMITED**
 - wholesale and retail sales of a variety of goods in Far East markets
- **DALTRADE PLC.**
 - distribution and wholesale of chemicals in the UK market

2. Statement of Compliance

The consolidated financial statement of Ciech Group, as well as financial statements of all subsidiaries and associated companies of Ciech SA for the presented period and corresponding periods has been prepared according to the International Financial Reporting Standards (IFRS) adopted for usage in the European Union as of March 31st, 2007.

As for Zakłady Chemiczne ZACHEM Spółka Akcyjna, Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna and S.C. Uzinele Sodice Govora S.A. initial settlement established on provisional basis, provided for by IFRS 3 "business mergers" has been applied. These companies were included in consolidation as of December 31st, 2006, on the basis of the book value of their assets and liabilities. After the pending measurement at fair value of particular identifiable assets, liabilities and contingent liabilities of these companies, any adjustments resulting from completion of initial provisional settlement shall be entered into the consolidated financial statement as of the date of acquisition and as of the following balance sheet dates.

The parent's management used their best judgement in the selection and interpretation of the applicable standards, as well as in the selection of the measurement methods and principles for the different items of the Ciech Group's IFRS consolidated financial statements as of March 31st 2007 and the comparative figures. Due diligence was exercised when preparing the tables and explanations below. The financial information presented here was not audited.

3. Basis for preparing consolidated financial statements

The presented financial statement has been prepared under the assumption of the going concern of CIECH SA, the parent company, as well as of all subsidiaries and associated companies consolidated or valued using the equity method.

The measurement and reporting currency for the purposes of this consolidated financial statement is the Polish zloty. Unless provided otherwise, the data in the consolidated financial statement have been presented in thousands of Polish zloty (PLN '000).

Preparation of financial statements in compliance with IFRS requires the Management to exercise professional judgement, estimates, and objectives that affect the adopted accounting principles and the measurement of the assets, liabilities, income, and expense. All estimates and the related assumptions are based on a historical experience various other factors considered reasonable under the given circumstances, and the results of such estimates are the basis for a professional judgement of the carrying value of the assets and liabilities, which cannot be calculated using other sources. The actual values may differ from the estimated values.

The estimates and assumptions are revised on a continuing basis. 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.

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

For the purposes of presentation of selected financial data, certain assets and liabilities were translated into euros at the average exchange rate announced at the balance-sheet date (March 31st, 2007) by the National Bank of Poland to be 3.8695. Particular items on the income statement were translated into euros at a rate calculated as the arithmetic mean of the average EUR exchange rates determined by the National Bank of Poland at the last day of each month: from January to March 2007, respectively: 3.9320; 3.9175; 3.8695. The exchange rate for the presented reporting period is 3.9063.

4. Significant accounting and consolidation principles

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

Accounting principles applicable in preparation of periodical report for the first quarter ending 31 March 2007

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

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

5. Major achievements of Ciech SA and the Group companies in the first quarter of 2007

CIECH SA / S.C. Uzinele Sodice Govora S.A.

- On January 8th, 2007, the heat and power station S.C. CET Govora S.A. on the one hand and the soda company S.C. Uzinele Sodice Govora S.A. and Ciech SA on the other hand signed an agreement concerning the restructuring of US Govora's debt to CET Govora for energy supplies. The repayment of the principal of EUR 18 million shall take place within 9 years with a 1-year grace period. At the same time, CET Govora S.A. undertook to convert the interest debt in the amount of EUR 5.8 million to 7,943,853 shares in US Govora. The signed agreement is a stage of the restructuring of the Romanian soda company.
- On January 24th, 2007, CIECH SA opened at Bank Pekao SA a bank guarantee for the amount of EUR 18,054,691.92. The guarantee was issued for C.E.T. Govora S.A. in Romania. It was issued to secure the payment of amounts resulting from the purchase of receivables of U.S. Govora SA.
- On February 6th, 2007, the General Shareholders' Meeting of Uzinele Sodice Govora SA (a subsidiary of Ciech SA) adopted a resolution on an increase in the company's share capital by 15,887,706 shares, with a par value of RON 2.5 (1 EURO = 3.3678 RON). The heat and power station S.C. CET Govora SA shall hold 7,943,853 shares as part of the conversion of the interest debt of S.C. Uzinele Sodice Govora S.A. (agreement of January 8th, 2007). The present shareholders, that is AVAS (2.89% of shares), CIECH SA (93.14% of shares) and others (3.97% of shares), according to the right of priority, are entitled to hold 7,943,853 shares after the resolution of GSM becomes final, that is after February 16th, 2007.
- On February 26th, 2007, CIECH SA signed an agreement with its subsidiary S.C. Uzinele Sodice Govora S.A. on restructuring of S.C. Uzinele Sodice Govora S.A.'s debt towards CIECH SA in the amount of EUR 18 million. The repayment shall take place within 9 years with a 1-year grace period. The agreement concluded is an effect of an agreement signed on January 8th, 2007, between S.C. CET Govora SA on the one hand and S.C. Uzinele Sodice Govora S.A. and Ciech SA on the other hand on the restructuring of S.C. Uzinele Sodice Govora S.A.'s debt for energy deliveries.

CIECH SA

- On January 12th, 2007 and on January 22nd, 2007, the District Court of Warsaw 11th Economic Division - Registry of liens made entries in the registry of liens on shares (total number of pledged shares 4,134,448) in Janikowskie Zakłady Sodowe JANIKOSODA SA (CIECH SA holds 99.26% of shares in Janikosoda S.A.) in favour of Bank Pekao S.A. The established pledge secures a loan of PLN 216,000,000 taken on December 13th, 2006 for the purchase of the Zakłady Chemiczne "Organika- Sarzyna" Spółka Akcyjna shares.
- On January 15th, 2007, CIECH SA signed a contract with Z.Ch. "POLICE" S.A. on the purchase of fertilisers worth EUR 781,200, intended for the Spanish market. It is another agreement for nitrogenous, two-component and multiple-compound phosphate fertilisers and other chemicals (sodium compounds) concluded with this supplier since May 30th, 2006 until now. The total value of the agreements amounts to PLN 72.4 million.
- The Extraordinary General Shareholders' Meeting of CIECH SA on January 31st, 2007, adopted a resolution concerning the expansion of the Company's Management Board, appointing Mr. Marek Trosiński to the Management Board of CIECH SA.
- On February 5th, 2007, the subsidiary Elektrociepłownie Kujawskie Spółka z ograniczoną odpowiedzialnością signed an annex to the long-term sales contract on coal dust with Kampania Węglowa SA. The annex concerns the purchase of coal-dust in 2007, a basic raw material for Elektrociepłownie Kujawskie Spółka z ograniczoną odpowiedzialnością.
- On February 26th, 2007, CIECH SA received a decision by the District Court for the Capital City of Warsaw, 11th Business Division of February 13th, 2007 on the pledge entry in the registry of pledges. Registered shares of Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna in the volume of 6,792,000 all shares worth PLN 300 million are the subject of the pledge. The Court's decision results from the Contract on Registered Pledge concluded on December 20th, 2006, which provided for the appointment of CIECH SA. as the Pledger for Nafta Polska S.A., the Pledgee, of the registered pledge on shares securing payments for contractual penalties in the event of CIECH SA's failure to perform or improper performance of any contractual obligations under the Sales Agreement for shares in Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna.
- On March 26th, 2007, CIECH SA acquired 6,062 shares in Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna and holds 99.85% of the Company's capital. Furthermore, CIECH SA acquired 15,684 shares in Inowrocławskie Zakłady Chemiczne SODA MAŁY Spółka Akcyjna and holds 99.61% of the Company's capital.
- On March 27th, 2007, conditions of dense soda ash sales for 2007 were signed by CIECH SA with the entities included in the Owens Illinois group with its registered office in One Michael Owens Way Perrysburg (the manufacturer of glass containers). Expected total value of deliveries amounts to approx. PLN 78 million.
- On March 30th, two contracts between Polish Steam and CIECH SA were signed. The first concerns the dispatch of Polish sulphur to Moroccan ports namely Casablanca and Safi, between February and December 2007. Value of the contract is approx. PLN 11.6 million. The second contract is related to the transport of phosphorites from Casablanca to Gdańsk between February 2007 and February 2008. The value of the contract is worth PLN 43.4 million.

JANIKOSODA S. A.

- A new manufacturing system for salt pelletizing with a maximum capacity of 50 thousand tons per year has been launched in Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna.
- JANIKOSODA S.A. stopped manufacturing chalk as of January 1st, 2007, by a Resolution of the Management Board and by a separate Resolution of the Supervisory Board. This production was not profitable and the analysis carried out confirmed this tendency in the years to come.

"Alwernia" S.A.

- In "Alwernia" S.A. assignments connected with adaptation of idle system to produce fertilizers based on waste product use are being finalised.

Chemman S.A.

- Chemman S.A. handles negotiations with a potential investor interested in the purchase of property in Błaszki. All the necessary documentation has been prepared and the preliminary sales contract has been signed in the form of a Notarial Deed.

6. Detailed information concerning the consolidated profits of the Ciech Group

The Ciech Group's net profit reached PLN 130,909 thousand in Q1 2007, balance-sheet total amounted to PLN 2,902,241 thousand, and changes in net cash increased by PLN 42,401 thousand (compared to PLN 25,618 thousand in the corresponding period previous year). The table below presents the selected financial data and the basic financial ratios for the first quarter of 2007 and 2006.

Table 1. Selected Figures

<i>in thousands PLN</i>	Q1 of 2007	Q1 of 2006	2007/2006 dynamics
Net sales revenue	919 741	471 232	95.2%
Cost of sales	663 350	353 852	87.5%
Gross profit	256 391	117 380	118.4%
Selling costs	63 777	36 175	76.3%
Administrative expenses	66 105	37 168	77.9%
Other Operating Income / Expense	29 433	-5 640	-621.9%
Operating profit	155 942	38 397	306.1%
Financial income / expense	-4 506	6 321	-171.3%
Share of the profits of subsidiaries accounted for using the equity method	2 136	409	422.2%
Income tax	22 663	9 465	139.4%
Sales profit relative to discontinued operations	0	26 809	-
Net profit	130 909	62 471	109.6%
Net profit of minority shareholders	642	137	368.6%
Profit attributable to equity holders of the parent company	130 267	62 334	109.0%
EBITDA	192 959	61 359	214.5%

<i>in thousands PLN.</i>	31.03.2007	31.03.2006	2007/2006 dynamics
Value of assets	2 902 241	1 665 980	74.2%
Non-current assets	1 655 513	823 192	101.1%
Current assets, including:	1 246 728	842 788	47.9%
- inventories	222 389	129 972	71.1%
- short-term receivables	822 259	513 986	60.0%
- cash and cash equivalents	198 852	123 311	61.3%
- short-term investments	3 228	75 519	-95.7%
Total equity	1 289 074	1 081 069	19.2%
Equity attributable to equity holders of the parent company	1 239 122	1 030 937	20.2%
Minority interest	49 952	50 132	-0.4%
Long-term liabilities	599 643	114 024	425.9%
Short-term liabilities	1 013 524	470 887	115.2%

<i>in thousands PLN.</i>	Q1 of 2007	Q1 of 2006	2007/2006 dynamics
Cash flow from operating activities	23 591	47 550	23 591
Cash flow from investing activities	-45 490	-8 018	-45 490
Cash flow from financing activities	64 300	-13 914	64 300
Total cash flow	42 401	25 618	42 401

	Q1 of 2007	Q1 of 2006	2007/2006 dynamics
Net earnings per share	4.67	2.22	110.6%
Net profit margin	14.2%	13.2%	7.1%
EBIT%	17.0%	8.1%	108.1%
EBITDA %	21.0%	13.0%	61.1%
Current ratio	1.2	1.8	-33.3%
Quick ratio	1.0	1.5	-33.3%
Total debt ratio	55.6%	35.1%	58.3%
Equity to assets ratio	44.4%	64.9%	-31.6%

Source: CIECH SA

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 (according to the definition of IAS 33 "Earnings per share")

net return – net profit for the shareholders in 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 period-end / current debt at the period-end,

quick ratio – current assets less inventories at the period-end / current debt at the period-end,

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

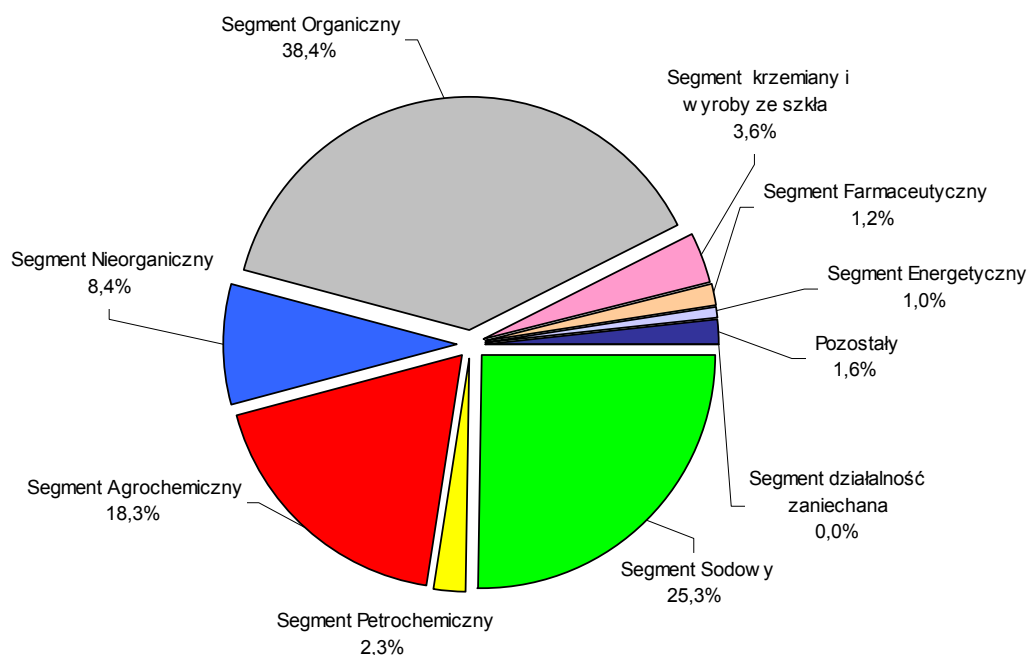
equity to assets ratio – total equity as of period-end / total assets as of period-end

Sales revenues

The Group's net consolidated sales for the first quarter of 2007 was PLN 919,741 thousand. Revenues increased by PLN 448,509 thousand, which is over 95% in comparison with the first quarter of 2006. The increase was mainly attributed to sales generated by the companies acquired in the fourth quarter of 2006: Z.Ch. "Organika-Sarzyna" S.A., ZACHEM S.A. and S.C. Uzinele Sodice Govora S.A. The economic situation was favourable as far as sales of the Ciech Group products was concerned in Q1 2007. Sales prices of the main products from the soda segment were higher than in the corresponding period the previous year. High dynamics of the main organic product prices (TDI and EPI), as well as growing demand resulted in considerably higher revenues recorded by the Organic Division than expected in 2006. More favourable pricing and demand-related relations were also present in the marketplaces where GZNF "FOSFOR" Sp. z o.o. and "Alwernia" S.A. operate.

Net sales revenue in Q1 2007 divided into business segments has been presented in the figure below.

Figure 1. Structure of income from sales



Source: CIECH SA

Starting with the grey colour in the graph going clockwise:

The Organic Segment 38.4%

The Inorganic Segment 8.4%

The Agrochemical Segment 18.3%

The Petrochemical Segment 2.3%

The Soda Segment 25.3%

Discontinued Operations 0.0%

Other 1.6%

The Energetic Segment 1.0%

The Pharmaceutical Segment 1.2%

The Silicates and Glass Products Segment 3.6%

In 2007, the Ciech Group business has focused on the four fundamental segments of activity - the organic, soda, agrochemical, and inorganic segments. These segments generated over 90% income from sales. The structure of the Group income was subject to change in Q1 2007; sales of the organic segment (the soda segment before) took the leading role in the consolidated income, which was caused by the acquisition of ZACHEM S.A. and Z.Ch. "Organika-Sarzyna" S.A. in the fourth quarter of 2006.

Soda Segment

In the first quarter of 2007, the soda segment generated over 25% income of the Group sales. 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 MAŁY S.A. and JANIKOSODA S.A. The Group companies are the sole manufacturers of soda in Poland. Sales operations in the soda segment are handled by S.C. Uzinele Sodice Govora S.A., the Romanian soda company acquired in the fourth quarter of 2006. The main product in this segment is soda ash, which accounts for 78% of sales in this segment. Compared with the corresponding period in 2006, sales revenues in the segment increased by 17%, almost entirely due to recognition of the S.C. Uzinele Sodice Govora S.A. sales as consolidated income. Sales prices of the Polish companies' main products were higher in Q1 2007 than in the corresponding period the previous year; however sales volume was slightly lower due to failures of steam boilers in JANIKOSODA S.A. The segment's result was better in the corresponding period previous year by approx. 6%, mainly due to higher sales prices. Prices for coke, one of the main raw materials, were unfavourable. Possible increase of manufacturing cost was curbed thanks to application of anthracite in the production process, which compensated the increase of coke prices.

Agro-Chemical Segment

The agrochemical segment generated over 18% income from the Group sales in the first quarter of 2007. The following organisations operate within the agrochemical segment: the FOSFORO Group dealing with production of fertilizers and their sales in the domestic marketplace, Z.Ch. "Organika-Sarzyna" S.A. manufacturing mainly plant protection agents and CIECH SA, the parent company, exporting products of GZNF "FOSFORO" Sp. z o.o., acting as an agent in sales of the Z.Ch. "Organika-Sarzyna" S.A. products and of other domestic manufacturers and finally importing raw materials intended for fertilizer production. Fertilizers (48%) and plant protection agents (47%) make the leading positions generating the segment's income. The segment's income more than doubled and the segment's result almost quadrupled, which primarily was the effect of the Z.Ch. "Organika-Sarzyna" S.A. income consolidation. The following factors had a less significant effect on the agrochemical segment results: increase in sales, improvement of the result recorded by the FOSFORO Group (the market conditions were unfavourable for the GZNF "FOSFORO" Sp. z o.o. products in the first quarter this year - mostly due to bad weather conditions).

Organic segment

The organic segment generated over 38% of income of the Group sales in the first quarter of 2007. ZACHEM S.A., the manufacturer of the main products in the segment, namely TDI and EPI, has a leading role in this segment. Sales of these products are carried out by CIECH SA entitled to do so under exclusive rights granted. The organic segment also covers products of "Organika-Sarzyna" S.A. to an inconsiderable extent (mainly resins). CIECH SA provides export agency services of chosen products of Z.Ch. "Organika-Sarzyna" (on a consignment basis) and handles foreign trade in products of suppliers outside the Group. Main products of the segment are: TDI - 45% segment sales, resins - 17% and epichlorohydrin (EPI) - 8%. Income from the organic segment increased over six times compared to income results recorded in the corresponding period in 2006 while the result increased almost ten times. The main reasons for the aforesaid was recognition in the Ciech Group results of profit from sales of products from the companies acquired in the fourth quarter of 2006: ZACHEM S.A. and Z.Ch. "Organika-Sarzyna" S.A. Furthermore, it is necessary to highlight a very good economic situation for the TDI and EPI markets in Q1 of 2007.

Inorganic segment

The inorganic segment generated over 8% of income of the Group sales in the first quarter of 2006. The subsidiary - "Alwernia" SA, - which manufactures phosphorus (42% of the segment income) and chromium compounds (7%), is the main manufacturer in this segment; the company imports raw materials and exports some of its products through CIECH SA. The segment comprises such products as sodium hydroxide (16% of the segment sales) and hydrochloric acid (7%), whose suppliers are ZACHEM S.A. and companies outside the Group, sold by CIECH SA and other commercial companies of the Group. Sulphur accounting for 13% of the segment income is sold by CIECH SA on the consignment basis. The segment income increased in the first quarter of 2007 in relation to the corresponding period in 2006 by 43%, while the result increased by 59%. This was an effect of: (a) higher demand for the products of "Alwernia" S.A. than previous year, (b) recognitions of inorganic products of ZACHEM S.A. in consolidated results and (c) increased sales of sulphur.

Silicates and glass products segment

The share of the silicates and glass products segment in income from the Group sales amounted to 4%. The subsidiary, "VITROSILICON" Spółka Akcyjna that manufactures silicates, glass blocks, and glass lanterns, is the main manufacturer in this segment. "VITROSILICON" Spółka Akcyjna is the sole manufacturer of glass blocks in Poland. Glass blocks and lanterns accounted for 52% of the segment income and contributed the most to the segment's revenue as well as sodium water glass, which accounted for 33% of the segment income. The growth of sales in the segment compared to the corresponding period in 2006 was 26% and was caused by an increase in sales of particular product groups in the segment, resulting from productive property investment carried out by "VITROSILICON" Spółka Akcyjna since 2006 and from market growth and higher demand. Development initiatives contributed to season increase in costs, which effected in lower profitability and decrease in the result (by approx. 9%).

Petrochemical Segment

Having sold the Petrochemia Blachownia SA shares in 2006 and having completed the Group's strategy of withdrawal from production in the petrochemical segment, its participation in the Group's sales remains irrelevant (it accounts for over 2% of income). Currently, the segment comprises commercial agency transactions handled by CIECH SA and by PCh CHEMAN S.A.

Table No. 2
Sales revenue by business segment

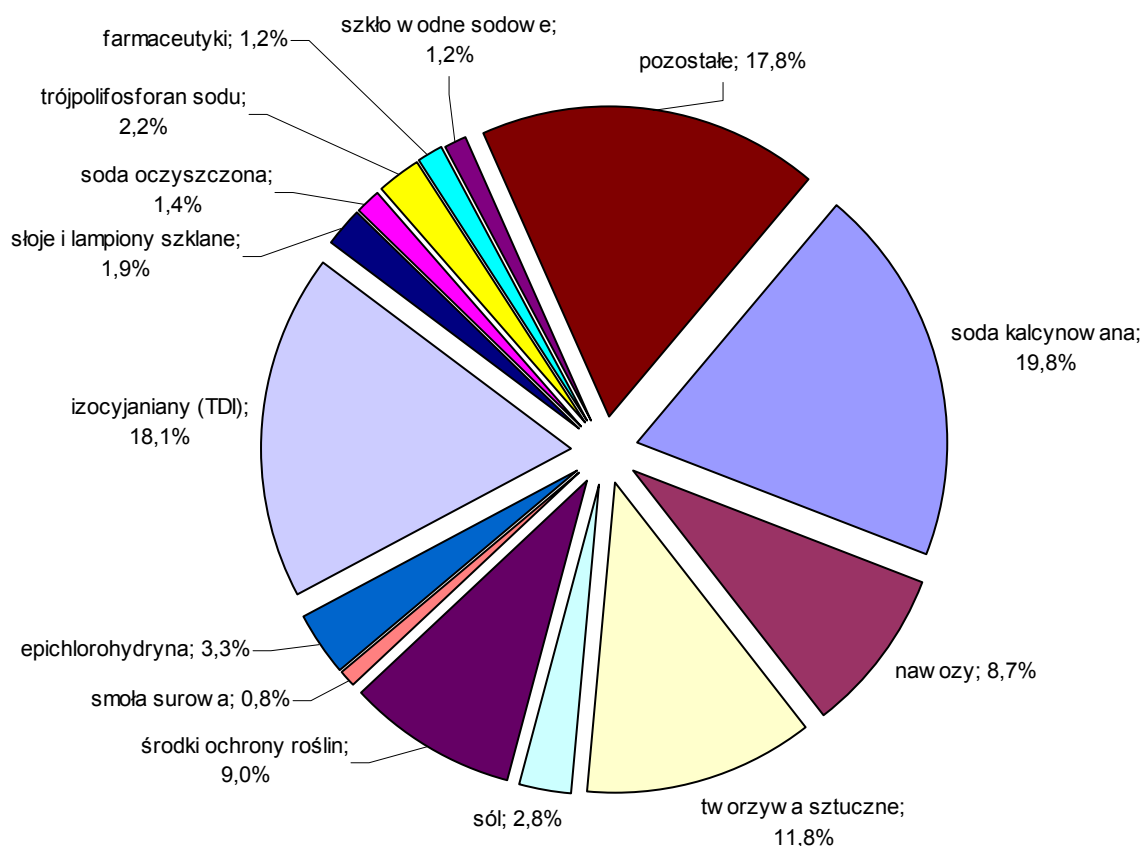
<i>in thousands of Polish zlotys</i>	01.01.-31.03.2007	01.01.-31.03.2006
Soda Segment	232 626	199 634
Petrochemical Segment	20 940	14 468
Agro-Chemical Segment	167 960	81 244
Inorganic Segment	76 900	53 825
Organic Segment	352 855	55 855
Segment of silicates and glass products	32 899	26 113

<i>in thousands of Polish zlotys</i>	01.01.-31.03.2007	01.01.-31.03.2006
Pharmaceutical Segment	11 472	29 455
Power Generation Segment	9 208	1 703
Other	14 657	8 935
Discontinued Operations	223	0
TOTAL	919 741	471 232

Source: CIECH SA

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

Figure 2. Sales income distribution by leading product shares



Source: CIECH SA

Starting with the violet colour going clockwise:

- Sodium water glass 1.2%
- Pharmaceutical goods 1.2%
- Pentasodium triphosphate 2.2%
- Baking soda 1.4%
- Jars and glass lanterns 1.9%
- Isocyanates (TDI) 18.1%
- Epichlorohydrin 3.3%
- Crude tar 0.8%
- Plant protection agents 9.0%
- Salt 2.8%
- Plastics 11.8%
- Fertilizers 8.7%
- Soda ash 19.8%
- Other 17.8%

Gross sales profit

The consolidated gross sales profit for the first quarter of 2007 was PLN 256,391 thousand. Profit increased by PLN 139,011 thousand compared to the previous year. The profit results were given a boost mainly thanks to results' consolidation of the Polish companies acquired in the fourth quarter of 2006: Z.Ch. "Organika-Sarzynna" S.A. and ZACHEM S.A. and thanks to increase in sales result of these companies' products in CIECH SA.

Operating profit (EBIT)

In the first quarter of 2007, the operating profit amounted to PLN 155,942 thousand (it amounted to PLN 38,397 thousand in the corresponding period in 2006). The main source of profit was a dynamic growth of the Organic Division in the first quarter of 2007, including: (a) recognition of the Z.Ch. "Organika-Sarzyna" S.A. and ZACHEM S.A. profit in the Group result (consolidated since the first quarter of 2007) and (b) increase in the CIECH SA's profit due to trade in organic products (TDI and EPI). The following factors also had a positive yet less significant effect on the operating result: (a) increase in the main product prices of the soda segment, (b) improvement in the balance of other operating activity in GK SODA MAŹWY – including income from sales of CO2 emission rights for 2007 carried out in 2007 (PLN 6.3 million) and (c) improvement of results in GK FOSFORY and "Alwernia" S.A. (more favourable market conditions compared to the first quarter of 2006). Negative EBIT of S.C. Uzinele Sodice Govora S.A. (approx. PLN 9.6 million) and to a lesser extent, decreased production in JANIKOSODA S.A. caused by steam boiler failures had an adverse effect on the operating profit. EBIT margin rate amounted to 17.0% in the first quarter of 2007 (8.1% the year before). Increase in return on operating activity was largely caused by results of Z.Ch. "Organika-Sarzyna" S.A. and ZACHEM S.A., whose EBIT margin rates were considerably higher during the 3 months of 2007 than those recorded by other companies of the Group.

Net result

The consolidated net profit for Q1 2007 was PLN 130,909 thousand, including PLN 130,267 thousand accounting for net profit for the shareholders in the parent company. The net profitability reached a level of 14.2% (13.2% the year before). The Group recorded an increase in the net result by PLN 68,438 thousand in relation to the corresponding period the previous year. This is attributed almost entirely to an increase in the operating profit (by PLN 117,545 thousand). An increase in costs of bank financing (effects of intensified use of bank credits by the Group to finance growth investments) had a negative effect on the net profit.

Table 3. Financial performance by type of business operations (PLN '000)

	Q1 of 2007	Q1 of 2006	2006/2005 dynamics
1. Operating profit	155 942	38 397	306.1%
2. Net finance income (costs)	-4 506	6 321	-171.3%
3. Share of the net profits of subsidiaries accounted for using the equity method	2 136	409	422.2%
4. Income tax	22 663	9 465	139.4%
5. Sales profit relative to discontinued operations	0	26 809	-
6. Net profit (1+2+3-4+5)	130 909	62 471	109.6%
7. Profit attributable to minority interests	642	137	368.6%
8. Profit for the shareholders in the parent company (6-7)	130 267	62 334	109.0%

Source: CIECH SA

Balance Sheet**Equity**

The consolidated equity of the Group as of March 31st, 2007, was PLN 1,289,074 thousand (including equity of the parent company of PLN 1,239,122 thousand), which is higher than the equity of the previous year by PLN 208,005 thousand. The equity growth was due mainly to retained earnings, including generation of the net profit for the first quarter of 2007 in the amount of PLN 130,909 thousand.

Non-current assets

Non-current assets of the Group were worth PLN 1,655,513 thousand at the end of the first quarter of 2007. The value of the non-current assets more than doubled (it increased by PLN 832,321 thousand), compared to the corresponding period in 2006. The increase concerned mainly acquisitions conducted in the fourth quarter of 2006; which resulted in increase of non-current assets by PLN 701,913 thousand (including increase by the goodwill amount at PLN 306,443 thousand). Furthermore, between April 2006 and March 2007 the Group companies carried out the investment projects (mainly in productive property) in order to keep up with the current pace of organic growth. In particular, it concerned the following companies: "VITROSILICON" Spółka Akcyjna, GK SODA MAŹWY, and JANIKOSODA S.A. An increase in fixed assets share in total assets up to 57% (49% the year before) was prompted by the aforesaid factors.

Current assets

The Group's current assets amounted to PLN 1,246,728 thousand as of March 31st, 2007. In the current asset structure, the following elements were dominant: (a) trade and other receivables – 66% of the current assets, (b) inventories – 18% and (c) cash and cash equivalents – 16%. In comparison to the status at the end of the first quarter of 2006, current asset value increased by 48%, which is by PLN 403,940 thousand. In a major part, it resulted from the recognition of assets, from the companies acquired in the fourth quarter of 2006, in the consolidated balance sheet.

Consolidated liabilities

The total short-term and long-term debt of the Ciech Group at March 31st, 2007 stood at 1,613,167 thousand, which is more than at the end of the first quarter of 2006 by PLN 1,028,256 thousand. The long-term liabilities were worth PLN 599,643 thousand. This balance sheet item increased over five times contributing in major part to the increase of: (a) liabilities due to long-term credits and loans by PLN 298,668 thousand, (b) other long-term provisions by the amount of PLN 82,712 thousand and (c) other long-term liabilities by PLN 72,623 thousand. Credits increased mainly in CIECH SA (by PLN 235,261 thousand – mostly financing the acquisition purchases) and to a lesser extent in the following companies: (a) "VITROSILICON" Spółka Akcyjna (by PLN 23,693 thousand - financing investment purchases: Huta Pobiedziska) and (b) the soda companies at the total amount of PLN 32,133 thousand – financing development projects. Increase in other long-term provisions resulted almost entirely from figures in the balance sheets of Z.Ch. "Organika-Sarzyna" S.A., ZACHEM S.A. and S.C. Uzinele Sodice Govora S.A. Increase in other long-term liabilities was prompted most of all by recognition in the balance sheet of liabilities concerning the future buyout of shares from the State Treasury and employees of ZACHEM S.A. and Z.Ch. "Organika-Sarzyna" S.A. Short-term liabilities were worth PLN 1,013,524 thousand, which makes an increase of PLN 542,637 thousand compared to the status as of March 31st, 2006. The following liabilities were subject to increase: (a) trade and other payables increased by PLN 239,856 thousand (mainly acquisitions conducted in the fourth quarter of 2006) and (b) borrowings by PLN 238,846 thousand (largely an increase in CIECH SA by PLN 174,685 thousand – mainly financing investments carried out in the fourth quarter of 2006 and increases in the use of bank resources for activity financing).

Consolidated debt

Net debt at the end of the first quarter of 2007 (comprising bank loans, other loans, debt instrument-related liabilities, and financial lease liabilities less cash) amounted to PLN 521,299 thousand (PLN 44,955 thousand the year before). Such an increase in net debt ensued from growing bank liabilities (mainly financing investments). As a result, the Group's debt index (calculated as the ratio of net debt to the total assets) increased from 2.7% to 18.0% in comparison to March 31st, 2006. The financial advantage (the ratio of net debt to the sum of net debt and total equity) at the end of the first quarter of 2007 was 28.8%. The year before the very index was 4.0%.

The Ciech Group has the full capacity to repay all its debt. The current ratio, calculated as the ratio of total current assets to short-term debt, amounted to 1.2 as of March 31st, 2007, while the increased cash flow ratio amounted to 1.0. The year before, the very indexes were higher. Decrease was mostly prompted by acquisition and investments. Short-term credits, which were one of the resources of project financing, increased. In addition, ZACHEM S.A. and S.C. Uzinele Sodice Govora S.A. are characterised by lower liquidity than that recorded in the Ciech Group before acquisitions. Improvement in liquidity is one of the key restructuring assumptions of the companies acquired.

The non-current assets to fixed assets cover ratio (total equity, liabilities and long-term reserves) amounted to 114% at March 31st, 2007 and despite its fall (145% on 31.03.2006) its level was considered safe.

The net debt ratio / equity stood at 40.5% at the end of the first quarter of 2007 (4.2% the year before).

The Ciech Group's debt was stable at the end of the first quarter of 2007; value of total liabilities was worth 55.6% of assets. An increase from 35.1% (as of 31.03.2006) evidences use of potential, announced in the strategic plans, of acquisitions financed from foreign resources the Group obtained after the stock exchange entry in 2005.

Cash flows

The net cash flows in the first quarter of 2007 amounted to PLN 42,401 thousand. The Group generated the cash flows amount lower by PLN 16,783 thousand in the corresponding period previous year. Net cash from operating activities was PLN 23,591 thousand and was half the amount generated in the first quarter of 2006 (mainly due to the change in movement of current assets items). The main source of cash from operating activity in the first quarter of 2007 was the result attained on core business (gross sales profit less sales costs and overhead costs) along with depreciation. Change in current assets was negative and amounted to PLN -135,465 thousand, which basically ensued from: (a) increases of receivables decreasing liabilities of S.C. Uzinele Sodice Govora S.A. – within restructuring, sales was intensified, however due to problems with suppliers' credibility, raw materials are purchased in cash, while past due payables have been partially repaid and (b) more intensive growth of commercial receivables than liabilities in the agrochemical segment - deferred payments from recipients dealing with agricultural production are typical of first quarters. The negative cash flows from operating activities were additionally affected by: (a) interest paid (mainly from credits – the Ciech Group increased in 2007 the level of use of bank financing resources in comparison with the corresponding period previous year) and (b) income tax paid (higher than the year before due to more favourable financial conditions of the Group companies).

The surplus of investment expenditure over investment inflows amounted to PLN 45,490 thousand in the first quarter of 2007. The main expenditure was: (a) investment expenditure incurred in the Polish soda companies at the total of PLN 41,045 thousand (mostly in productive property within development projects and modernisation) and (b) deposit issued by CIECH SA in the amount of PLN 15,046 thousand, accounting for a collateral of the bank guarantee issued within restructuring of the S.C. Uzinele Sodice Govora S.A.'s debt. Sale of property, plant and equipment by ZACHEM S.A. (PLN 18,099 thousand - the company completes the restructuring program within the area of removal of unnecessary assets) was the main source of investment inflows.

Net cash generated in financing activities totalled PLN 64,300 thousand. The increase was prompted by surplus of taken borrowings and loans over the repaid ones, which amounted to PLN 64,691 thousand, including: (a) CIECH SA's PLN 33,142 thousand and (b) the Polish productive companies carrying out investment projects in 2007 (JANIKOSODA S.A., SODA MAŃWY S.A., "VITROSILICON" Spółka Akcyjna and Z.Ch. "Organika-Sarzyna" S.A.) – PLN 27,652 thousand in total.

Cash as disclosed in the cash-flow statement at the end of the first quarter of 2007, amounted to PLN 175,108 thousand.

7. Income and profits/losses by business segments

01.01.-31.03.2007

<i>in thousands of Polish zlotys</i>	Soda Segment	Power Generation Segment	Organic Segment	Petrochemical Segment	Agro-Chemical Segment	Pharmaceutical segment	Segment of silicates and glass products	Inorganic Segment	Discontinued Operations	Other Operations	Eliminations (consolidation adjustments)	TOTAL
Revenue from third parties	224 200	8 931	352 852	20 940	167 932	11 472	32 899	76 763	223	13 764	-	909 977
Income from inter-segment sales	23 005	55 265	10 877	983	1 557	45	52	14 722	-	16 976	(115 128)	8 354
Total revenue	247 205	64 196	363 729	21 923	169 489	11 517	32 951	91 485	223	30 740	(115 128)	918 331
Segment profit/loss	70 066	3 848	71 030	735	56 988	4 147	3 270	17 421	15	9 364	(9 519)	227 366
Unallocated (expenses) / income												(71 424)
Operating profit												155 942
Net finance income (costs)												(4 506)
Share of profit of associates	-	-	-	-	-	-	-	-	-	2 136	-	2 136
Tax												(22 663)
Profit on discontinued operations												-
Net profit												130 909

01.01.-31.03.2006

<i>in thousands of Polish zlotys</i>	Soda Segment	Power Generation Segment	Organic Segment	Petrochemical Segment	Agro-Chemical Segment	Pharmaceutical Segment	Segment of silicates and glass products	Inorganic Segment	Other Operations	Eliminations (consolidation adjustments)	TOTAL	
Revenue from third parties	185 383	1 665	55 851	31 309	81 244	12 614	26 113	53 632	8 758		456 569	
Income from inter-segment sales	23 248	53 612	64		5		62	627	7 562	(70 517)	14 663	
Total revenue	208 631	55 277	55 915	31 309	81 249	12 614	26 175	54 259	16 320	(70 517)	471 232	
Expense by segments, including:	(142 620)	(52 355)	(49 042)	(30 423)	(66 206)	(7 881)	(22 585)	(43 304)	(8 840)	70 113	(353 143)	
Segment profit/loss	66 011	2 922	6 873	886	15 043	4 733	3 590	10 955	7 480	(404)	118 089	
Unallocated (expenses) / income												(79 692)
Operating profit												38 397
Net finance income (costs)												6 321
Share of profit of associates									409			409
Tax												(9 465)
Profit on discontinued operations												26 809
Net profit												62 471

8. Purchase and disposal of property, plant and equipment and commitments to purchase property, plant and equipment

in thousands PLN.

Data from 01.01.2007 to 31.03.2007	Purchase	Disposal
a) Property, plant and equipment, including	6 862	993
land, buildings, structures, and land- and water engineering facilities	1 100	-
machinery and equipment	4 267	255
means of transport	1 058	710
other fixed assets	437	28
b) Fixed assets under construction	27 963	2 488
c) Advances on fixed assets under construction (net)	1 104	734
Total property, plant and equipment	35 929	4 215

CIECH SA

CIECH SA purchased PPE worth PLN 223 thousand in total, including PLN 208 thousand spent on purchases of machinery and technical equipment. All property, plant, and equipment were financed from its own resources.

Zakłady Chemiczne "Alwernia" Spółka Akcyjna

"Alwernia" S.A. purchased PPE worth PLN 150 thousand, including PLN 98 thousand spent on purchases of machinery and technical equipment, it also spent PLN 40 thousand on land, buildings, structures, and land- and water engineering facilities. Purchase of PPE at the amount of PLN 150 thousand, was financed from its own resources.

Przedsiębiorstwo Chemiczne Cheman Spółka Akcyjna

Cheman SA purchased PPE for the total of PLN 58 thousand, including PLN 55 thousand spent on purchases of machinery and technical equipment. Purchase of PPE was financed from its own resources.

FOSFORY Group

GZNF "FOSFORY" Sp. z o.o. purchased PPE worth PLN 3,432 thousand, including PLN 1,468 thousand intended for machinery and technical equipment, PLN 885 thousand for land, buildings, structures, and land- and water engineering facilities, and PLN 336 thousand for means of transport. Property, plant, and equipment were purchased from its own resources.

JANIKOSODA Group

Janikosoda SA (lower-tier parent) assigned the amount of PLN 12,699 thousand for the purchase of fixed assets under construction. The purchase was financed from its own resources.

"CIECH POLFA" Spółka z ograniczoną odpowiedzialnością

The company purchased PPE worth PLN 227 thousand, including PLN 207 thousand spent on purchase of means of transport, and PLN 19 thousand on machinery and technical equipment. All non-current assets were financed from its own funds.

SODA MAŃWY Group

SODA MAŃWY S.A. (lower-tier parent) purchased fixed assets worth PLN 11,632 thousand, and purchased fixed assets under construction worth PLN 8,759 thousand, machinery, and equipment worth PLN 2,263 thousand and advances on fixed assets under construction worth PLN 245 thousand. Furthermore, the company sold fixed assets under construction estimated at PLN 3,222 thousand. The company finances construction of the "Monohydrate System" thanks to the credit taken in the amount of PLN 7,463 thousand, other property, plant, and equipment was purchased from its own resources.

"VITROSILICON" Spółka Akcyjna

The company spent PLN 3,111 thousand on purchase of fixed assets under construction. Total value of property, plant, and equipment amounted to PLN 3,148 thousand. All the purchases of fixed assets were financed from its own funds.

ZACHEM Group

ZACHEM S.A. (lower-tier parent) purchased PPE for the total of PLN 430 thousand, including 280 thousand intended for fixed assets under construction, while PLN 87 thousand for means of transport. Fixed assets were purchased from its own funds.

Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna

Z.Ch. "Organika-Sarzyna" S.A. purchased PPE worth the total amount of PLN 2,057 thousand. The amount of PLN 1,686 thousand was spent on fixed assets under construction. Fixed assets were purchased for PLN 371 thousand, including means of transport for PLN 282 thousand accounting for the largest item. Purchases of property, plant, and equipment were financed from its own resources.

Uzinele Sodice Govora

The company purchased PPE worth the total amount of PLN 1,707 thousand from its own resources. The amount of PLN 719 thousand was spent on fixed assets under construction. Advances on fixed assets under construction, whereas, amounted to PLN 859 thousand.

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

In the presented quarter, the previously mentioned events did not occur in the Ciech Group.

10. Provisions and impairment of assets – from 01.01.2007 to 31.03.2007

The Ciech Group's consolidated financial statement for the first quarter of 2007, showed the following recognitions and reversals of provisions and impairment of assets.

Provisions recognised in Q1 2007	<i>thousand PLN</i>
Deferred tax provision	2 242
Provision for severance pays, leaves, bonuses, reimbursements, etc.	5 572
Provision for expected losses	-
Provision for environment protection	2 082
Restructuring provision	-
Provision for expected commitments (expenses)	8 527
Total	18 423

Provisions reversed in Q1 2007	<i>thousand PLN</i>
Deferred tax provision	575
Provision for severance pays, leaves, bonuses, reimbursements, etc.	10 062
Provision for expected losses	26
Provision for environment protection	454
Restructuring provision	91
Provision for commitments (expenses)	11 801
Total	23 009

Impairment losses on assets (increase) recognised in Q1 2007	<i>thousand PLN</i>
Revaluation write-downs on short-term receivables	10 198
Inventory revaluation write-downs	1 087
Impairment losses on long-term financial assets (shares and stocks)	523
Impairment losses on PPE and intangible assets	-
Total	11 808

Impairment losses on assets (decrease) in Q1 2007	<i>thousand PLN</i>
Revaluation write-downs on short-term receivables	-
Inventory revaluation write-downs	2 749
Impairment losses on long-term financial assets (shares and stocks)	163
Impairment losses on PPE and intangible assets	465

Impairment losses on assets (decrease) in Q1 2007	<i>thousand PLN</i>
Revaluation write-downs on long-term receivables	163
Total	3 540

Deferred tax assets in Q1 2007	<i>thousand PLN</i>
Increase	2 762
Decrease	4 768

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

The Ciech Group's level of income and financial performance depends largely on the general standing of the economy. Cyclic fluctuations in income and profit are especially noticeable in the organic segment, which is marked by high-demand cycles. Due to that fact, 38% of revenues of the Group are achieved owing to sales of organic chemical products, markets of which are known for high cyclicity, prompted by fluctuations in the world economies, fluctuations of revenues and results of the Group may be relatively small. TDI, EPI, and epoxy resins are basic products sold in the organic segment. Presently, the market prices for these products reach their records. Various factors affect the phenomenon and they include:

- since oil-related raw materials needed for production of these products (mainly: toluene, propylene), they are associated with the oil prices which currently tend to be very high. The raw material prices that high are reflected in the prices for TDI, EPI, and epoxy resins. Political situation in the Middle East is a final factor deciding in it major portion on the oil prices. On the one hand, economy rapidly growing and unstable political situation at the main manufacturers of oil signifies that high prices will continue for some time. On the other hand, high oil prices prompted interest in alternative sources of energy and in implemented savings plans concerning use of oil. It is necessary to assume that in the long run prices of oil are likely to fall, while in the short run they will remain high.
- a high price of gas, the main raw material in the chemical industry, also affects high prices of chemical products.
- forecast expects a rapid growth of the global economy, whereas, production of the chemical industry is likely to go up above the GDP level. Consequently, prices should continue to remain high.
- the rapid growth of economy worldwide is being recorded. China's economic growth above 10% is noteworthy. Despite seasonal attempts made by the Chinese government to cool down their economy, growth rate remains vivid. The rapid growth of the global economy brings about huge demands for raw materials, including TDI, EPI, and epoxy resins. The high demand causes problems with acquisition of these products and increase in prices in consequence. Additionally, in case of TDI, several serious system failures, and technical problems connected with launch of new systems resulted in season shortages and increase in prices.
- forecast regarding three basic products of the organic segment assume decrease in prices in the nearest future. Due to their high price, new systems are planned. In a few years, the systems will contribute to their considerable overproduction. Furthermore, high prices introduce recipient's interest in substitutes, which may result in decrease in demand in the long run.
- it is not possible to unambiguously identify and estimate cyclicity of prices for basic organic chemical commodities. In history the cyclicity are observed once per several years. High prices and large demand induce to take decisions concerning launches of new systems. Further on, an increase in production is introduced and followed by decrease in prices. When a good standing is experienced, ineffective systems are closed down, while demand goes up, all the more the prices for the commodities are low, thus another shortages occur in the market and another increase in prices.

Markets of the other segments of the Ciech Group activity (the soda and inorganic segments) are characterised by good stability, thus fluctuations of revenues and results are relatively small.

The seasonality resulting from the periodic demand and supply fluctuations have certain impact on the general sales trends in the Ciech Group. Products especially prone to seasonality are the goods closely associated with agriculture and they are:

- fertilizers
- base stock for manufacture of fertilisers
- plant protection agents.

Concentration of sales of fertilizers takes place in the III quarter of the year. This is because of the intensive field fertilisation in the autumn. Majority of plant protection agents are used in the first half of the year, in the period of intense plant growth, when approx. 90% of total sales of these goods is carried out.

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 products are recorded between May and October (blocks) and June and

November (lanterns). Measures were taken in Q1 2005 to reduce the impact of seasonality by introducing longer payment deadlines and factoring solutions.

In the case of other products, the Group's annual income and profits are not impacted by any major seasonal fluctuations. On that account, seasonality plays a relatively small role in the overall sales.

12. Disclosures regarding issue, redemption, and repayment of debt securities and equity securities at the Ciech Group

On February 15th, 2007, the Extraordinary General Meeting of Shareholders of CIECH FINANCE Spółka z ograniczoną odpowiedzialnością resolved to increase the capital by PLN 100,000 through issue of 200 shares at face value of PLN 500 per each share. The issue was paid and subscribed to in total by CIECH SA – the sole shareholder of the Company.

13. Disclosures regarding paid or declared dividends in their total amount and per share, broken down by ordinary shares and preference shares

On April 23rd, 2007 the Supervisory Board of CIECH SA recommended distribution of net profit in 2006 to the General Meeting in line with the proposal submitted by the Management Board of the Company, which provided for payment of PLN 44,800 thousand as a dividend for the shareholders, accounting for PLN 1.60 per one share.

14. Unrecognised events occurring after March 31st, 2007 that may have a significant impact on the future financial performance of the Ciech Group

On April 3rd, 2007, the annexes to the contracts concluded on January 20th, 2005 were signed by CIECH SA and the subsidiary JANIKOSODA S.A. New purchase-sales prices of soda ash, aragonite chalk, carbon dioxide, and sodium bicarbonate (annex to contract at the value of approx. PLN 265 million) and vacuum pan salt (annex to contract at the value of approx. PLN 76 million) were set.

On April 3rd, 2007, CIECH SA approved in cooperation with Office Cherifien des Phosphates (OCP) Morocco, terms and conditions of the contract on phosphorites import between April 1st, 2007 and March 31st, 2008. The recipients are the subsidiary CIECH SA - GZNF "FOSFOR" Sp. z o.o. and ZCh Siarkopol Tarnobrzeg. The value of the contract totals approx. PLN 37.44 million. The conditions of sulphur sales in 2007 under the 2002-2010 long-term contracts were also discussed with Maroc Phosphore SA belonging to the OCP Group. Value of the contract is estimated at approx. PLN 95 million.

On April 10th, 2007, CIECH SA resolved to conclude a contract with Procter & Gamble International Operations S.A. on deliveries of dense soda ash and light soda ash between 2007 -2008. Expected total value of the contract stands at approx. PLN 63 million.

On April 27th, 2007, the General Assembly of S.C. Uzinele Sodice Govora S.A. resolved to invalidate 7,943,853 unsubscribed shares from the previous issue. Shares from the previous issue will be subscribed only to the heat and power station S.C. CET Govora S.A. as part of the conversion of the interest debt of S.C. Uzinele Sodice Govora S.A. as agreed in the contract of January 8th, 2007.

On the same day, the General Assembly of S.C. Uzinele Sodice Govora S.A. resolved to reduce the nominal value from RON 2.5 to RON 0.25. Thereby, the company's share capital will diminish from RON 105,421 thousand to RON 10,542 thousand, while CIECH SA's share shall stand at 75.59%.

On April 27th, 2007, the Board of Directors of S.C. Uzinele Sodice Govora S.A. resolved to convert liabilities towards CIECH SA into capital (in the amount of EUR 8 million) and to call the Extraordinary General Meeting of Shareholders on July 10th, 2007 in order to pass a resolution concerning the matter. After conversion of liabilities, CIECH SA's share in S.C. Uzinele Sodice Govora S.A.'s share capital will return to the current level of 93%.

15. Effects of changes in the organisational structure of the Ciech Group in the first quarter of 2007, including business mergers, acquisitions or disposals of the group's entities, long-term investments, divisions, restructuring, and discontinuation

On February 6th, 2007, the General Shareholders' Meeting of S.C. Uzinele Sodice Govora SA (a subsidiary of Ciech SA) adopted a resolution on an increase in the company's share capital of 15,887,706 shares, with a par value of RON 2.5 (1 EURO = 3.3678 RON). The heat and power station S.C. CET Govora SA shall hold 7,943,853 shares as

part of the conversion of the interest debt of S.C. Uzinele Sodice Govora S.A. (contract of January 8th, 2007). The present shareholders, that is AVAS (2.89% of shares), CIECH SA (93.14% of shares) and others (3.97% of shares), according to the right of priority, are entitled to hold 7,943,853 shares after the resolution of GSM becomes final, that is on February 16th, 2007. As of the date of the statement's publication, the process of the capital registration was not completed.

On February 15th, 2007, the Extraordinary Meeting of Shareholders of CIECH FINANCE Spółka z ograniczoną odpowiedzialnością passed a resolution on an increase in share capital by PLN 100 thousand through the issue of 200 shares at a face value of PLN 500 per each share. Shares in the increased share capital were subscribed in total to CIECH SA. The increased share capital was registered by the District Court in Warsaw on March 6th, 2007. Due to the increase, the share capital of CIECH FINANCE Spółka z ograniczoną odpowiedzialnością is estimated at PLN 150 thousand and is divided into 300 shares at the nominal value of PLN 500 per each share.

On February 26th, 2007, CIECH SA conducted a transaction depending on purchase of the shares of SODA MAŹTWE S.A. and JANIKOSODA S.A. On account of the transaction, CIECH SA purchased:

- 6,062 shares and holds the total of 7,405,223 shares in SODA MAŹTWE S.A., which accounts for 99.85% of share capital,
- 15,684 shares and holds a total of 4,450,132 shares in JANIKOSODA MAŹTWE S.A., which accounts for 99.61% of share capital.

16. Changes in contingent liabilities or contingent assets occurring after the end of the previous financial year

As of March 31st, 2007, contingent receivables did not occur in the Ciech Group.

Contingent liabilities as of March 31st, 2007, amounted to PLN 43,710 thousand, which denotes a decrease in the amount of PLN 545 thousand in relation to the status as of December 31st, 2006. Increase in contingent liabilities by PLN 100 thousand was recorded due to guarantees and sureties granted. Other contingent liabilities decreased compared to the status at the end of 2006 by PLN 645 thousand.

Increase in contingent liabilities due to guarantees and sureties granted ensues mainly from the guarantee granted for the delivery of the passenger and freight lift by SODA MAŹTWE S.A. (the purchase is connected with the top investment for the company – construction of the monohydrate system for production of dense soda ash).

Decrease of other off-balance sheet liabilities is most of all associated with discharge of interest costs (that occurred owing to payment delays) due to an agreement concluded between ZACHEM S.A. and Wodna Kapuściska Company.

Other off-balance sheet items as of March 31st, 2007, amounted to PLN 690 thousand. A decrease of PLN 30 thousand in relation to December 31st, 2006 results from a decrease in liabilities for the operational leasing in "VITROSILICON" Spółka Akcyjna.

Detailed information concerning off-balance sheet items has been presented under the consolidated balance sheet.

17. Discontinued operations and Assets held for sale

Within the Group's strategy of withdrawal from production in the petrochemical industry, Cheman S.A. is committed to perform restructuring and liquidation of the fuel activity, which the entity continued to manage after the Ciech Petrol Sp. z o.o. incorporation. The analysis shows that the fuel activity managed by Cheman S.A. is marked by low profitability on the level of gross margin. It is not enough to cover all the other costs related to its functions, the costs mentioned comprise: costs of sale, maintenance of fuel stations and their back-up facilities.

In 2006, Cheman S.A. sold a fuel station in Jarocin, terminated lease contracts for fuel stations in Kalisz, Zduńska Wola, Kleszczów and Szczytniki and the company terminated the logistic and storage activity related to management of fuel warehouse and car accessories.

Since the second half of December 2006, Cheman S.A. handles negotiations related to sales of Domaniew Base. Furthermore, negotiations with MPK Sieradz concerning earlier termination of a lease contract for the petrol station in Sieradz are under way. The company expects the fuel activity to be fully completed by the end of June 2007.

18. Fulfilment of profit forecasts published previously against the results disclosed in the quarterly report in relation to the forecasted profit

In its Current Report 18/2007 of March 1st, 2007, the Management Board published a forecast of the consolidated profit of the Ciech Group for 2007. The projected consolidated sales revenues were PLN 3 417 million and the consolidated net profit of Ciech Group was PLN 167 million.

In Q1 of 2007, the Ciech Chemical Group attained PLN 919 million on income from sales and PLN 131 million on the net profit. Exceeding the expected financial results of the Companies and in particular of the Organika Division had a very positive impact on the Ciech Group results.

The Organika Division exceeded considerably the volume and results owing to sales of TDI. It is an effect of a boom for TDI and restructuring steps taken, as well as integration of the Organika Division and the Ciech Group. TDI sales operations amounted to 130% of planned volume, while TDI price increases in the first quarter of 2007 was estimated at 14.5% as compared to the plan.

A positive deviation in the Organika Division sales also results from exceeding the sales plan of plant protection agents. Favourable weather conditions and relatively high temperatures resulted in intensified interest on clients' side in purchasing. Increase in sales of plant protection chemicals in the first quarter of 2007 will partly indicate a shift of sales in relation to the following quarters of 2007.

In addition, other factors affecting the deviations from forecast were as follows:

a) profit from fixed-asset sales not recognized in the financial forecast in the amount of approx. PLN 15 million - the effect of restructuring assets handled by ZACHEM S.A., b) much higher sales of fertilizers recorded by GZNF "Fosfory" Sp. z o.o. – EBIT higher than expected by approx. PLN 5 million

Having analysed the financial results of the key companies of the Ciech Group for 3 months of 2007 and on the basis of the prepared estimates for the financial forecast of the Ciech Group in (3+9) 2007, The Management Board of Ciech SA resolved to restate the Group net financial result forecast to PLN 220 million as well as consolidated sales revenues to PLN 3.5 million.

The forecast update was published in Current Report No. 33/2007 of May 10th, 2007.

19. CIECH SA's shareholders holding at least 5% of shares / votes at the General Meeting

As determined in the notifications under article 69 of the Act of July 29th, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies - Journal of Laws no. 184 item 1539) the following entities hold at least 5% of the total number of votes at the general meetings of the company:

- Kompania Węglowa SA - 10,270,800 shares equal to 36.68 % of Ciech SA's share capital; votes: 10,270,800, which constitutes 36.68% of the total number of votes at the General Meeting
- Otwarty Fundusz Emerytalny PZU 'Złota Jesień' – 1,712,732 equal to 6.12% of CIECH SA's share capital; Votes: 1,712,732, which constitute 6.12% of the total number of votes at the General Meeting
- Commercial Union Investment Management S.A. (CUIM) Polska – 1,504,961 equal to 5.37% of CIECH SA's share capital; Votes: 1,504,961, which constitute of 5.37% the total number of votes at the General Meeting
- Pioneer Pekao Investment Management S.A. (PPIM) – 2,812,949 equal to 10.05% of CIECH SA's share capital; Votes: 2,812,949 which constitutes 10.05% of the total number of votes at the General Meeting:

including the Pioneer investment funds managed by PPIM – 2,813,956 equal to 10.05% of CIECH SA's share capital; votes 2,813,956 accounting for 10.05% of the total number of votes at the General Meeting.

Shareholder	As on 09.02.2007	Shares acquired	Shares sold	As on 08.05.07
Kompania Węglowa SA	10 270 800	-	-	10 270 800
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	1 712 732	-	-	1 712 732
Commercial Union Investment Management S.A. (CUIM) Polska	1 504 961	-	-	1 504 961

Pioneer Pekao Investment Management S.A. (PPIM):	1 410 325	1 402 624		2 812 949
including the Pioneer investment funds managed by PPIM	1 443 379	1 370 577	-	2 813 956

- On March 26th, 2007, Pioneer Pekao Investment Management S.A. (PPIM) informed CIECH SA about an increase in the total commitment to 10.05% of the total number of votes at the General Meeting of the Company's Shareholders with respect to shares belonging to the portfolios managed as part of the commissioned brokerage financial instrument portfolio management service by PPIM.
- On March 29th, 2007, CIECH SA was informed by Pioneer Pekao Investment Management, executing the agreement for the commissioned brokerage financial instrument portfolio management services entered into by Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM, and on behalf of the following funds:
 1. Pioneer Akcji Polskich Fundusz Inwestycyjny Otwarty
 2. Pioneer Dochodu MIX20 Fundusz Inwestycyjny Otwarty
 3. Pioneer Wzrostu i Dochodu MIX40 Fundusz Inwestycyjny Otwarty
 4. Pioneer Wzrostu MIX60 Fundusz Inwestycyjny Otwarty
 5. Pioneer Małych i Średnich Spółek Rynku Polskiego Fundusz Inwestycyjny Otwarty
 6. Pioneer Średnich Spółek Rynku Polskiego Fundusz Inwestycyjny Otwarty
 7. Pioneer Zrównoważony Fundusz Inwestycyjny Otwarty
 8. Pioneer Stabilnego Wzrostu Fundusz Inwestycyjny Otwarty
 9. Specjalistyczny Fundusz Inwestycyjny Otwarty Telekomunikacji Polskiej

about an increase in the commitment of the above funds to 10.04% of the total number of votes at the General Shareholders Meeting of the company: Ciech SA with regard to shares belonging to the portfolios of these funds.

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

- On April 24th, 2007, CIECH SA was informed by Pioneer Pekao Investment Management, executing the agreement for the commissioned brokerage financial instrument portfolio management services entered into by Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM, and on behalf of the following funds:
 1. Pioneer Akcji Polskich Fundusz Inwestycyjny Otwarty
 2. Pioneer Dochodu MIX20 Fundusz Inwestycyjny Otwarty
 3. Pioneer Wzrostu i Dochodu MIX40 Fundusz Inwestycyjny Otwarty
 4. Pioneer Wzrostu MIX60 Fundusz Inwestycyjny Otwarty
 5. Pioneer Małych i Średnich Spółek Rynku Polskiego Fundusz Inwestycyjny Otwarty
 6. Pioneer Średnich Spółek Rynku Polskiego Fundusz Inwestycyjny Otwarty
 7. Pioneer Zrównoważony Fundusz Inwestycyjny Otwarty
 8. Pioneer Stabilnego Wzrostu Fundusz Inwestycyjny Otwarty
 9. Specjalistyczny Fundusz Inwestycyjny Otwarty Telekomunikacji Polskiej

about a decrease in the commitment of the above funds to 9.99% of the total number of votes at the General Shareholders' Meeting of the company: CIECH SA with regard to shares belonging to the portfolios of these funds.

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

- On May 4th, 2007, CIECH SA was informed by Pioneer Pekao Investment Management, executing the agreement for the commissioned brokerage financial instrument portfolio management services entered into by Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM, and on behalf of the following funds:
 1. Pioneer Akcji Polskich Fundusz Inwestycyjny Otwarty
 2. Pioneer Dochodu MIX20 Fundusz Inwestycyjny Otwarty
 3. Pioneer Wzrostu i Dochodu MIX40 Fundusz Inwestycyjny Otwarty
 4. Pioneer Wzrostu MIX60 Fundusz Inwestycyjny Otwarty
 5. Pioneer Małych i Średnich Spółek Rynku Polskiego Fundusz Inwestycyjny Otwarty
 6. Pioneer Średnich Spółek Rynku Polskiego Fundusz Inwestycyjny Otwarty
 7. Pioneer Zrównoważony Fundusz Inwestycyjny Otwarty
 8. Pioneer Stabilnego Wzrostu Fundusz Inwestycyjny Otwarty
 9. Specjalistyczny Fundusz Inwestycyjny Otwarty Telekomunikacji Polskiej

about an increase in the commitment of the above funds to 10.05% of the total number of votes at the General Shareholders' Meeting of the company: CIECH SA with regard to shares belonging to the portfolios of these funds.

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

20. Changes in CIECH SA's shares held by the Management Board or Supervisory Board Members

Mr. Kazimierz Przelomski – Commercial Representative of the Company holds 1,200 shares in CIECH SA.

Other managing and supervising persons do not hold any shares in CIECH SA, or shares and stakes in affiliates.

21. Procedures pending before courts, in arbitration proceedings, or public administration bodies as of 31.12.2006

I. CIECH SA

Liabilities of Ciech SA (domestic and foreign) claimed in court or arbitration proceedings as of March 31st, 2007.

Action by Petro Carbo Chem Aktiengesellschaft (PCC)

PCC AG filed an action in 2000, claiming compensation in the amount of PLN 21,364,000 and EUR 13,861.45 (equivalent to PLN 54,000) for failing to fulfil the agreement to transfer the shares of Petrochemia Blachownia S.A. as stipulated in the preliminary contract of 09.07.1999. On 27.05.2003, the Circuit Court in Warsaw issued a preliminary judgment in favour of PCC AG (stating that PCC AG's claim was well founded), without specifically determining the amount of the damages. CIECH SA appealed against the preliminary judgment on 19.09.2003, on the grounds that the preliminary judgment was issued based on erroneous legal findings of fact and infringement of the substantive law by assuming that it had been the intention of the parties to enter into an agreement. During a hearing held on 12.08.2004, the Appeals Court upheld the Circuit Court's preliminary judgment, confirming that PCC's claims were justified, without stating the amount of damages, which will be subject to further proceedings. In November 2004, CIECH SA filed another appeal, on the grounds of infringement of the substantive law due to its incorrect interpretation and application, and violation by the Appeals Court of the principle of free assessment of evidence as defined in the EU directives. On 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, which continued the proceedings by determining the amount of damages owing to PCC AG. The claimant extended its claim by statutory interest due to the lost dividend for the years 1999 and 2000.

On November 10th, 2005, the District Court judged against PCC.

PCC AG appealed on March 1st, 2006 against the District Court judgement to the Appeals Court in Warsaw filing for a change in the appealed judgment and to allow the claim in full. PCC AG demands the amount of PLN 30,591,919.96 and EURO 13,861.44 (equivalent of PLN 54 thousand) as an indemnification for the lost dividend for 1999 and for the lost profit related to the value growth of Petrochemia Blachownia S.A. There was no mention in the appeal concerning payment of interest for delays.

On April 18th, 2006, CIECH SA answered the appeal filing for its full dismissal sustaining the existing line of defence. On February 8th, 2007, a hearing was held before the Appeals Court. The parties' attorneys maintained their respective claims; after hearing the both parties the Court closed the proceedings.

On February 22nd, 2007, the Appeals Court in Warsaw dismissed the judgement by the District Court and transferred the case for another investigation, leaving the decision on the appeal proceedings costs to be taken by the District Court. The justification by the Appeals Court stated that the court of first instance should have investigated what the intentions of the parties to the preliminary contract were once they included the provision providing for the situation where in case of failure of the parties to reach an agreement on all relevant conditions of the contract, CIECH SA was committed to return only the advance payment of PLN 500 thousand without interest within 30 days from the date of subscription of Petrochemia Blachownia S.A.'s shares to CIECH SA. Furthermore, the court of first instance should have determined whether the amounts demanded by the claimant within an indemnification for claims, remain in causality with the circumstances of failure to perform the preliminary contract. The case is pending.

Action by Comexport

In September 2003, Comexport (Brazil) filed an action with the Court of Arbitration at the International Chamber of Commerce in Paris, claiming damages for failure to complete sulphur deliveries to Brazil in the period from 1996 to

1999. The sued parties were CIECH SA and the sulphur mines in Tarnobrzeg and Grzybów. The current claim is for 3,872,943 USD (equivalent of PLN 11,254 thousand PLN), and statutory interest according to the Polish law, calculated from 16.09.2003, which as of 31.03.2007 constituted the amount of PLN 4,878 thousand PLN. In addition, Comexport demanded return of the cost of court proceedings and legal service in the amount of EURO 204,436.26 (equivalent of PLN 791 thousand).

The principal claim amount comprises Comexport's lost profits on contractual quantities not delivered to Brazilian customers, losses from overstated freight costs, etc. In November 2003, CIECH SA answered the claim by filing for dismissal of Comexport's action, on the grounds of the force majeure certificates evidencing that the mines were closed down as part of restructuring of the sulphur industry, that the action has lapsed, and that the claim for damages is not supported by sufficient evidence. The Court of Arbitration appointed one Arbitrator to investigate into the dispute. The arbitrator determined the schedule for further proceedings. Each party filed two detailed pleadings supported by evidence.

On 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 refund of the court fees, sustaining its allegations as described in the pleadings and the accompanying documentation. Comexport also sustained its pleadings. After closing of the proceedings, the arbitration proceedings ended.

On October 27th, 2005, CIECH SA received a court judgement, according to which all three defendants: CIECH SA and sulphur mines in Grzybów and Tarnobrzeg, shall jointly and severally pay the amount of USD 2,474,166 (equivalent of PLN 7.189 thousand) and the interest of 5% from September 17th, 2003, amounting as of 31.03.2007 to USD 438 thousand (equivalent of PLN 1,273 thousand) and USD 123 thousand (equivalent of PLN 357 thousand) as the cost of court proceedings. The awarded amount constitutes the lost profit moved for by Comexport.

On November 18th, 2005, CIECH SA issued an announcing complaint to the Appeal Court in Paris concerning the reversal of the Arbitration Court judgement decision. The complaint with a statement of reasons was filed by CIECH SA on March 22nd, 2006. The subject of the complaint is a breach of rules by an arbitrator in an arbitration case (Adversarial principle) by citing the Polish Supreme Court judgement decision of 1973 on the relevant issue concerning interruption of the operation of a time limit without prior permission to allow the parties to voice their opinions about the issue. In the view of the law office representing CIECH SA, the judgement decision of 1973 cited by the arbitrator does not apply to the arbitration proceedings.

Comexport on July 21st, 2006, answered the claim issued by CIECH SA filing for its dismissal. Each party filed two pleadings. Currently, the parties have finished exchange of the pleadings. A hearing before the Appeals Court was established in May 2007.

Action by Enapharm

In June 2004, the Liquidator for Enapharm in Algeria filed a claim for USD 372,085.72 (equivalent of PLN 1,081 thousand) in damages concerning deliveries of expired medications by Ciech SA between 1985 and 1991.

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

The claimant verified its claim based on opinion of an expert appointed to assess whether the amount of the claimed damages is well founded. The opinion is not binding until it is approved or dismissed by the Court.

The case is pending before an Algerian court. CIECH SA is represented by a local attorney, supervised by a well-respected Paris law firm. Currently, the parties await another hearing date. The case is pending.

Employee claims

One case is currently pending against CIECH SA, filed by former employees terminated due to no fault of their own. The employee is demanding to be restored to work. The projected results of those suits are good.

A reserve for the mentioned liabilities in the amount of PLN 17,500 thousand PLN has been established in Ciech SA.

Ciech SA's (domestic and international) debt

Amounts receivable claimed in courts or courts of arbitration

CIECH SA filed seven suits against its trade debtors for the total of PLN 767 thousand. The projections are good. The Company established a revaluation write-down on the above-mentioned amount.

Bankruptcy proceedings

The total of PLN 13,189 thousand is being claimed in fifty-eight domestic bankruptcy proceedings.

CIECH SA is claiming USD 689,632 and EURO 448,997 (totalling PLN 3,741 thousand) through international bankruptcy proceedings, with the largest claims being the bankruptcy proceedings for Chemapol – Prague (PLN 1,018 thousand), Euroftal N.V., Belgium (PLN 808 thousand), Petrimex – Bratislava (PLN 654 thousand), WMW – Novosibirsk (PLN 453 thousand).

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

The Company created a revaluation write-down for all pending proceedings.

Enforcement and composition proceedings

CIECH SA is claiming PLN 9,443 thousand from domestic debtors through thirty enforcement proceedings. The projections as to the results of the execution proceedings are different, depending on the debtors' assets. The amount of 27,116 EURO (equivalent of 105 thousand PLN) is claimed in foreign enforcement proceedings. PLN 22 thousand is claimed in three composition proceedings. The projections are good.

The Company established a 100% write-down on the above-mentioned amounts.

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

USD rate exchange	2.9058
EURO rate exchange	3.8695

II. Subsidiaries

SODA MAŁWY Group

No claims (liabilities) were filed against the SODA MAŁWY Group that could affect its business. Amounts receivable claimed in bankruptcy proceedings, in court actions and in enforcement proceedings by SODA MAŁWY S.A. and its subsidiaries amount to PLN 23,405 thousand with the largest claim of PLN 21,814 thousand pending against the company B. Lepiarz for unpaid deliveries of goods in enforcement proceedings. According to SODA MAŁWY S.A. projections are not good.

The SODA MAŁWY Group recognised impairment losses against all pending claims.

JANIKOSODA Group

No significant claims (liabilities) were filed against JANIKOSODA S.A. or its subsidiaries that could affect their business.

The JANIKOSODA Group's claims pending in court actions against several dozen trade debtors in relation to its business, total PLN 321 thousand. Debt enforcement proceedings are pending to recover the total of PLN 2,122 thousand, including the largest claim for PLN 2,102 thousand against B.Lepiarz. The amount of PLN 668 thousand is being claimed through bankruptcy proceedings.

The SODA MAŁWY Group recognised impairment losses against all pending claims.

"VITROSILICON" Spółka Akcyjna

No claims (liabilities) were filed against the company that could affect its business. The company is claiming the total of PLN 1,352 thousand from debtors for deliveries and services, including the largest claim pursued through enforcement proceedings for PLN 694 thousand, and PLN 594 thousand pursued through bankruptcy proceedings.

"VITROSILICON" Spółka Akcyjna recognised impairment losses against all pending claims.

"Alwernia" S.A.

No claims (liabilities) were filed against "Alwernia" S.A. that could affect its business. "Alwernia" S.A. is claiming trade receivables and damages in the total amount of PLN 419 thousand through court actions and enforcement proceedings. The amount of PLN 1,171 thousand was claimed in bankruptcy proceedings.

"Alwernia" S.A. recognised impairment losses against all pending claims.

Chemian S.A.

No claims (liabilities) were filed against Chemian S.A. that could affect its business. Chemian S.A. filed court cases against several dozen trade debtors for the total of PLN 4,593 thousand, including PLN 2,040 thousand claimed in enforcement proceedings and PLN 1,014 thousand reported for bankruptcy and composition proceedings.

Chemian S.A. recognised impairment losses against all pending claims.

FOSFORY Group

No claims (liabilities) were filed against the companies belonging to the FOSFORY Group that could affect its business. The Fosfory Group is claiming the total of PLN 4,089 thousand in court actions, enforcement and bankruptcy proceedings from several dozens of debtors, with the largest claim of PLN 3.284 thousand reported for bankruptcy and composition proceedings.

The FOSFORY Group recognised impairment losses against all pending claims.

CIECH POLFA Sp. z o.o.

No claims (liabilities) were filed against CIECH POLFA Sp. z o. o. that could affect its business. The company is claiming the total of USD 71 thousand (equivalent of PLN 207 thousand) from trade debtors for unpaid deliveries of goods.

The company recognised an impairment loss on the proceedings pending.

Zakłady Chemiczne "Organika-Sarzyna" Spółka Akcyjna

No claims (liabilities) were filed against the companies belonging to Z.Ch. "Organika – Sarzyna" S.A. that could affect its business. Z.Ch. "Organika – Sarzyna" S.A. conducted administrative proceedings related to the interpretation of the tax laws in determining a settlement method for due payments from profits. A reserve for the possible liabilities in the amount of PLN 1,014 thousand has been established.

Z.Ch. "Organika – Sarzyna" S.A. is claiming the amount of PLN 8,950 thousand from several domestic companies for liabilities in court actions, bankruptcy, enforcement and composition proceedings. The largest amount of PLN 7,960 thousand is claimed in bankruptcy and composition proceedings.

The Group recognised an impairment loss on the proceedings pending.

ZACHEM Group

Thirteen administrative proceedings and administrative and court proceedings are conducted against the ZACHEM Group for tax liabilities for the real-estate taxes between 1999 and 2002 at the total of PLN 722 thousand.

The ZACHEM Group's claims pending in business lawsuits and enforcement proceedings from several debtors account in total for PLN 19,462 thousand, with the largest claim being PLN 13,970 thousand in bankruptcy proceedings.

The Company raised a revaluation write-down for all pending proceedings.

S.C. Uzinele Sodice Govora S.A.

Sixteen business lawsuits are conducted against S.C. Uzinele Sodice Govora S.A. to satisfy the claim of EUR 3,173 thousand (equivalent of PLN 12,278 thousand), USD 5,844 thousand (equivalent of PLN 16,981 thousand) and RON 6,346 thousand (equivalent of PLN 7,315 thousand). The largest amount is the claim by Indian England N.V., which took the claim over from the BCR Bank against USG covering unpaid credits, loans and interest in the amount of RON 5,857 thousand (equivalent of PLN 6,715 thousand), USD 5,845 thousand (equivalent of PLN 16,984 thousand) and EUR 3,173 thousand (equivalent of PLN 12,277 thousand). USG filed a suit to investigate validity of the contract on assignment of claims from the BCR Bank for Indian England N.V. As collateral against claims of the BCR Bank against USG, CIECH SA issued a deposit in the amount of EUR 10 thousand, which prevented Indian England N.V. from initiating enforced collection procedures.

Furthermore, S.C. Uzinele Sodice Govora S.A. is claiming the total of RON 469 thousand (equivalent of PLN 541 thousand) from various claim debtors in 13 business lawsuits.

S.C. Uzinele Sodice Govora S.A. recognised an impairment loss of RON 9,151 thousand (equivalent of PLN 10,548 thousand).

Exchange rates were adopted for translation 1 RON = 1.1527 PLN

22. Information concerning non-standard transactions with affiliated entities concluded by Ciech SA or its subsidiaries.

Transaction party	Affiliation with the party to the transaction	Transaction	Financial terms	Characteristic features of the contract deviating from generally applicable terms and conditions of similar agreements	Additional information
CIECH SA					
S.C. Uzinele Sodice Govora S.A.	subsidiary	restructuring of dept	The repayment within 9 years with a 1-year grace period	The repayment is interest-free and results from debt restructuring of the S.C. Cet Govora S.A.'s subsidiary due to energy supplies	Transaction value EUR 18 million
S.C. Uzinele Sodice Govora S.A.	subsidiary	loan euro 4 million	3M EURIBOR interest + 1.5%	Loan granted for 2 years by 31.12.2008. interest accrued once per 3 months are capitalised, single repayment of the loan and capitalised interest at the end of period	Collaterals: pledge on all available amounts receivable, movable assets, bank accounts. Possibility for CIECH SA to establish mortgage on real estate.

23. Information on loan sureties or guarantees extended by CIECH SA or its subsidiaries

Sureties and guarantees granted

Obligee's name	Amount of loan covered by surety		Effective date of surety	Financial terms: surety fee due to the company	Principal	Affiliation between CIECH SA and the borrower
	currency in thousands	in thousands PLN.				
CIECH SA						
KREDYT BANK SA Sieradz Branch		4 250	by 31.08.2007	Payment to CIECH SA equal to 1% of the surety value	Chemana S.A.	subsidiary
KREDYT BANK SA Sieradz Branch		3,750	by 31.08.2007	Payment to CIECH SA equal to 1% of the surety value	Chemana S.A.	Subsidiary
PKN ORLEN SA		1 200	no fixed term	Payment to CIECH SA equal to 1% of the surety value	Chemana S.A.	Subsidiary
BANK PKO SA First Branch in Warsaw		4 000	by 31.07.2007	Payment to Ciech SA equal to 1% of the surety value (from PLN 2 million) + PLN 10 thousand on increase + PLN 4 thousand + PLN 5 thousand on extension	Chemana S.A.	Subsidiary
BANK PKO SA First Branch in Warsaw		500	by 31.07.2007		Chemana S.A.	Subsidiary
Total CIECH SA		13 700				
SODA MĄTŹY S.A.						

Obligee's name	Amount of loan covered by surety		Effective date of surety	Financial terms: surety fee due to the company	Principal	Affiliation between CIECH SA and the borrower
	currency in thousands	in thousands PLN.				
Bank Handlowy in Warsaw SA		600	by 31.10.2007	none	TRANSODA Sp. z o. o.	Indirect subsidiary
Total SODA MATWY S.A.		600				
JANIKOSODA S.A.						
BOŚ Poznań	EUR 1 544	5 973	by 16.11.2009	No fee	"VITROSILICON" Spółka Akcyjna	Subsidiary
Total JANIKOSODA S.A.		5 973				
Zachem SA						
Bank Pekao S.A.		18 160	30.07.2008	none	Wodna Kapuściska Company	None
Nordea Bank		18 160	30.07.2009	none	Wodna Kapuściska Company	None
Total ZACHEM S.A.		36 320				
Z.Ch. "Organika-Sarzyna" S.A.						
BOŚ Branch in Rzeszów		7,580	30.06.2008	none contingent liability amounted to PLN 908 thousand as of 31.03.2007	Town and Gmina of Nowa Sarzyna	none
Total Z.Ch. "Organika-Sarzyna" S.A.		7 580				
Total loans guaranteed		64 173				

Obligee's name	Total amount of loans covered by surety		Effective date of surety	Financial terms: surety fee due to the company	Principal	Affiliation between CIECH SA and the borrower
	currency in thousands	in thousands PLN.				
ZACHEM S.A.						
Wojewódzki Fundusz Ochrony Zdrowia i Gospodarki Wodnej Toruń (Voivodship Fund of Healthcare and Water Management in Toruń)		3 632	31.12.2011		Wodna Kapuściska Company	none
Total ZACHEM S.A.		3 632				
Total amount of loans covered		3 632				

	Total amount of loans covered by surety				
by surety					

Obligee's name	Amount of total guarantee granted, backed in whole or in part		Guarantee period	Financial terms: guarantee fee due to the company	Principal	Affiliation between CIECH SA the Principal
	currency in thousands	in thousands PLN.				
CIECH SA						
S.C. CET GOVORA S.A.	EUR 18 055	69 863	by 31.12.2014		S.C. Uzinele Sodice Govora S.A. - Romania	subsidiary
Citibank Romania S.A.	EUR 6 000	23 217	by 28.03.2008	Payment to CIECH SA equal to 0.5% of the surety value	S.C. Uzinele Sodice Govora S.A. - Romania	subsidiary
Total CIECH SA		93 080				
JANIKOSODA S.A.						
Kompania Węglowa SA		112 000	by 31.12.2007		Elektrociepłownia Kujawskie Spółka z ograniczoną odpowiedzialnością	indirect subsidiary
Total JANIKOSODA S.A.		112 000				
Total amount of guarantees granted		205 080				

24. Additional information

When selecting entities for consolidation, the Management Board of the parent company applied the principle of relevance (as per the IFRS objectives) of their financial figures for compliance with the requirement of fair and reliable presentation of the financial standing and profit of the Group. It was assumed that entities whose balance-sheet totals and sales revenues and income from financing activities are irrelevant compared to the same items recorded by the parent company, and their combined figures are less than 5% of the relevant combined figures (of all subsidiaries of the Ciech Group), were irrelevant for compliance with the requirements of the standards.

Non-consolidated undertakings	Shares of CIECH SA in company (direct + indirect)	Net income from sale of goods and materials and from financing activities	Net profit / loss	Balance-sheet total of the undertaking/ Group**	CIECH SA's income (%)	CIECH SA's balance-sheet total (%)	Dependence on CIECH SA
1) Chemia.com S.A.	100.00%	1 311	(75)	1 120	0.24%	0.07%	Subsidiary
2) Polcommerce Handel und Vertretungsgesellschaft m.b.H	100.00%	10 338	28	6 697	1.92%	0.43%	Subsidiary
3) CIECH SERVICE Sp. z o.o.	100.00%	1 400	16	2 097	0.26%	0.13%	Subsidiary
4) "BORUTA-KOLOR" Sp. z o.o.	100.00%	3 845	733	17 660	0.71%	1.13%	Subsidiary
5) The CIECH POLFA Group							
5.1.) Polcommerce Kft., Hungary	100.00%	724	(145)	1 148	0.13%	0.07%	Indirect subsidiary

Non-consolidated undertakings	Shares of CIECH SA in company (direct + indirect)	Net income from sale of goods and materials and from financing activities	Net profit / loss	Balance-sheet total of the undertaking/ Group**	CIECH SA's income (%)	CIECH SA's balance-sheet total (%)	Dependence on CIECH SA
6) "InChem Sp. z o.o."	100.00%	86	(132)	2 094	0.00%	0.13%	Subsidiary
7) SODA MAŁY Group							
7.1.) SODA-MED. Sp. z o.o.	99.76%	232	(5)	2 890	0.04%	0.18%	Indirect subsidiary
8) Nordiska Unipol Aktienbolag	97.78%	4 380	156	4 926	0.81%	0.31%	Subsidiary
9) ALWERNIA Group							
9.1.) "ALWERNIA-FOSFORANY" Spółka z ograniczoną odpowiedzialnością	73.75%	-	-	50	0.00%	0.00%	Indirect subsidiary
9.2.) SOC-AL. Spółka z ograniczoną odpowiedzialnością	69.88%	626	5	1 709	0.12%	0.11%	Indirect subsidiary
10) CHEMIEPETROL Außenhandelsgesellschaft mit beschränkter Haftung	60.00%	11 699	432	9 962	2.17%	0.64%	Subsidiary
11) DANSKE UNIPOL A/S	55.00%	6 809	103	3 383	1.26%	0.22%	Subsidiary
12) Z.D. "ORGANIKA" Sp. z o.o.	40.80%	681	38	2 460	0.13%	0.16%	Indirect subsidiary

* * out of business

Total value	Non-consolidated undertakings	Ciech Group (without eliminations)	% share
in balance-sheet totals	56 196	3 933 948	1.43%
Net income from sale of goods and products and from financing activities	42 054	1 506 056	2.79%

Applying the principle of relevance (as per the IFRS objectives) the Management Board of CIECH SA, resolved to exclude the following the associates from the consolidated statement.

Undertakings not accounted for using the equity method	Shares of CIECH SA in company (direct + indirect).	Total number of votes at the General Meeting	Acquisition cost	Impairment losses on the acquisition cost	Equity as of 31.03.2007 attributable to the Ciech Group	Net income from sale of goods and products and from financial operations of a given entity	Balance-sheet total of the entity	Net profit (loss)
			(thousand PLN)	(thousand PLN)	(thousand PLN)	(thousand PLN)	(thousand PLN)	(thousand PLN)
1) Suomen Unipol Oy*	24.78%	24.78%	132	-	885	12 824	13 816	174
2) Zakłady Chemiczne "Silikony Polskie" Spółka z ograniczoną odpowiedzialnością	30.00%	40.00%	5 209	-	5 711	4 335	21 862	(42)

			Acquisition cost	Impairment losses on the acquisition cost	Equity as of 31.03.2007 attributable to the Ciech Group	Net income from sale of goods and products and from financial operations of a given entity	Balance-sheet total of the entity	Net profit (loss)
3) "Komunalna Biologiczna Oczyszczalnia Scieków - Spółka z ograniczoną odpowiedzialnością"	56.62%	40.00%	8 358	-	8 102	736	14 534	81
4) "BUDPUR" Spółka z ograniczoną odpowiedzialnością	27.73%	22.18%	63	-	90	616	734	4
5) Przedsiębiorstwo Transportowo Spedycyjne "TRANSCHEM" Spółka z ograniczoną odpowiedzialnością	27.81%	22.25%	89	54	83	1 176	1 705	19
6) "CARGO" Spółka z ograniczoną odpowiedzialnością	24.48%	19.58%	28	-	271	872	2 735	(61)
7) Overhaul and Production Plant "Metalpur" Spółka z ograniczoną odpowiedzialnością	24.52%	19.62%	26	-	203	1 123	1 068	67
8) "Bud-Org" Sp. z o.o.	16.90%	19.88%	43	-	123	337	982	(31)
9) "Gumokor-Organika" Sp. z o.o.	21.80%	19.84%	16	-	93	117	520	(48)
10) "ORGANIKA-PROJEKT" Sp. z o.o.	16.80%	19.59%	18	-	33	134	263	(2)
11) "DREWREM-ORGANIKA" Sp. z o.o.	16.80%	19.31%	8	-	8	223	183	(25)
12) "EL-CHEM" Sp. z o.o.	18.40%	19.78%	92	-	294	1 269	2 661	(145)
13) "WOD_REM" Sp. z o.o.	19.00%	19.95%	146	-	348	1 211	2 571	12
14) "NS Automatyka" Sp. z o.o.	21.60%	17.95%	115	-	314	1 274	2 054	11
15) Govcrest International SRL	38.78%	38.78%	210	-	1 284	13 937	20 142	215
16) Natural Chemical Products	44.00%	35.23%	214	-	2 152	9 218	12 325	(32)
Total value	-	-	14 766	54	19 994	49 402	98 155	197

* approximate data

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

- Calanda Polska Sp. z o.o. in liquidation, 95.70% of shares/votes held directly by Ciech SA; the company has not been shown in the table above due to shortage of data.
- ZAO-Polfa Ciech, Russia, in liquidation, 65 % of shares/votes held directly by Ciech SA.
- Polsin-Karbid Sp. z o. o in liquidation, 22.76% of shares/votes held by CIECH SA, shares/votes (direct+indirect) through CIECH SA and POLSIN PRIVATE LIMITED
- K.Foster&Son Ltd. - lost control, 46.51% of shares/votes held indirectly by CIECH SA through DALTRADE PLC
- Polfa Nigeria - lost control, no contact with the company, 20% share held directly by CIECH SA.

- *Zach-Ciech Sp. z o.o.* - 35.65% of shares/votes held directly by CIECH SA; on 24th January, 2006, the District Court in Katowice declared the Company bankrupt.
- *Zakład Gastronomiczno-Hotelowy "MIREX" Sp. z o.o.* – in liquidation, 27% of shares/votes held indirectly by CIECH SA through ZACHEM S.A.

25. Other information that the Management believes to be important to assess the HR, financial, economic situation, the profit, and any changes in those aspects of business, and information necessary to assess the Ciech Group's capacity to meet obligations

Information necessary to assess the HR situation

The initiatives intended for the following objectives were continued in the first quarter of 2007:

- growth of motivation and satisfaction of the CIECH SA and the Ciech Group employees
- agreement on issues associated with regulations of collective labour agreements
- development of unified standards of personnel processes in the Ciech Group
- agreement on assumptions and solutions optimising the Soda Companies Integration project
- improvement of the Quality Management System

Within the initiatives continued, the second edition of the Talent Promotion Program dedicated to excelling employees of CIECH SA and the Ciech Group. Furthermore, the second round of the Super Manager competition was organised to motivate managers of the Company.

Work schedule for the Company's Collective Labour Agreement was agreed upon in cooperation with the social partners. The Agreement concerning merger of the companies SODA MAŁY S.A., JANIKOSODA S.A., and EC KUJAWY Sp. z o.o. within Integration of the CIECH SA Soda Division was reached.

On March 22nd and 23rd, 2007, a certification audit was conducted in CIECH SA by KEMA Quality Polska Sp. z o.o. The audit confirmed the Quality Management System in CIECH SA fully complies with ISO 9001:2000.

In the first quarter of 2007, the standardisation process was initiated within the area of Human Resources Management with the Ciech Group Companies' representatives. The project assumes development of a common staff strategy within the Ciech Group and design of optimum tools of its completion.

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

- Considerable increase in CIECH SA's and the Ciech Group's business range and revenues owing to purchase made by CIECH SA in 2006 of: 80% of shares in ZACHEM S.A. and Z.Ch. "Organika-Sarzyna" S.A. and 93.14% of shares in the Romanian soda company S.C. Uzinele Sodice Govora S.A.
- Continuation of capital investment process in the area of plants manufacturing soda ash in Central and Eastern Europe to strengthen the Soda Division.
- Continuation of investment analysis process of plants manufacturing silicates in Central and Eastern Europe.
- Continuation of favourable situation in the European glass industry and in the construction industry, accounting for significant markets for CIECH SA (applies especially to new assembly lines of glass recently launched and planned in Central and Eastern Europe).
- Plans to increase manufacturing capacities of soda ash in Central and Eastern Europe (Russia, Ukraine, Romania, Bulgaria, and Belarus) in the years to come, the production of which will be intended mainly for meeting the growing demand of markets in these countries.
- Finalisation of TDI system in August 2006, of the Dow Chemical concern in Italy (with a production capacity of approx. 110 thousand ton/year accounting for several percent of manufacturing capacities of Europe), which contributed to improvement in positioning of other competitive European suppliers with CIECH SA included.
- Lessened frequency of supplies to Europe expected in 2007, within the scope of competitive soda ash from USA (in favour of export to China and South America).

External factors of general nature

Economic situation in Europe and worldwide

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

Global economic growth is estimated to become slower than the previous year (GDP increased by 3.1% against 3.9 % in 2006 according to European Chemistry Industry Council - CEFIC). The dynamics will be even slower in the European Union (25) (2.3% against 2.7% in 2006). In Eastern Europe, economic growth (also slower than previous year) will be twice as fast as in the EU however.

CEFIC forecasts decrease in the chemical output in 2007 in the 25 countries of the European Union (within the area of chemicals without pharmacy to 2.2% against 2.5% in 2006).

Furthermore, it is expected that the growth of demand for chemicals in the years to come will increase in the Central and Eastern Europe region by 5-6% year-to-year.

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

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

How those industries expand, depends on the general economic situation in Poland. The industrial production at fixed prices recorded in 2 months of 2007 increased by 14.0% (in 2006 by 10.3%). The dynamics of the chemical industry was +14.1% (in 2006 +10.8%) with regard to the manufacture of chemical products, and +27.7% (in 2006 +9.1%) with regard to the manufacture of rubber and plastics products.

Poland expects economic growth in the whole 2007 to continue or become even faster with GDP running in excess of approx. 6% (compared to 5.8% in 2006). This translates into continuation of high dynamics of sales in the chemical sector, which tends to grow in a similar manner as the whole economy or even faster.

Financial standing of the agricultural industry The Ciech Group derives a certain portion of its income, mainly generated from mineral fertilizers, 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 mixed fertilisers. The factors that will most likely benefit the demand for agrochemical products and thereby demand for the products manufactured by the Ciech Group include processes aimed at improving the condition and profitability of agricultural production, including production quotas and direct payments, yielding higher revenues for the Ciech Group. If no purchasing-power improvement is recorded in the agricultural sector, the demand for fertilizers and plant protection chemicals will slacken, as will the Ciech Group's income from agrochemical product sales.

Situation in the raw materials market A major portion of the Ciech Group's turnover is generated from imports of chemical raw materials. The raw-material markets are characterised by high cyclicity, prompted by fluctuations in world economies. On the one hand, the growing prices of raw materials force the trading agents to lower their mark-ups, while dropping prices. On the other hand, they are usually a sign of declining demand and the onset of an economic slump. If the stable growth rate and steady prices of chemical raw materials continue, this will benefit CIECH SA's imports of raw materials. Large fluctuations in demand and prices, either caused by high economic growth rate, or by an economic slump, will affect CIECH SA's trade in chemical raw materials.

Project concerning new European Union provisions regarding registration and evaluation of chemicals (REACH system)

On December 18th, 2006, the European Parliament and the Council adopted the REACH regulation. According to the REACH timeline the Regulation will come into force in June 2007, which means the initial registration of substances in the system is likely to start in autumn of 2008.

According to the Resolution of January 16th, 2007, the Management Board of CIECH SA appointed the REACH Task Force, which will be committed to prepare CIECH SA and the Ciech Group Companies to implement the system and decrease any risks included to a minimum. Performance of the Task Force, acting in cooperation with the persons responsible for the REACH affairs in the Companies, will be determined by the adopted schedule.

PLN/Euro exchange rates The majority of the CIECH Group's export sales are settled in euros. A strong euro means higher profitability of exports, both for the Ciech Group and other chemical industry players in Poland. Furthermore, it increases volumes of turnover carried out by CIECH SA for other manufacturers. As a result, the Euro/PLN exchange rate influences profitability of income from sales in the Ciech Group. If the Polish zloty becomes stronger against the euro, the profitability of exports will decline, and the Ciech Group's export volumes will decrease.

Internal factors

Feasibility of technology investments: construction of a monohydrate system, development of a nationwide distribution system for vacuum pan salt distribution

The purpose of the technology investments planned at the Ciech Group is to increase the production capacity for high-yield products, to enhance the quality and properties of its products (the monohydrate investment), and introduce new products with potential for becoming the market leaders (animal feed phosphates). The vacuum pan salt project is aimed at introducing the Ciech Group to the vacuum pan salt distribution market, and allowing it to create its own trademark. The project will increase the capacity 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. The Ciech Group expects that its technology investments will enable it to maintain its leadership in the Polish soda-ash market, strengthen its positioning in the agrochemical sector and achieve a leading position in the vacuum pan salt retail market. Achievement of the project targets should also bring about an increase in income and return on sales.

Feasibility of technology investments in the recently acquired companies such as ZACHEM S.A., Z.Ch. "Organika-Sarzyna" S.A. and S.C. Uzinele Sodice Govora S.A.

According to the commitments under the Privatisation Agreements related to ZACHEM S.A. and Z.CH. "Organika-Sarzyna" S.A. and concerning plans with respect to S.C. Uzinele Sodice Govora S.A., CIECH SA carries out investment parcels directed at modernisation and growth of these Plants.

ZACHEM S.A. – the main directions of investments cover:

- Modernisation of basic assembly lines resulting from the current condition of techniques, intended for higher capacity and decreased manufacturing costs
- Development of new production units to balance the need for the main raw materials and to become independent of external sources and to decrease the manufacturing costs
- Completion of investment assignments reducing adverse effects on environment and at the same time complying with the Environmental Protection Rights. The main investment assignment within this area is development of modern electrolysis to produce chlorine

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

- New investments, implementation of which will enrich the current market offering of the Company
- Development of the existing productive powers for attractive products on the marketplace
- Reconstruction of productive property of the Company - technological modernisation and modern control systems
- Investments connected with environmental protection

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

- Development of the existing productive powers of soda ash
- Reconstruction and modernisation of the existing productive property of the Company
- Investments connected with environmental protection

Effective internal consolidation of the soda segment

The soda segment consolidation project involves acquisition of 100% of shares in two soda companies by buying back the share parcels from small shareholders, integration of the Division by means of merger of the soda companies and continuation of cost streamlining. Currently, a buyout of the minority shareholding is under way in JANIKOSODA S.A. and SODA MAŁY S.A. and integration of the Soda Division proceeds in line with the schedule (merger of JANIKOSODA S.A., SODA MAŁY S.A., and EC KUJAWY Sp. z o.o.).

The internal consolidation and implementation of operational excellence projects will allow for further cuts of the Division operation, leading to an increase in the Ciech Group's competitive edge in the soda segment.

Growth strategy advancement, with a focus on new division building

At the beginning of 2007, a new organisational unit of CIECH SA, the Organika Division, was appointed. It was established on the basis of ZACHEM S.A. and Z.Ch. "Organika-Sarzyna" S.A. and parts of CIECH SA. In January 2007, formal steps were taken to update the growth strategy for the Ciech Group and the Organika Division, including all synergies expected as a result of the integration in progress of the aforesaid plants with the Ciech Group.

As part of this growth strategy, the Ciech Group plans to build two new divisions (complementary to the existing Soda and Organika Division) to handle other key areas of the chemical sector: agrochemicals and inorganic division.

Quality and continuity of the management and staff

The market position of the CIECH Group is largely due to the high level of skills of its top and middle management. The Group's HR policy guarantees stability and career and growth opportunities to its staff.

Basic risks and uncertainties about the Ciech Group activity

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

The Ciech Group activity is associated with numerous segments of the chemical industry whose growth is directly correlated with the general standing of the economy. Presently, the pace of economic growth in Poland increases up to a few GDP percentage points a year. Although the long-term forecasts show in general retention of high growth, one cannot exclude the risk of a temporary downward trend in Poland (for instance due to low growth rate of internal demand and export attenuation). Possible attenuation of this branch of the economy may indirectly affect the chemical sector. A weaker demand for chemical products may affect Ciech Group revenues, and impair its financial performance.

Risk of economic stagnation in Europe and worldwide

The Ciech Group's commercial activities rely largely on chemical product exports, the level and profitability of which depend on the global economic situation in Europe and worldwide. A global economic slump could affect the export trade volumes achieved in international markets, thus reducing the sales income in the individual segments of the Ciech Group's operations.

Risk of lower demand in the segment of the toluene diisocyanate (TDI) recipients

As a result of purchase of 80% shares in ZACHEM S.A., CIECH SA became the main shareholder of the sole manufacturer of the toluene diisocyanate (TDI) - a semi-finished product used to manufacture polyurethane foams for the furniture and automotive industries. CIECH SA is the sole vendor of TDI with ZACHEM S.A. (one of the main products of the Ciech Group).

The market of TDI is a global marketplace, however, in practical terms the majority of the product turnover is carried out within the continent of Europe. With a view to the destination segments of recipients (the furniture and automotive industries), TDI is strongly dependent on a general standing of the economy. In the event of drastic attenuation of this branch of the economy, demand for TDI falls as well. A fixed number of suppliers in numerous global marketplaces may be a solution to secure oneself against the worsening economic situation but only in particular local marketplaces. The same activities are also conducted by CIECH SA.

Risk of oversupply of toluene diisocyanate (TDI) in international markets in a midterm perspective

A considerable increase in productive powers of TDI on a global scale is announced (by approx. 25%). Provided all the planned investments are carried out in the expected time frames, and considering economic growth forecast at 4-5%, one may expect a global oversupply of TDI at the beginning of the second decade of this century. This may lead to falling prices of TDI and reduced use of the manufacturing systems. In order to prevent adverse effects of such a scenario, adequate steps have been taken to modernize relevant manufacturing systems and decrease manufacturing costs.

27. Reconciliation of the equity data presented in the statement for the fourth quarter of 2006 and the data presented presently.

As of the date the Ciech Group's interim consolidated statement for the first quarter of 2007 is published, the audits of the annual financial statements of all companies and lower-tier groups consolidated in the 2006 statement of the Ciech Group were finished. Adjustments made to these statements changed the consolidated data of the Ciech Group as of December 31st, 2006 presented at the moment, in relation to the data previously published in the report for the fourth quarter of 2006. The audits of the 2006 consolidated statement of the Ciech Group come to an end and the company does not expect any data to change until the annual report is published.

The account and description of the entered adjustments have been presented below.

Adjustment No. 1 – reclassifications within equity

In Z. Ch. "Organika-Sarzyna" S.A. reclassification of reserves was made in accordance with Polish accounting standards to "retained earnings" owing to adoption of IFRS 1 "First-time adoption of IFRS" as of the date of joining the Ciech Group.

Adjustment No. 2 – long-term investment measurement

In JANIKOSODA S.A. and SODA MAŃWY S.A. long-term investments were adjusted to account for valuation of contributions in kind.

Adjustment No. 3 – deferred tax adjustment

The adjustment concerns a change in deferred income tax in relation to settlement of investment expenditure in ZACHEM S.A. with the 2006 financial result.

Adjustment No. 4 - reclamation provision

In ZACHEM S.A. a provision for reclamation has been made.

Adjustment No. 5 - recognition/reversal of impairment losses

The adjustment concerns the recognised or reversed impairment losses on receivables, fixed assets, and intangible assets.

Adjustment No. 6 - employee-benefit provisions

In S.C. Uzinele Sodice Govora S.A. a provision for severance pays has been raised based on actuarial valuations.

Adjustment No. 7 - other provisions

The adjustment concerns raising other provisions for court proceedings, retirement of fixed assets

Adjustment No. 8 - adjustment of fixed assets settlement

This adjustment applies to settlement of investment expenditure from 2003 on assets connected with production of TDI in ZACHEM S.A. directly with the 2006 financial result.

Adjustment No. 9 – reclassification of penalties and interest from capitals to liabilities

As a result of privatisation S.C. Uzinele Sodice Govora S.A., Begacom, AVAS (National Privatisation Agency) and Narodowa Izba Ochrony Zdrowia (National Chamber of Healthcare) signed the "Joint orders" allowing it to change liabilities repayment schedule and to charge outstanding premium for social insurance and penalties and interest once certain requirements are met by the end of 2008. According to the provisions of Romanian law, posting interest and penalties in capitals is correct, however, IFRS do not allow recognition of liabilities to be discharged in capitals, unless all the necessary conditions are met. In the statement of S.C. Uzinele Sodice Govora S.A. accepted as a part of the consolidated statement for the fourth quarter of 2006, the amount was partially recognised as liabilities, reclassification of the other part was made upon preparation of the annual statement. S.C. Uzinele Sodice Govora S.A. meets all the requirements of the previously mentioned agreements and the Management Board does not expect any problems with their further fulfilment.

Adjustment No. 10 – implementation of the PUT option

According to the contract on acquisition of 80% of shares in ZACHEM S.A. on December 20th, 2006, CIECH SA submitted a non-cancellable offer to the State Treasury on acquisition of all shares (put option) belonging to the State Treasury from the date of the offer submission by the end of its validity. As of December 31st, 2006, the State Treasury holds 740,000 shares in ZACHEM S.A., accounting for 5% of capital, this quantity may be enlarged by shares which will remain the property of the State Treasury after issue of shares to the entitled employees in accordance with article 36 of the Act of August 30th, 1996 on Commercialization and Privatization of State Enterprises. The option is valid for 10 years; however, acceptance of the purchase offer may take place at the earliest 180 days after the date of purchasing 80% of shares in ZACHEM S.A., which is on June 20th, 2007. The price of the offer realisation is subject to revaluation for the first 36 months from the date of the offer submission. The share price agreed in the contract on purchase of 80% of shares in ZACHEM S.A. is the basis for revaluation, while the revaluation rate is calculated as the arithmetic mean of interest rates per year for two-month credits in PLN in the Warsaw interbank market (WIBOR 12M).

In addition, according to § 13 of Appendix No. 14 to the contract on purchase of 80% shares in ZACHEM S.A, CIECH SA committed to purchase shares issued free of charge to the entitled persons according to article 36 of the Act of August 30th, 1996, on Commercialization and Privatization of State Enterprises. Request for purchase of shares may be submitted within 60 days after the second, the third, and the fourth anniversary of CIECH SA's purchase of shares in ZACHEM S.A. The entitled persons will hold maximum 2,220,000 shares in ZACHEM S.A. The guaranteed price of purchasing the shares is 75% of the price agreed in the contract on the purchase of 80% of shares in ZACHEM S.A and is subject to revaluation.

According to the contract on acquisition of 80% of shares in Z.Ch. "Organika-Sarzyna" S.A. on December 20th, 2006, CIECH SA submitted a non-cancellable offer to the State Treasury on acquisition of all shares (put option) belonging to the State Treasury from the date of the offer submission by the end of its validity. As of December 31st, 2006, the State Treasury holds 424,500 shares in Z.Ch. "Organika-Sarzyna" S.A., accounting for 5% of capital, this quantity may be enlarged by shares which will remain the property of the State Treasury after issue of shares to the entitled employees in accordance with article 36 of the Act of August 30th, 1996 on Commercialization and Privatization of State Enterprises. The option is valid for 10 years, however, acceptance of the purchase offer may take place at the earliest of 180 days after the date of purchasing 80% of shares in Z.Ch. "Organika-Sarzyna" S.A. that is on June 20th, 2007. Price of the offer realisation is subject to revaluation for the first 36 months from the date of the offer submission. The share price agreed in the contract on purchase of 80% of shares in Z.Ch. "Organika-Sarzyna" SA is the basis for revaluation, while revaluation rate is calculated as the arithmetic mean of interest rates as per year for two-month credits in PLN in the Warsaw interbank market (WIBOR 12M).

In addition, according to provisions of Chapter 10, Appendix No. 13 to the contract on purchase of 80% of shares in Z.Ch. "Organika-Sarzyna" S.A, CIECH SA committed to purchase shares issued free of charge to the entitled persons according to article 36 of the Act of August 30th, 1996, on Commercialization and Privatization of State Enterprises. The request for purchase of shares may be submitted after statutory restrictions cease to apply between April 1st and 30th of each year. The entitled persons will hold maximum 1,273,500 shares in Z.Ch. "Organika-Sarzyna" S.A. The guaranteed price of purchasing the shares is:

- after April 30th, 2008 PLN 20 per one share
- after April 30th, 2009 PLN 23 per one share
- after April 30th, 2010 PLN 26 per one share
- after April 30th, 2011 PLN 29 per one share
- after April 30th, 2012 PLN 32 per one share
- after April 30th, 2013 PLN 35 per one share

In the consolidated statement for the fourth quarter of 2006, acquisition of ZACHEM S.A. and Z.Ch. "Organika-Sarzyna" S.A. was settled under assumption that CIECH SA acquired 80% of shares in each company. However, considering the records of IAS 32 obligation to purchase shares in subsidiaries from minority shareholders shall result in recognition of supplementary shares' acquisition at the moment of put option issue, regardless of the likelihood of these options' realisation.

The annual consolidated statement for the fourth quarter of 2006, has been prepared under the assumption that CIECH SA holds 100% of shares in both companies. In the consolidated balance sheet, the financial liability was recognised in the amount of the current value of future payment for shares (value as of December 31st, 2006 amounted to PLN 63,303 thousand). This value increased the share purchase price in both companies, which affected goodwill measurement (in the case of Z.Ch. "Organika-Sarzyna" S.A.) and affected the excess of the purchase price over the acquired net assets (in the case of ZACHEM S.A.). Due to uncertainty related to the timeframe and value of the option realisation, the excess of the purchase price over the acquired net assets has not been recognised in the profit and loss account in 2006; however, it has been presented in the consolidated balance sheet in the item "long-term liabilities". With a view to the above method of settlement of the companies' acquisition, share in minority in net assets has not been recognised.

In future reporting periods, change in liabilities, except for reversal of discount, shall be treated as an adjustment of purchase price and shall adjust goodwill initially recognised or an excess of purchase price over acquired net assets. Reversal of discount calculated at the initial recognition of liability shall be recognised in the profit and loss account in the financial expense items.

In relation to acquisition of 100% of shares in ZACHEM S.A., share in Przedsiębiorstwo Transportowo-Uslugowe TRANSCLEAN Sp. z o.o. has also been subject to change from 90% to 100%.

Equity as of 31.12.2006	31.12.2006 according to IFRS presented in the statement for the fourth quarter of 2006	Adjustment of recognition of the reserve in "retained earnings"	Adjustment of long- term investment valuation to purchase price	Adjustment of deferred income tax	Adjustment of provision for reclamation	Recognised/reversed impairment losses	Implementation of provision for severance pays
LIABILITIES		Adjustment No.1	Adjustment No.2	Adjustment No.3	Adjustment No.4	Adjustment No.5	Adjustment No.6
Equity							
Share capital	164 115	-	-	-	-	-	-
Treasury shares	(6 124)	-	-	-	-	-	-
Share premium reserve	151 328	-	-	-	-	-	-
Equity components relative to assets available for sale	-	-	-	-	-	-	-
Revaluation reserve	11 273	-	-	-	-	-	-
Other reserve capital	79 154	(37 232)	-	-	-	-	-
Foreign exchange differences arising from translation of subsidiaries	(995)	-	-	-	-	-	-
Retained earnings	690 798	37 232	(1 491)	18 453	(10 203)	4 210	(478)
Equity attributable to equity holders of the parent company	1 089 549	-	(1 491)	18 453	(10 203)	4 210	(478)
Minority interest	103 005	-	(53)	-	-	-	-
Total equity	1 192 554	-	(1 544)	18 453	(10 203)	4 210	(478)
including net profit in the financial year	151 036	-	-	-	-	434	-
including:							
Profit/loss attributable to equity holders of the parent company	150 737	-	-	-	-	434	-
Profit/loss attributable to minority interest	299	-	-	-	-	-	-

Equity as of 31.12.2006	31.12.2006 according to IFRS presented in the statement for the fourth quarter of 2006	Recognition of other provisions	Adjustment of TDI assets settlement	Transfer from capital of the other part of liabilities towards the State and reclassification of the entire volume of liabilities to provisions	PUT options	Other adjustments	31.12.2006 according to IFRS presented in the annual statement
LIABILITIES		Adjustment No.7	Adjustment No.8	Adjustment No.9	Adjustment No.10	Adjustment No.11	
Equity							
Share capital	164 115	-	-	-	-	-	164 115
Treasury shares	(6 124)	-	-	-	-	-	(6 124)
Share premium reserve	151 328	-	-	-	-	-	151 328
Equity components relative to assets available for sale	-	-	-	-	-	-	-
Revaluation reserve	11 273	-	-	-	-	713	11 986
Other reserve capital	79 154	-	-	-	36 761	-	78 683
Foreign exchange differences arising from translation of subsidiaries	(995)	-	-	-	-	(87)	(1 082)
Retained earnings	690 798	(341)	(8 720)	(419)	(32 353)	(391)	687 877
Equity attributable to equity holders of the parent company	1 089 549	(341)	(8 720)	(419)	4 408	235	1 086 783
Minority interest	103 005	-	-	-	(52 679)	161	50 435
Total equity	1 192 554	(341)	(8 720)	(419)	(48 271)	397	1 137 218
including net profit in the financial year	151 036	(252)	-	-	-	(784)	150 434
including:							
Profit/loss attributable to equity holders of the parent company	150 737	(252)	-	-	-	(810)	150 109
Profit/loss attributable to minority interest	299	-	-	-	-	26	325

II. CONDENSED INDIVIDUAL FINANCIAL STATEMENT OF CIECH AS FOR Q1 OF 2007, DRAWN UP IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

BALANCE SHEET

BALANCE SHEET	31.03.2007	31.12.2006	31.03.2006
<i>in thousands of Polish zlotys</i>			
ASSETS			
Non-current assets			
Property, plant and equipment	21 996	22 693	22 939
Perpetual leasehold rights	66	66	73
Intangible assets, including:	7 050	7 607	8 789
- goodwill	-	-	-
Investment property	12 241	12 307	13 720
Long-term receivables	45 947	-	-
Investments in associates and joint ventures accounted for using the equity method	-	-	-
Other long-term investments	954 850	921 988	435 628
Deferred tax assets	4 547	4 656	13 485
Total non-current assets	1 046 697	969 317	494 634
Current assets			
Inventories	13 293	12 667	11 285
Short-term investments	7 021	2 818	84 559
Income tax receivable	3 310	3 310	427
Trade and other receivables	370 433	335 891	299 004
Cash and cash equivalents	125 626	61 074	94 982
Current assets available for sale	-	-	-
Total current assets	519 683	415 760	490 257
Total Assets	1 566 380	1 385 077	984 891
EQUITY AND LIABILITIES			
	31.03.2007	31.12.2006	31.03.2006
Equity			
Share capital	164 115	164 115	164 115
Treasury shares	-	-	-
Share premium reserve	151 328	151 328	151 328
Equity components relative to assets available for sale	-	-	-
Revaluation reserve	-	-	-
Other reserve capital	76 199	76 199	76 199
Foreign exchange differences arising from translation of subsidiaries	-	-	-
Retained earnings	374 361	338 465	278 419
Equity attributable to equity holders of the parent company	766 003	730 107	670 061
Minority interest	-	-	-
Total equity	766 003	730 107	670 061
Liabilities			
Borrowings and other debt instruments	252 578	205 963	17 317
Employee benefits	249	249	1 607
Provisions (other long-term)	-	-	-
Deferred tax provision	-	-	-
Total non-current liabilities	252 827	206 212	18 924

EQUITY AND LIABILITIES

Overdraft facility	-	-	-
Borrowings and other debt instruments	182 952	148 472	8 267
Trade and other payables	315 479	258 797	250 156
Income tax payable	30 742	23 112	18 970
Provisions (short-term employee-benefit and other provisions)	18 377	18 377	18 513
Liabilities arising from non-current assets available for sale	-	-	-
Total current liabilities	547 550	448 758	295 906
Total liabilities	800 377	654 970	314 830
Total Liabilities	1 566 380	1 385 077	984 891

OFF-BALANCE SHEET ITEMS

OFF-BALANCE SHEET ITEMS	as is on 31/03/07 at the end of Q1 2007	as is at the end of the previous year 31/12/2006	as is on 31/03/06 at the end of Q1 2006
1. Contingent receivables	-	-	-
1.2. From other undertakings (as a result of)	-	-	-
- guarantees and sureties received	-	-	-
2. Contingent liabilities	106 780	14 464	25 954
1.1. Towards affiliated undertakings (as a result of)	106 780	14 464	25 954
- guarantees and sureties granted	106 780	14 464	25 954
1.2. Towards other undertakings (as a result of)	-	-	-
- guarantees and sureties granted	-	-	-
3. Other (as a result of)	18 978	18 978	9 400
- other trade sureties	18 978	18 978	9 400
Total off-balance sheet items	125 758	33 442	35 354

PROFIT AND LOSS ACCOUNT

<i>in thousands of Polish zlotys</i>	01/01-31/03/2007			01/01-31/03/2006		
	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL
Net sales revenue	533 332	-	533 332	333 446	-	333 446
Cost of sales	442 269	-	442 269	270 756	-	270 756
Gross profit/loss on sales	91 063	-	91 063	62 690	-	62 690
Other operating income	2 207	-	2 207	1 450	-	1 450
Selling costs	30 822	-	30 822	22 537	-	22 537
Administrative expenses	17 678	-	17 678	15 891	-	15 891
Other operating expenses	1 014	-	1 014	1 425	-	1 425
Operating profit/loss	43 756	-	43 756	24 287	-	24 287
Finance income	6 400	-	6 400	82 695	-	82 695
Finance costs	5 915	-	5 915	3 488	-	3 488
Net financial income / costs	485	-	485	79 207	-	79 207
Share of the net profits of subsidiaries accounted for using the equity method	-	-	-	-	-	-
Profit/loss before taxes	44 241	-	44 241	103 494	-	103 494
Income tax	8 345	-	8 345	19 748	-	19 748
Net profit/loss	35 896	-	35 896	83 746	-	83 746
Sales profit/loss relative to discontinued operations	-	-	-	-	-	-
Profit for the marketing year	35 896	-	35 896	83 746	-	83 746

CASH FLOW STATEMENT**CASH FLOW STATEMENT**

01/01-31/03/2007

01/01-31/03/2006

in thousands of Polish zlotys

Cash flows from operating activities

	01/01-31/03/2007	01/01-31/03/2006
Profit (loss) for the period	35 896	83 746
Adjustments		
Depreciation	1 510	1 451
Recognition / reversal of impairment losses	(42)	3 000
Gains / losses on foreign exchange differences	(1 651)	(1 959)
Investment property revaluations	-	-
Gains / losses on investing activities	(42)	(78 659)
Gains / losses on disposal of current assets	(6)	(306)
Interest costs	2 042	71
Input income tax	8 345	19 748
Gains / losses on shares in entities accounted for using the equity method	-	-
Operating profit before changes in current assets and reserves	46 052	27 092
Changes in receivables	(84 664)	16 605
Changes in inventories	3 397	(298)
Changes in current liabilities	104 825	(13 581)
Changes in reserves and employee benefits	473	56
Net cash generated from operations	70 083	29 874
Interest paid	(247)	(342)
Income taxes paid	(606)	(880)
other adjustments	(3 090)	309
Gains / losses on disposal of discontinued operations	-	-
Net cash from operating activities	66 140	28 961

Cash flows from investing activities**Inflows (in "+")**

Disposal of intangible assets and property, plant and equipment	16	1 241
Disposal of a subsidiary	-	104 300
Disposal of investments	-	-
Dividends received	-	81
Interest received	882	140
Other inflows	-	-

Outflows (in "-")

Acquisition of intangible assets and property, plant and equipment	(1 183)	(2 932)
Acquisition of subsidiary (net of cash acquired)	(2 863)	
Purchase of investment property	-	(79 800)
Purchase of other investments	-	-
Research and development expense	-	-
Margin deposit	(15 046)	-
Loans granted	(16 002)	-

Net cash used in investing activities	(34 196)	23 030
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Cash flows from financing activities

CASH FLOW STATEMENT

01/01-31/03/2007

01/01-31/03/2006

in thousands of Polish zlotys

Inflows (in "+")

Proceeds from issue of share capital and other equity instruments, and capital contributions	-	-
Proceeds from issue of convertible preference shares	-	-
Proceeds from borrowings	34 798	1 252
Other financial inflows	-	-

Outflows (in "-")

Purchase of treasury shares	-	-
Dividends paid and other payments to equity holders	-	-
Dividends paid to minority interest holders	-	-
Repayment of borrowings	(1 656)	(7 887)
Redemption of debt securities	-	-
Payment of finance lease liabilities	-	-
Other financial outflows	-	-

Net cash used in financing activities	33 142	(6 635)
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Total net cash flow	65 086	45 356
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Cash at beginning of period	61 074	49 140
Impact of foreign exchange differences	(534)	486

Cash at end of period	125 626	94 982
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Cash at end of period (as disclosed in the balance sheet)	125 626	94 982
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Cash at end of period (as disclosed in the cash flow statement)	125 626	94 982
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CHANGES IN EQUITY

<i>in thousands of Polish zlotys</i>		Allocated to shareholders of the parent company							Retained earnings	Total equity attributable to equity holders of the parent company	Minority interest	Total equity
		Share capital	Treasury shares	Share premium reserve	Equity components relative to assets available for sale	Revaluation reserve	Other reserve capital	Foreign exchange differences arising from translation of subsidiaries				
Equity as of (beginning of period)	01/01/2007											
Brought forward		164 115		151 328	-		76 199		338 465	730 107		730 107
Changes in accounting principles		-	-	-	-	-	-	-	-	-	-	-
Fundamental error corrections		-	-	-	-	-	-	-	-	-	-	-
Balance (restated) at:	01/01/2007	164 115	-	151 328	-	-	76 199	-	338 465	730 107	-	730 107
adjustment of fixed assets		-	-	-	-	-	-	-	-	-	-	-
financial instrument measurement		-	-	-	-	-	-	-	-	-	-	-
long-term investment measurement		-	-	-	-	-	-	-	-	-	-	-
total income and expenditure for the financial year recognised directly in equity		-	-	-	-	-	-	-	-	-	-	-
Net profit (loss)		-	-	-	-	-	-	-	35 896	35 896	-	35 896
total income and expenditure for the financial year		-	-	-	-	-	-	-	35 896	35 896	-	35 896
payment of dividend to shareholders		-	-	-	-	-	-	-	-	-	-	-
other changes		-	-	-	-	-	-	-	-	-	-	-
Equity as of (end of period)	31.03.2007	164 115	-	151 328	-	-	76 199	-	374 361	766 003	-	766 003

CHANGES IN EQUITY

<i>in thousands of Polish zlotys</i>		Allocated to shareholders of the parent company						Retained earnings	Total equity attributable to equity holders of the parent company	Minority interest	Total equity
		Share capital	Treasury shares	Share premium reserve	Equity components relative to assets available for sale	Revaluation reserve	Other reserve capital				
Equity as of (beginning of period)	01/01/2006										
Brought forward		164 115	-	151 328	-	-	76 199	-	194 673	586 315	586 315
Changes in accounting principles		-	-	-	-	-	-	-	-	-	-
Fundamental error corrections		-	-	-	-	-	-	-	-	-	-
Balance (restated) at:	01/01/2006	164 115	-	151 328	-	-	76 199	-	194 673	586 315	586 315
adjustment of fixed assets		-	-	-	-	-	-	-	-	-	-
financial instrument measurement		-	-	-	-	-	-	-	-	-	-
long-term investment measurement		-	-	-	-	-	-	-	-	-	-
total income and expenditure for the financial year recognised directly in equity		-	-	-	-	-	-	-	-	-	-
Net profit (loss)		-	-	-	-	-	-	83 746	83 746	-	83 746
total income and expenditure for the financial year		-	-	-	-	-	-	83 746	83 746	-	83 746
Payment of dividend to shareholders		-	-	-	-	-	-	-	-	-	-
Other changes		-	-	-	-	-	-	-	-	-	-
Equity as of (end of period)	31.03.2006	164 115	-	151 328	-	-	76 199	-	278 419	670 061	670 061

1. Provisions and impairment of CIECH SA's assets – from 01.01.2007 to 31.03.2007

Ciech SA's condensed financial statement for the first quarter of 2007 showed the following adjustments for recognition and reversal of provisions and impairment of assets.

Provisions made in	<i>in thousands PLN.</i>
Provision for employee benefits	3 145
Provision for expenses	456
Provision for financial costs	2 676
Deferred tax provision	473
Total	6 750

Provisions reversed and used in	<i>in thousands PLN.</i>
Provision for employee benefits	4 080
Provision for expenses	8
Provision for financial costs	378
Total	4 466

Impairment losses recognized in	<i>in thousands PLN.</i>
Impairment losses on inventories	9
Impairment losses on receivables	497
Total	506

Impairment losses reversed and used in	<i>in thousands PLN.</i>
Impairment losses on long-term financial assets	42
Impairment losses on receivables	1 250
Total	1 292

Deferred tax assets	<i>in thousands PLN.</i>
Increases	364

2. Financial Assets of CIECH SA

CHANGES IN OTHER LONG-TERM INVESTMENTS	1st quarter/2007	4th quarter year- to-date/2006	1st quarter/2006
	period from 01/01/07 to 31/03/07	period from 01/01/06 to 31/12/06	period from 01/01/06 to 31/03/06
Balance at the beginning of period	948 165	481 074	481 074
a) increases (as a result of)	32 820	499 556	4 800
share purchases	2 343	355 410	-
loans granted	30 477	144 146	4 800
b) decreases (as a result of)	26 135	58 642	50 246
sale of shares	-	32 465	-
revaluation write-down	26 135	26 177	50 246
Balance at the end of period	954 850	921 988	435 628

CHANGES IN SHORT-TERM INVESTMENTS	1st quarter/2007	4th quarters year-to- date/2006	1st quarter/2006
	period from 01/01/07 to 31/03/07	period from 01/01/06 to 31/12/06	period from 01/01/06 to 31/03/06
Balance at the beginning of period	4 568	40 822	40 822
- shares and stocks	1 750	26 993	26 993
- other short-term financial assets	614	257	257
- granted loans	2 204	13 572	13 572
b) increases (as a result of)	4 280	357	75 253
- other short-term financial assets	2 345	357	253
- other securities	-	-	75 000
- granted loans	1 935	-	-
c) decreases (as a result of)	1 827	38 361	31 516
- shares and stocks	-	25 243	25 243
- granted loans	77	11 368	4 523
- revaluation write-down	1 750	1 750	1 750
Balance at the end of period	7 021	2 818	84 559

3. Transactions between CIECH SA and consolidated undertakings (in thousands PLN)

List of transactions with consolidated undertakings from 01.01.2007 to 31.03.2007

Name of the company	Sale of goods and services	Purchase of goods and services	Other operating income	Financial income (interest)	Financial income (dividends)
1. "AGROCHEM" Spółka z ograniczoną odpowiedzialnością in Dobre Miasto	-	160	-	-	-
2. CIECH POLFA Sp. z o.o.	183	45	75	-	-
3. DALTRADE PLC	3 698	-	-	-	-
4. EC KUJAWY Sp. z o.o.	381	-	-	-	-
5. GZNF "FOSFORY" Sp. z o.o.	15 929	4 302	-	-	-
6. SODA MAŁY S.A.	367	73 108	-	-	-
7. JANIKOSODA S. A.	362	79 656	-	-	-
8. POLSIN PRIVATE LIMITED	12 826	-	-	-	-
9. Cheman S.A.	5 408	-	112	147	-
10. TRANSODA Sp. z o.o.	-	4 025	-	-	-
11. "VITROSILICON" Spółka Akcyjna	4 882	9 513	-	103	-
12. "Alwernia" S.A.	17 310	11 933	-	20	-
13. Z.Ch. "Organika Sarzyna" S.A.	13 036	16	-	-	-
14. ZACHEM S.A.	2 841	166 228	-	632	-
15. ZACHEM Barwniki Spółka z ograniczoną odpowiedzialnością	1	-	-	-	-
16. S.C. Uzinele Sodice Govora S.A.	116	488	-	1 120	-
17. Przedsiębiorstwo Transportowo – Usługowe TRANSCLEAN Sp. z o.o.	-	971	-	-	-
18. CIECH FINANCE Spółka z ograniczoną odpowiedzialnością	-	-	5	-	-

List of transactions with consolidated undertakings from 01.01.2006 to 31.03.2006

Name of the company	Sale of goods and services	Purchase of goods and services	Other operating income	Financial income (interest)	Financial income (dividends)
1. "AGROCHEM" Spółka z ograniczoną odpowiedzialnością in Dobre Miasto	-	159	-	-	-
2. CIECH POLFA Sp. z o.o.	197	69	70	-	-
3. DALTRADE PLC	5 167	-	-	-	-
4. EC KUJAWY Sp. z o.o.	389	-	-	-	-
5. GZNF "FOSFORY" Sp. z o.o.	22 753	1 712	-	142	-
6. SODA MAŁY S.A.	452	76 483	-	-	-
7. JANIKOSODA S. A.	362	81 550	-	-	-
8. Petrochemia-Blachownia S. A.	764	23	-	-	-
9. POLSIN PRIVATE LIMITED	5 290	16	70	13	-
10. Cheman S.A.	-	3 009	-	-	-
11. TRANSODA Sp. z o.o.	4 148	11 144	-	-	-
12. "VITROSILICON" Spółka Akcyjna	7 336	4 499	-	47	-
13. "Alwernia" S.A.	34 452	3 935	-	-	-

4. Additional information of CIECH SA for the first quarter ending March 31st, 2007

Accounting principles applicable in preparation of periodical report for the first quarter ending March 31st, 2007

On January 31st, 2007, the Extraordinary General Shareholders' Meeting of CIECH SA under resolution No. 4 decided that CIECH SA shall prepare, starting from January 1st, 2007, individual financial statements in line with the International Financial Reporting Standards.

The quarterly report of CIECH SA was prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for application in the European Union as of March 31st, 2007.

Detailed information regarding principles and methods of valuation of assets and liabilities and measurement of the financial result as well as a method of preparation of financial statements and comparable data are comprised in "The additional information and explanations to the consolidated financial statement of the Ciech Group for 2005", publicly disclosed on May 29th, 2006.

Please note that in 2007, the Company continues to apply the simplified form of advance payments for corporate income tax. In the accounting books the Company recognises liabilities towards the Tax Office resulting from the actual calculation of tax, lump-sum monthly advance payment for income tax amounts to PLN 303 thousand.

The table below comprises differences between the statement generated according to the Polish Accounting Standards and the International Financial Reporting Standards.

	As on March 31st, 2006	As on December 31st, 2006
	<i>thousand PLN</i>	<i>thousand PLN</i>
Equity according to PAS	667 765	728 418
- revaluation of fixed assets and adjustment of depreciation resulting from revaluation of fixed assets	3 677	2 937
- deferred tax on revaluated fixed assets	(535)	(402)
- adjustment of depreciation/amortisation of investment real estate properties for the years 2002-2003	(846)	(846)
- other	-	-
Equity according to IFRS	670 061	730 107

	As on March 31st, 2006	As on December 31st, 2006
	<i>thousand PLN</i>	<i>thousand PLN</i>
Net profit/loss according to PAS	83 686	166 739
- adjustment of the depreciation/amortisation of fixed assets with regard to the revaluation	74	(655)
- deferred tax on revaluated fixed assets	(14)	119
- other	-	76
Net profit/loss according to IFRS	83 746	166 279

III. Management Board's Statement

This extended consolidated quarterly report of the Ciech Capital Group for the first quarter of 2007 was approved by the Management Board of CIECH SA at its headquarters on May 10th, 2007.

Warsaw, May 10th, 2007.

.....
Mirosław Kochalski – President of the Management Board of CIECH Spółka Akcyjna

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

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

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

.....
Kazimierz Przełomski – CFO, Commercial Representative of CIECH Spółka Akcyjna