



**EXTENDED CONSOLIDATED
QUARTERLY REPORT
OF THE CIECH CHEMICAL GROUP
for the fourth quarter of 2007**

SELECTED FIGURES OF THE CIECH CHEMICAL GROUP

SELECTED FIGURES	in PLN '000		in EUR '000	
	4 quarters year-to-date from 01/01/07 to 31/12/07	4 quarters year-to-date from 01/01/06 to 31/12/06	4 quarters year-to-date from 01/01/07 to 31/12/07	4 quarters year-to-date from 01/01/06 to 31/12/06
Net sales revenue	3 418 745	2 174 330	905 196	557 649
Operating profit (loss)	310 178	180 724	82 127	46 350
Profit (loss) before taxes	302 264	186 181	80 032	47 750
Total net profit (loss)	235 204	184 839	62 276	47 406
Net profit (loss) of shareholders of the parent company	233 398	184 514	61 798	47 322
Net profit (loss) of minority shareholders	1 806	325	478	83
Net cash flow from operating activities	178 370	176 487	47 228	45 264
Net cash flow from investment activities	(534 425)	(478 130)	(141 502)	(122 626)
Net cash flow from financing activities	320 396	346 032	84 833	88 747
Total net cash flow	(35 659)	44 389	(9 442)	11 384
Total Assets	4 217 918	2 860 665	1 177 532	746 676
Long-term liabilities	1 306 699	712 046	364 796	185 855
Short-term liabilities	1 552 834	969 374	433 510	253 021
Total equity	1 358 385	1 179 245	379 225	307 800
Equity attributable to equity holders of the parent company	1 313 396	1 128 758	366 666	294 623
Minority's share	44 989	50 487	12 560	13 178
Share capital	164 115	164 115	45 817	42 836
Profit (loss) per share (in PLN / EUR)	8.36	6.59	2.21	1.69

SELECTED FIGURES OF CIECH SA

SELECTED FIGURES	in PLN '000		in EUR '000	
	4 quarters year-to-date from 01/01/07 to 31/12/07	4 quarters year-to-date from 01/01/06 to 31/12/06	4 quarters year-to-date from 01/01/07 to 31/12/07	4 quarters year-to-date from 01/01/06 to 31/12/06
Net income from sale of products, goods and materials	2 053 545	1 640 918	543 726	420 845
Profit (loss) on operating activity	123 647	106 460	32 739	27 304
Gross profit (loss)	126 399	204 186	33 467	52 367
Net profit (loss)	102 625	166 279	27 172	42 645
Net cash flow from operating activities	152 292	66 132	40 323	16 961
Net cash flow from investment activities	(425 665)	(350 392)	(112 705)	(89 865)
Net cash flow from financing activities	245 488	297 450	64 999	76 287
Total net cash flow	(27 885)	13 190	(7 383)	3 383
Total assets	1 867 525	1 385 077	521 364	361 526
Liabilities and reserves for liabilities	1 092 549	654 970	305 011	170 957
Long-term liabilities	522 804	206 212	145 953	53 824
Short-term liabilities	569 745	448 758	159 058	117 132
Equity	774 976	730 107	216 353	190 569
Share capital	164 115	164 115	45 817	42 836

I. CONSOLIDATED FINANCIAL REPORT OF THE CIECH CHEMICAL GROUP

in thousands of Polish zlotys

CONSOLIDATED PROFIT AND LOSS ACCOUNT	01.01.-31.12.2007	01.01.-31.12.2006			01.10.-31.12.2007	01.10.-31.12.2006
		Continued operations	Discontinued operations	TOTAL		
<i>in thousands of Polish zlotys</i>						
Net sales revenue	3 418 745	2 174 330	-	2 174 330	784 929	624 937
Cost of sales	(2 613 512)	(1 676 009)	-	(1 676 009)	(620 958)	(499 441)
Gross profit/loss on sales	805 233	498 321	-	498 321	163 971	125 496
Other operating income	94 284	164 152	-	164 152	42 943	139 187
Selling costs	(229 774)	(157 338)	-	(157 338)	(59 192)	(38 988)
Administrative expenses	(269 283)	(160 414)	-	(160 414)	(72 798)	(44 416)
Other operating expenses	(90 282)	(163 997)	-	(163 997)	(37 844)	(116 213)
Operating profit (loss)	310 178	180 724	-	180 724	37 080	65 066
Finance income	42 097	18 001	-	18 001	21 737	342
Finance costs	(55 073)	(14 455)	-	(14 455)	(13 892)	(6 006)
Net financial income (costs)	(12 976)	3 546	-	3 546	7 845	(5 664)
Share of the net profits of subsidiaries accounted for using the equity method	5 062	1 911	-	1 911	(206)	1 205
Profit (loss) before taxes	302 264	186 181	-	186 181	44 719	60 607
Income tax	(67 060)	(28 151)	-	(28 151)	4 593	(1 210)
Net profit (loss)	235 204	158 030	-	158 030	49 312	59 397
Sales profit (loss) relative to discontinued operations	-	-	26 809	26 809	-	-
Net profit (loss) for the financial year	235 204	158 030	26 809	184 839	49 312	59 397
including:						
Net profit (loss) of shareholders of the parent company	233 398	157 810	26 704	184 514	48 723	60 122
Net profit (loss) of minority shareholders	1 806	220	105	325	589	(725)
Profit (loss) per share (in PLN):						
Basic	8.36	5.64	0.95	6.59	1.74	2.15
Diluted	8.36	5.64	0.95	6.59	1.74	2.15

CONSOLIDATED BALANCE SHEET*in thousands of Polish zlotys*

ASSETS	31.12.2007	31.12.2006
Non-current assets		
Property, plant and equipment	2 004 208	1 409 205
Perpetual leasehold rights	142 987	144 263
Intangible assets, including:	528 407	97 148
- goodwill	407 529	33 136
Investment property	16 543	17 181
Long-term receivables	59	37
Investments in associates and joint ventures accounted for using the equity method	51 078	42 220
Other long-term investments	79 453	42 836
Deferred tax assets	-	3 907
Total non-current assets	2 822 735	1 756 797
Current assets		
Inventories	285 171	245 763
Short-term investments	16	614
Income tax receivables	8 514	10 400
Trade and other receivables	977 204	699 144
Cash and cash equivalents	124 278	145 620
Current assets available for sale	-	2 327
Total current assets	1 395 183	1 103 868
Total Assets	4 217 918	2 860 665
EQUITY AND LIABILITIES	31.12.2007	31.12.2006
Equity		
Share capital	164 115	164 115
Treasury shares	-	(5 051)
Share premium reserve	151 328	151 328
Equity components relative to assets available for sale	-	-
Revaluation reserve	8 248	11 986
Other reserve capital	78 683	78 683
Foreign exchange differences arising from translation of subsidiaries	(19 160)	(1 082)
Retained earnings	930 182	728 779
Equity attributable to equity holders of the parent company	1 313 396	1 128 758
Minority interest	44 989	50 487
Total equity	1 358 385	1 179 245
Liabilities		
Borrowings and other debt instruments	734 962	316 863
Employee benefits	58 221	55 502
Other long-term provisions	88 021	156 556
Other long-term liabilities	339 966	116 807
Deferred tax provision	85 529	66 318
Total long-term liabilities	1 306 699	712 046
Overdraft facility	28 888	14 311
Borrowings and other debt instruments	460 349	276 368
Trade and other payables	874 560	586 107
Income tax payable	32 794	27 713

EQUITY AND LIABILITIES	31.12.2007	31.12.2006
Provisions (short-term employee-benefits and other provisions)	156 243	64 875
Liabilities arising from non-current assets available for sale	-	-
Total short-term liabilities	1 552 834	969 374
Total liabilities	2 859 533	1 681 420
Total Liabilities	4 217 918	2 860 665

OFF-BALANCE SHEET ITEMS

in thousands of Polish zlotys

	31.12.2007	31.12.2006
1. Contingent receivables	-	-
- guarantees and sureties received	-	-
- other off-balance sheet receivables	-	-
2. Contingent liabilities	42 283	44 255
- guarantees and sureties granted	40 082	41 566
- other off-balance sheet liabilities	2 201	2 689
3. Other	7 052	720
- other	7 052	720
Total off-balance sheet items	49 335	44 975

CONSOLIDATED CASH FLOW STATEMENT

in thousands of Polish zlotys

Cash flows from operating activities	01.01-31.12.2007	01.01-31.12.2006
Profit (loss) for the period	235 204	184 839
Depreciation	177 256	95 881
Recognition / reversal of revaluation write-downs	(6 464)	(18 850)
Gains / losses on foreign exchange differences	(5 961)	2 919
Investment property revaluations	(3 807)	-
Gains / losses on investment activities	(7 658)	(10 467)
Gains / losses on disposal of current assets	(14 423)	(2 255)
Interest and dividends	25 708	7 725
Input income tax	67 060	28 151
Gains / losses on shares in entities accounted for using the equity method	(5 062)	(1 911)
Operating profit before changes in current assets and provisions	461 853	286 032
Changes in receivables	(73 270)	14 192
Changes in inventories	(27 332)	(12 275)
Changes in current liabilities	(76 660)	(57 187)
Changes in reserves and employee benefits	(26 390)	3 935
Net cash generated from operations	258 201	234 697
Interest paid	(27 768)	(8 837)
Income taxes paid	(46 492)	(18 581)
Other adjustments	(5 571)	(3 983)
Gains / losses on disposal of discontinued operations	-	(26 809)
Net cash from operating activities	178 370	176 487

Cash flows from investment activities	01.01-31.12.2007	01.01-31.12.2006
Inflows (in "+")		
Disposal of intangible assets and property, plant and equipment	32 193	5 839
Disposal of subsidiaries	-	104 750
Disposal of investments	11 789	77 077
Dividends received	2 078	1 733
Interest received	3 897	370
Other inflows	17 823	12
Outflows (in "-")		
Acquisition of intangible assets and property, plant and equipment	(223 200)	(160 606)
Acquisition of subsidiary (net of cash acquired)	854	(300 555)
Purchase of investment property	-	-
Purchase of other investments	(3 124)	(75 000)
Research and development expenses	-	-
Other outflows	(376 735)	(131 750)
Net cash used in investment activities	(534 425)	(478 130)
Cash flows from financing activities	01.01-31.12.2007	01.01-31.12.2006
Inflows (in "+")		
Proceeds from issue of share capital and other equity instruments, and capital contributions	50	-
Proceeds from issue of convertible preference shares	-	-
Proceeds from borrowings	195 200	491 965
Other financial inflows	300 807	3 594
Outflows (in "-")		
Purchase of treasury shares	-	-
Dividends paid and other payments to equity holders	(58 800)	(22 400)
Dividends paid to minority interest holders	(1 290)	(811)
Repayment of borrowings	(114 605)	(124 492)
Redemption of debt securities	-	-
Payment of finance lease liabilities	(825)	(1 356)
Other financial outflows	(141)	(468)
Net cash used in financing activities	320 396	346 032
Total net cash flow	(35 659)	44 389
Cash at beginning of period	131 309	88 240
Impact of foreign exchange differences	(260)	(1 320)
Cash at end of period	95 390	131 309

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Allocated to shareholders of the parent company

<i>in thousands of Polish zlotys</i>	Share capital	Treasury shares	Share premium reserve	Revaluation reserve	Other reserve capital	Foreign exchange differences arising from translation of subsidiaries	Retained earnings	Total equity attributable to equity holders of the parent company	Minority interest	Total equity
Equity as at (beginning of period) 01/01/2007:										
Brought forward	164 115	(5 051)	151 328	11 986	78 683	(1 082)	728 779	1 128 758	50 487	1 179 245
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-
Fundamental error corrections	-	-	-	-	-	-	(5 302)	(5 302)	-	(5 302)
Balance (restated) at:	164 115	(5 051)	151 328	11 986	78 683	(1 082)	723 477	1 123 456	50 487	1 173 943
Exchange differences on translating foreign operations	-	-	-	-	-	(18 787)	-	(18 787)	(493)	(19 280)
Adjustment of fixed assets	-	-	-	-	-	-	4 563	4 563	50	4 613
Long-term investment measurement	-	-	-	(3 738)	-	-	-	(3 738)	1 257	(2 481)
Total income and expenditure for the financial year recognised directly in equity	-	-	-	(3 738)	-	(18 787)	4 563	(17 962)	814	(17 148)
Net profit (loss)	-	-	-	-	-	-	233 398	233 398	1 806	235 204
Total income and expenditure for the financial year	-	-	-	(3 738)	-	(18 787)	237 961	215 436	2 620	218 056
Payment of dividends to shareholders	-	-	-	-	-	-	(58 600)	(58 600)	(1 371)	(59 971)
Change in the group's composition	-	-	-	-	-	709	27 412	28 121	(6 738)	21 383
Disposal of treasury shares	-	5 051	-	-	-	-	-	5 051	-	5 051
Other increases	-	-	-	-	-	-	(68)	(68)	(9)	(77)
Equity as at (end of period) 31/12/2007:	164 115	-	151 328	8 248	78 683	(19 160)	930 182	1 313 396	44 989	1 358 385

Allocated to shareholders of the parent company

<i>in thousands of Polish zlotys</i>	Share capital	Treasury shares	Share premium reserve	Revaluation reserve	Other reserve capital	Foreign exchange differences arising from translation of subsidiaries	Retained earnings	Total equity attributable to equity holders of the parent company	Minority interest	Total equity
Equity as at (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	-	-	-	-	-	(834)	-	(834)	(850)	(1 684)
Adjustment of fixed assets	-	-	-	-	-	-	-	-	-	-
Long-term investment measurement	-	-	-	8 443	-	-	-	8 443	2 488	10 931
Total income and expenditure for the financial year recognised directly in equity	-	-	-	8 443	-	(834)	-	7 609	1 638	9 247
Net profit (loss)	-	-	-	-	-	-	184 513	184 513	325	184 838
Total income and expenditure for the financial year	-	-	-	8 443	-	(834)	184 513	192 122	1 963	194 085
Payment of dividends to shareholders	-	-	-	-	-	-	(22 400)	(22 400)	(833)	(23 233)
Change in the group's composition	-	(5 051)	-	-	-	-	(4 910)	(9 961)	-	(9 961)
Other increases	-	-	-	-	-	-	(644)	(644)	(133)	(777)
Equity as at (end of period) 30/09/2007:	164 115	(5 051)	151 328	11 986	78 683	(1 082)	728 779	1 128 758	50 487	1 179 245

Additional information for the financial report of the Ciech Capital Group

1. General Information

The presented consolidated financial report for the period from January 01st, 2007 to December 31st, 2007, including comparative information was approved for publication by the Management Board of CIECH SA on February 29th, 2008.

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.

Organizational Description of the Ciech Group

The Ciech Capital Group's parent company is CIECH Spółka Akcyjna with its current registered office in Warsaw at 182 Puławska Street, registered under entry number 0000011687 in the District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register.

Ciech Group is a group of domestic and foreign manufacturing, distribution and trade companies operating in the chemical industry. As at December 31st, 2007, it comprised 60 business entities, including:

- parent company CIECH SA,
- 42 subsidiaries, including:
 - 26 domestic subsidiaries,
 - 16 foreign subsidiaries,
- 14 domestic associates,
- 3 foreign associates.

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

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

When preparing the consolidated financial statement for the fourth 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 – Sarzyna" Spółka Akcyjna
 7. Przedsiębiorstwo Transportowo - Usługowe TRANSCLEAN Spółka z ograniczoną odpowiedzialnością
 8. CIECH FINANCE Spółka z ograniczoną odpowiedzialnością
 9. POLSIN PRIVATE LIMITED
 10. DALTRADE PLC
 11. S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.

The consolidated financial statement also includes five capital groups of a lower level:

1. FOSFORY Group, including:
 - Gdańskie Zakłady Nawozów Fosforowych "FOSFORY" Spółka z ograniczoną odpowiedzialnością – parent company
 - "AGROCHEM" Spółka z ograniczoną odpowiedzialnością – in Człuchów
 - "AGROCHEM" Spółka z ograniczoną odpowiedzialnością – in Dobre Miasto
2. Group of SODA MAŁTWY, including;
 - Inowrocławskie Zakłady Chemiczne SODA MAŁTWY Spółka Akcyjna – parent company
 - Elektrociepłownie Kujawskie Spółka z ograniczoną odpowiedzialnością
 - TRANSODA Spółka z ograniczoną odpowiedzialnością
 - Soda Polska CIECH Spółka z ograniczoną odpowiedzialnością
 - Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna (a company valued using the equity method)
3. JANIKOSODA Group, including:
 - Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna – parent company
 - Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna (a 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
5. Soda Deutschland Ciech Group, including:
 - Soda Deutschland Ciech GmbH - parent company
 - Sodawerk Holding Staßfurt GmbH
 - Sodawerk Staßfurt Verwaltungs GmbH
 - Sodawerk Staßfurt GmbH&Co.KG
 - KWG GmbH

The parent company does not have branches.

List of consolidated entities measured using the equity method in Q4 2007: comparative figures

Company/Group	Consolidation method as at 31.12.2007 and CIECH SA's control	Consolidation method as at 31.12.2006 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 at the level of the Ciech Group.	Fully consolidated subsidiary of CIECH SA
4) SODA MAŁTWY Group	Fully consolidated lower-tier Capital Group	Fully consolidated lower-tier Capital Group
4.1) SODA MAŁTWY S.A.	Lower-tier group parent (controlled by CIECH SA)	Lower-tier group parent (controlled by CIECH SA)
4.2) TRANSODA Sp. z o.o.	Indirect lower-tier subsidiary of CIECH SA; full consolidation.	Indirect lower-tier subsidiary of CIECH SA; full consolidation. From March 10th, 2006, merged with "Jantrans-Janikowo" Spółka z ograniczoną odpowiedzialnością
4.3) Elektrociepłownie Kujawskie Spółka z ograniczoną odpowiedzialnością	Indirect lower-tier subsidiary of CIECH SA; full consolidation.	Indirect lower-tier subsidiary of CIECH SA; full consolidation.

Company/Group	Consolidation method as at 31.12.2007 and CIECH SA's control	Consolidation method as at 31.12.2006 and CIECH SA's control
4.4) Soda Polska CIECH Sp. z o.o.	Indirect lower-tier subsidiary of CIECH SA; full consolidation.	-
4.5) Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna	Indirect lower-tier associate with Ciech SA valued using the equity method.	Indirect lower-tier associate of Ciech SA valued using the equity method.
5) JANIKOSODA Group	Fully consolidated lower-tier Capital Group	Fully consolidated lower-tier Capital Group
5.1) JANIKOSODA S.A.	Lower-tier group parent (controlled by CIECH SA)	Lower-tier group parent (controlled by CIECH S.A.)
5.2) Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna	Indirect lower-tier associate with Ciech SA valued using the equity method.	Indirect lower-tier associate of Ciech SA valued using the equity method.
6) FOSFORY Group	Fully consolidated lower-tier Capital Group	Fully consolidated lower-tier Capital Group
6.1) GZNF "FOSFORY" Sp. z o.o.	Lower-tier group parent (controlled by CIECH SA)	Lower-tier group parent (controlled by CIECH S.A.)
6.2) "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.
6.3) "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.
7) ALWERNIA Group	Fully consolidated lower-tier parent company	Fully consolidated lower-tier Capital Group
7.1) "Alwernia" S.A.	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
7.2) ALWERNIA - CHROM Spółka z ograniczoną odpowiedzialnością	-	The company was sold in January 2006
8) POLSIN PRIVATE LIMITED	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
9) DALTRADE PLC.	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
10) VITROSILICON Spółka Akcyjna	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
11) Przedsiębiorstwo Transportowo - Usługowe TRANSCLEAN Sp. z o.o.	Fully consolidated subsidiary of CIECH SA	Associate of Ciech SA valued using the equity method until December 31st, 2006; on December 31st, 2006 the consolidation method was changed into full consolidation.
12) Zakłady Chemiczne "Organika - Sarzyna" S.A.	Fully consolidated subsidiary of CIECH SA	CIECH SA's subsidiary, fully consolidated since December 31st, 2006
13) ZACHEM Group	Fully consolidated lower-tier Capital Group	Fully consolidated lower-tier Capital Group
13.1) ZACHEM S.A.	Fully consolidated subsidiary of CIECH SA	CIECH SA's subsidiary, fully consolidated since December 31st, 2006
13.2) ZACHEM UCR Spółka z ograniczoną odpowiedzialnością	Indirect lower-tier subsidiary of CIECH SA; full consolidation.	Indirect lower-tier subsidiary of CIECH SA; full consolidation.
13.3) ZACHEM Barwniki Spółka z ograniczoną odpowiedzialnością	Indirect lower-tier subsidiary of CIECH SA; full consolidation.	Indirect lower-tier subsidiary of CIECH SA; full consolidation.
14) S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Fully consolidated subsidiary of CIECH SA	CIECH SA's subsidiary, fully consolidated since December 31st, 2006
15) Soda Deutschland Ciech Group	Fully consolidated lower-tier Capital Group	-
15.1) Soda Deutschland Ciech GmbH	Indirect lower-tier subsidiary of CIECH SA; full consolidation until December 31st, 2007	-
15.1.1) Sodawerk Holding Staßfurt GmbH	Indirect lower-tier subsidiary of CIECH SA; full consolidation until December 31st, 2007	-
15.1.1.1) Sodawerk Staßfurt Verwaltungs GmbH	Indirect lower-tier subsidiary of CIECH SA; full consolidation until December 31st, 2007	-
15.1.1.2) Sodawerk Staßfurt GmbH&Co.KG	Indirect lower-tier subsidiary of CIECH SA; full consolidation until December 31st, 2007	-
15.1.1.3) KWG GmbH	Indirect lower-tier subsidiary of CIECH SA; full consolidation until December 31st, 2007	-

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 an agent for Polish and foreign companies.

Fully consolidated lower-tier subsidiary Groups:**▪ SODA MAŁY 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 feeds,
- 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.

▪ Soda Deutschland Ciech Group

- manufacture of other inorganic basic chemicals,
- wholesale of chemical products,
- production and distribution of electricity.

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 packaging 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 TRASCLEAN Spółka z ograniczoną odpowiedzialnością**
 - international transport of liquid chemicals,
 - tank truck- and rail tank car wash.

- **S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.**
 - 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 statements of the Ciech Group, as well as financial statements of all subsidiaries and associated companies of Ciech SA for the presented period and corresponding periods have been prepared according to the International Financial Reporting Standards (IFRS) adopted for usage in the European Union as of December 31st, 2007.

As for Zakłady Chemiczne ZACHEM Spółka Akcyjna, Zakłady Chemiczne "Organika - Sarzyna" Spółka Akcyjna and S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. the initial settlement established on a provisional basis currently applied is no longer in use. As at December 31st, 2006 these companies were included in the consolidation on the basis of the book value of their assets and liabilities. The presented financial statements contain any adjustments resulting from measurement at fair value of particular identifiable assets, liabilities and contingent liabilities of these companies. Detailed information concerning the implemented adjustments as at December 31st, 2006 has been disclosed in item 28 of the presented report.

With regard to acquisition of the Soda Deutschland Ciech Group at the end of December 2007, business mergers – the initial settlement established on a provisional basis provided for by IFRS 3 was applied for this entity. The group was consolidated as of December 31st, 2007 on the basis of the book value of its assets and liabilities. After finalization of the measurement at fair value of particular identifiable assets, liabilities and contingent liabilities of all companies included in the Soda Deutschland Ciech Group, any adjustments resulting from finalization of initial provisional settlements will be entered into the consolidated financial statement as at the date of acquisition and as at the following balance sheet dates.

The parent company's Management Board used its best judgement in the selection and interpretation of the applicable standards, as well as in the selection of the measurement methods and principles for different items of the Ciech Group's consolidated financial statements in line with IFRS as at December 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 the consolidated financial statements

The presented financial statement has been prepared under the assumption of a 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 Board to exercise professional judgement, estimates, and objectives that impact the adopted accounting principles and the measurement of the assets, liabilities, income, and expenses. All estimates and the related assumptions are based on historical experience and various other factors considered reasonable under the given circumstances, and the results of such estimates are the basis for a professional judgement for estimating 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 the related assumptions are revised on a continuous 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 which have a significant impact on the consolidated financial statement, and the estimates bearing a high risk of significant changes in the future periods, are examined 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 euro at the average exchange rate announced at the balance-sheet date (December 31st, 2007) by the National Bank of Poland i.e., 3.5820. Individual items of the profit and loss account 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 December 2007, which are respectively: 3.9320; 3.9175; 3.8695; 3.7879; 3.8190; 3.7658; 3.7900; 3.8230; 3.7775; 3.6306; 3.6267; 3.5820. The exchange rate for the presented reporting period is 3.7768.

4. Significant accounting and consolidation principles

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

Accounting principles applicable in preparation of a periodical report for the fourth quarter ending December 31st, 2007

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

Detailed information regarding the 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 were included in the interim consolidated financial statement of the Ciech Group for the first half of 2007, publicly disclosed on October 1st, 2007. Those principles have been used on a continuous basis when preparing all consolidated financial statements of the Ciech Group since the day of switching into IFRS, i.e., since January 1st, 2004.

5. Major achievements by CIECH SA and the Group's companies in the fourth quarter of 2007

CIECH SA

- On October 29th, 2007 a long-term contract was concluded between CIECH SA, acting as the selling party and Petrochemia Blachownia SA, acting as the purchasing party. Supplies of approx. 24 thousand tonnes of benzene fraction (supplier: INA Industrija Nafta d.d. in Croatia) are the subject of the contract. The contract entered into force on January 2nd, 2008. The estimated value of the contract is approx. PLN 43 million (plus an option for additional supplies worth PLN 11 million).
- On October 31st, 2007 the purchase of parcel of 174,467 (17.45%) shares in Polsin Private Limited with its registered office in Singapore was finalised by CIECH SA for 872 thousand Singaporean dollars. Due to the transaction CIECH SA's share in Polsin Private Limited, its share capital increased from 65.00% to 82.45%. Polsin Private Limited is a commercial company handling its activity mainly in the Southern and Eastern Asian markets.
- On November 6th, 2007 the Management Board of CIECH SA adopted a resolution according to which its FosChem Division would be subject to liquidation on November 30th, 2007, while on December 1st, 2007 an Agro Division and Silicates and Glass Division would be appointed. The changes are prompted by completion of "Strategy of the Ciech Group for 2007 - 2011" assuming acquisition of a strong position in the Polish chemical sector. Appointment of the new Divisions will facilitate fulfilment of the strategic business goals, centralisation of management and optimisation of initiatives related to the agricultural sector and glass-making industry in terms of products.

- On November 21st, 2007 CIECH SA signed the following contracts in Berlin:

Contract on the purchase of shares in Marmor 210. V V GmbH by CIECH SA. This company has been changed into Soda Deutschland Ciech GmbH (referred to as: "Soda Deutschland Ciech");

Contract on the purchase of shares in Sodawerk Holding Staßfurt GmbH (referred to as: "Sodawerk Holding Staßfurt") by Soda Deutschland Ciech;

Agreement of Shareholders of Soda Deutschland Ciech

1. Contract on the purchase of shares in Soda Deutschland Ciech by CIECH

CIECH acquired shares in Soda Deutschland Ciech from VRB Dritte Beteiligungs GmbH at a total of EUR 27.5 thousand. The above contract having been signed, CIECH SA became the owner of 100% shares and is liable to exercise 100% voting rights at the Meeting of Shareholders of Soda Deutschland Ciech. Mr. Jochen Ohm, the existing shareholder and the President of the Management Board of Sodawerk Staßfurt GmbH & Co. KG (referred to as: "SWS KG"), is a business partner of CIECH SA in Soda Deutschland Ciech. Pursuant to the Shareholders' Agreement and having completed the conditions referred to below, he acquired from CIECH SA 10% shares in the company share capital.

2. Conditional contract on the purchase of shares in Sodawerk Holding Staßfurt by Soda Deutschland Ciech

By means of its special purpose vehicle such as Soda Deutschland Ciech, CIECH SA acquired shares in Sodawerk Holding Staßfurt from German Equity Partners III L.P., German Equity Partners III GmbH & Co. KG, GEP III Coinvest GmbH & Co. KG and from two natural persons (Jochen Ohm, Ulrich Eichhorn). Shares in Sodawerk Holding Staßfurt have been acquired at a total of EUR 75,000 thousand. With regard to the aforesaid transaction, Soda Deutschland Ciech has become the owner of 100% shares and is liable to exercise 100% voting rights at the Meeting of Shareholders in Sodawerk Holding Staßfurt. Sodawerk Holding Staßfurt is the sole shareholder of Sodawerk Staßfurt Verwaltungs-GmbH, and the sole limited partner of SWS KG, whose sole limited partner is, in turn, Sodawerk Staßfurt Verwaltungs-GmbH.

The contract on the purchase of shares in Sodawerk Holding Staßfurt is of a conditional character; its validity depends on the consent of the Federal Cartel Office (Bundeskartellamt) to make a concentration and to make a payment for the acquired shares in Sodawerk Holding Staßfurt. Transfer of the shares ownership followed the Office's consent on December 13th, 2007 and payment made on December 19th, 2007.

3. Agreement of Shareholders of Soda Deutschland Ciech

Pursuant to this agreement CIECH SA disposed of 10% shares in Soda Deutschland Ciech in favour of Jochen Ohm. Moreover, the shareholders of Soda Deutschland Ciech agreed upon the rules of the company management, as well as the rules of the competitive activity and of sale-and-purchase-back of Soda Deutschland Ciech shares by CIECH SA from Mr. Jochen Ohm by the end of 2009. By that time, Mr. Jochen Ohm will be the President of the Management Board of Soda Deutschland Ciech.

On December 19th, 2007 transfer of the shares ownership from Sodawerk Holding Staßfurt GmbH to Soda Deutschland Ciech GmbH took place as a result of the contract completion on acquisition of shares in Sodawerk Holding Staßfurt by Soda Deutschland Ciech. On the same day CIECH SA granted a loan to its subsidiary Soda Deutschland Ciech GmbH amounting to EUR 95,100 thousand. The loan was granted to cover the costs of share purchase in Sodawerk Holding Staßfurt GmbH and to refinance the company's debt towards its ex-partners.

- On November 22nd, 2007 CIECH SA acknowledged release of the share capital of CIECH AMERICA LATINA LTDA with its registered offices in Brazil by the Brazilian Central Bank, which means finalisation of the commercial company establishment. The share capital of the company stands at 600 thousand Brazilian real and is divided into 600,000 shares at nominal value of BRL 1 per each share. Ciech SA subscribed to 599,999 shares at a total of 599,999 Brazilian real (approx. PLN 864 thousand), thus its share in the CIECH AMERICA LATINA LTDA share capital amounts to 99.99%. CIECH AMERICA LATINA LTDA will be handling commercial activity in the markets of South America.
- On December 14th, 2007 CIECH SA issued Class A Bonds in the amount of PLN 300,000 thousand under the following terms: maturity period is 5 years, coupon formula: based on 3M WIBOR + margin, coupon payment frequency: quarterly, redemption date is on December 14th, 2012. The issue price of the bonds is equal to their nominal value and amounts to PLN 100 thousand, the bonds are unsecured. Proceeds from the issue will be used to finance the acquisitions of Sodawerk Holding Staßfurt GmbH and repayment of the partial short-term debt of CIECH SA.

SODA MAŃWY S.A. and JANIKOSODA S.A.

In the fourth quarter of 2007 one of the strategic targets of CIECH SA was reached covering a merger of two neighbouring companies manufacturing soda, namely Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna and Inowrocławskie Zakłady Chemiczne SODA MAŃWY Spółka Akcyjna and Elektrociepłowni Kujawskie Spółka z ograniczoną odpowiedzialnością working for their benefit. Before that, in both companies and in the Elektrociepłowni Kujawskie Spółka z ograniczoną odpowiedzialnością, some organizational changes had been implemented allowing for integration of their operations within their activities. Merger of the soda companies was based on contribution in kind of the companies such as SODA MAŃWY S.A. and JANIKOSODA S.A. to Soda Polska CIECH Sp. z o.o. Transformation of Soda Polska Ciech Sp. z o.o. into a joint-stock company and moving its headquarters to Inowrocław, where SODA MAŃWY S.A. is currently headquartered, will be the following measures to take. SODA MAŃWY S.A. and JANIKOSODA S.A. still exist as they continue to be the owners of stock in Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna (22.5% capital per each company) and shares in Soda Polska Ciech Sp. z o.o.; however, they no longer handle the operating activity that has been transferred to Soda Polska CIECH Sp. z o.o.

Following the merger CIECH SA indirectly oversees Soda Polska CIECH Sp. z o.o., in which it holds through SODA MAŃWY S.A. and JANIKOSODA S.A. 100% shares in the company's share capital. With a view to the above, SODA MAŃWY S.A. with its registered office in Inowrocław, JANIKOSODA S.A. with its registered office in Janikowo and Soda Polska CIECH Sp. z o.o. with its registered office in Warsaw operate within the Ciech Group.

Merger of the two neighbouring companies producing soda and of EC KUJAWY S.A. working for their benefit, in one new firm will simplify the soda segment management within the Ciech Group. After the merger the effect of synergy will be reachable thanks to improved coordination of business processes and savings resulting from, i.e., limiting administration. The Ciech Group, the owner of not only Polish companies but a factory in Romania (S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.) and a factory in Germany (Sodawerk Staßfurt GmbH&Co.KG included in the Soda Deutschland Ciech Group), is presently the second best manufacturer of soda in Europe, the raw material used mainly for glass production.

- On October 12th, 2007 the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register signed Soda Polska CIECH Spółka z ograniczoną odpowiedzialnością into its register. The subsidiaries of CIECH SA, i.e., SODA MAŃWY S.A. and JANIKOSODA S.A., became the owners of Soda Polska Ciech Sp. z o.o.
- On November 7th, 2007 the Extraordinary General Meeting of Shareholders of Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna and the Extraordinary General Meeting of Shareholders of Inowrocławskie Zakłady Chemiczne SODA MAŃWY Spółka Akcyjna adopted the following resolutions concerning contribution in kind of the soda companies to Soda Polska CIECH Sp. z o.o.
 1. On November 7th, 2007 the Extraordinary General Meeting of Shareholders of JANIKOSODA Spółka Akcyjna agreed on contribution of Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna with its registered office in Janikowo to Soda Polska CIECH Sp. z o.o. with its registered office in Warsaw, registered by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register under number 0000270628, to cover the increased share capital of this company, notably by means of subscription of 622,000 shares to JANIKOSODA S.A. in Soda Polska CIECH Sp. z o.o. worth PLN 500 each and at a total value of PLN 311,000,000.00 in exchange for a contribution in kind of JANIKOSODA S.A., excluding shares of Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna with its registered office in Warsaw, measured at the fair value of PLN 311,000,000.00. The total share of JANIKOSODA S.A. in the Soda Polska CIECH Sp. z o.o. share capital after the share capital increase shall be 622,050 shares worth PLN 500.00 each at a total value of PLN 311,025,000.00, which accounts for 46.49% of the share capital in Soda Polska CIECH Sp. z o.o.
 2. On November 7th, 2007 the Extraordinary General Meeting of Shareholders of Inowrocławskie Zakłady Chemiczne SODA MAŃWY Spółka Akcyjna agreed on contribution of Inowrocławskie Zakłady Chemiczne SODA MAŃWY Spółka Akcyjna with its registered office in Inowrocław to Soda Polska CIECH Sp. z o.o. with its registered office in Warsaw, registered by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register under number 0000270628, to cover the increased share capital of this company, notably by means of subscription of 716,000 shares to SODA MAŃWY S.A. in Soda Polska CIECH Sp. z o.o. worth PLN 500 each and at a total value of PLN 358,000,000.00 in exchange for a contribution in kind of SODA MAŃWY S.A., excluding shares of Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna with its registered office in Warsaw, measured at the fair value of PLN 358,000,000.00. The total share of SODA MAŃWY S.A. in the Soda Polska CIECH Sp. z o.o. share capital after the share capital increase shall be 716,050 shares worth PLN 500.00 each at a total value of PLN 358,025,000.00, which accounts for 53.51% of the share capital in Soda Polska CIECH Sp. z o.o.
- On November 7th, 2007 the Extraordinary Meeting of Shareholders of Soda Polska CIECH Sp. z o.o. passed a resolution on an increase in the Company's share capital from PLN 50,000 to PLN 669,050,000 by means of establishing 1,338,000 New Shares at the nominal value of PLN 500 each. The Extraordinary Meeting of Shareholders also agreed that the New Shares were subscribed to according to the following method:
 1. partner Inowrocławskie Zakłady Chemiczne SODA MAŃWY Spółka Akcyjna with its registered office in Inowrocław holds 716,000 shares at the nominal value of PLN 500 each and the total nominal value of PLN 358,000 thousand, (this accounts for a 53.51% share in the capital).

2. partner Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna with its registered office in Janikowo holds 622,000 shares at the nominal value of PLN 500 each and the total nominal value of PLN 311,000 thousand. (this accounts for a 46.49% share in the capital).
- On December 19th, 2007 contribution in kind to Soda Polska CIECH Sp. z o.o. by Inowrocławskie Zakłady Chemiczne SODA MAŹWY Spółka Akcyjna and Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna was registered.

ZACHEM S.A.

- The representatives of the Ciech Group agreed with the American company Air Products the final terms and conditions of amine (TDA) supplies for the subsidiary ZACHEM S.A. in Bydgoszcz. The contract to be formally concluded on October 25th, 2007 warrants the raw material supply to the extent compliant with the company needs and the strategic plan of the Ciech Group until 2013; it also updates provisions of the contracts signed with Zachem in 2004, which is before CIECH SA acquired 80% shares in the company from Bydgoszcz. The annual value of supplies will amount to approx. PLN 200 million (approx. USD 77 million). CIECH SA committed to grant surety to the Air Products Group for liabilities of ZACHEM. By doing so it expresses its commitment in ensuring a stable growth of this company. Amine (TDA) is the main component used in the process of TDI production, from which polyurethane foams are made to be used in the furniture industry (mattresses, furniture covering) and car industry (seats, bumpers), in insulation materials, threads and adhesives. ZACHEM S.A. is the sole manufacturer of TDI in Poland.

Zakłady Chemiczne Organika – Sarzyna S.A.

- On November 27th, 2007 on account of a transaction concluded on the Warsaw Stock Exchange, Z. Ch. "Organika - Sarzyna" S.A., the subsidiary of CIECH SA, sold 95,100 ordinary bearer shares of CIECH SA for PLN 112.50 per share during an ordinary session. The transaction was made in accordance with resolutions by the Management Board and the Supervisory Board of Z.Ch. "Organika - Sarzyna" within coordination of the financial standing of the companies included in the Ciech Group. Presently, Z.Ch. "Organika - Sarzyna" S.A. does not hold any shares in CIECH SA.

"Alwernia" S.A.

- Production of NPK 5-9-18 has been launched based on potassium chloride. The Company was granted the integrated permit for the waste disposal site.

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.

- On October 9th, 2007 S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. sold all the shares (41.64%) held in its associate S.C. Govcrest Srl. Sales revenues amounted to RON 672 thousand. As of the date of sales S.C. Govcrest Srl is no longer an associate of CIECH SA.
- Absorption column no. 3 and carbonating column no. 10 have been launched. Furthermore, works on carbonating column no. 7 and steam calciner no. 2 have been carried out in 50%.
- The first phase of the IT investment, the subject of which was creation of a modern data communication network in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and replacement of computer work stations, was finalised. Implementation of the Oracle software is the next phase of the IT investment planned for 2008.

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

Throughout the four quarters of 2007, the Ciech Group recorded a net profit which amounted to PLN 235,204 thousand, the balance-sheet showed a total of PLN 4,217,918 thousand, and net cash decreased by PLN 35,659 thousand. The table below presents the selected financial data and the basic financial ratios for the fourth quarter of 2006 and 2007.

Table 1. Selected Figures

<i>in thousands of PLN</i>	Q4 2007	Q4 2006	2007/2006 dynamics
Net sales revenue	3 418 745	2 174 330	57.2%
Prime cost of sales	(2 613 512)	(1 676 009)	55.9%
Gross sales profit	805 233	498 321	61.6%
Cost of sales	(229 774)	(157 338)	46.0%
Overhead costs	(269 283)	(160 414)	67.9%
Other Operating Income / Expense	4 002	155	-

Operating profit	310 178	180 724	71.6%
Financial income / expense	(12 976)	3 546	-
Share in the profits of subsidiaries accounted for using the equity method	5 062	1 911	164.9%
Income tax	(67 060)	(28 151)	138.2%
Sales profit relative to discontinued operations	-	26 809	-
Net profit for the financial year	235 204	184 839	27.2%
Net profit of minority shareholders	1 806	325	455.7%
Net profit attributable to equity holders of the parent company	233 398	184 514	26.5%
EBITDA	487 434	276 605	76.2%

<i>in thousands of PLN</i>	31.12.2007	31.12.2006	2007/2006 dynamics
Value of assets	4 217 918	2 860 665	47.4%
Non-current assets	2 822 735	1 756 797	60.7%
Current assets, including:	1 395 183	1 103 868	26.4%
- inventories	285 171	245 763	16.0%
- short-term receivables	985 718	709 544	38.9%
- cash and cash equivalents	124 278	145 620	(14.7%)
- short-term investments	16	614	(97.4%)
- Non-current assets held for sale	-	2 327	-
Total equity	1 358 385	1 179 245	15.2%
Equity attributable to equity holders of the parent company	1 313 396	1 128 758	16.4%
Minority interest	44 989	50 487	(10.9%)
Long-term liabilities	1 306 699	712 046	83.5%
Short-term liabilities	1 552 834	969 374	60.2%

<i>in thousands of PLN</i>	Q4 2007	Q4 2006	2007/2006 dynamics
Net cash flow from operating activities	178 370	176 487	1.1%
Net cash flow from investment activities	(534 425)	(478 130)	11.8%
Net cash flow from financing activities	320 396	346 032	(7.4%)
Total net cash flow	(35 659)	44 389	-

	Q4 2007	Q4 2006	2007/2006 dynamics
Net earnings per share	8.36	6.59	26.9%
Net profit margin	6.8%	8.5%	(19.5%)
EBIT%	9.1%	8.3%	9.2%
EBITDA %	14.3%	12.7%	12.1%
Current ratio	0.9	1.1	(18.2%)
Quick ratio	0.7	0.9	(22.2%)
Total debt ratio	67.8%	58.8%	15.3%
Equity to assets ratio	32.2%	41.2%	(21.9%)

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 (pursuant 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,

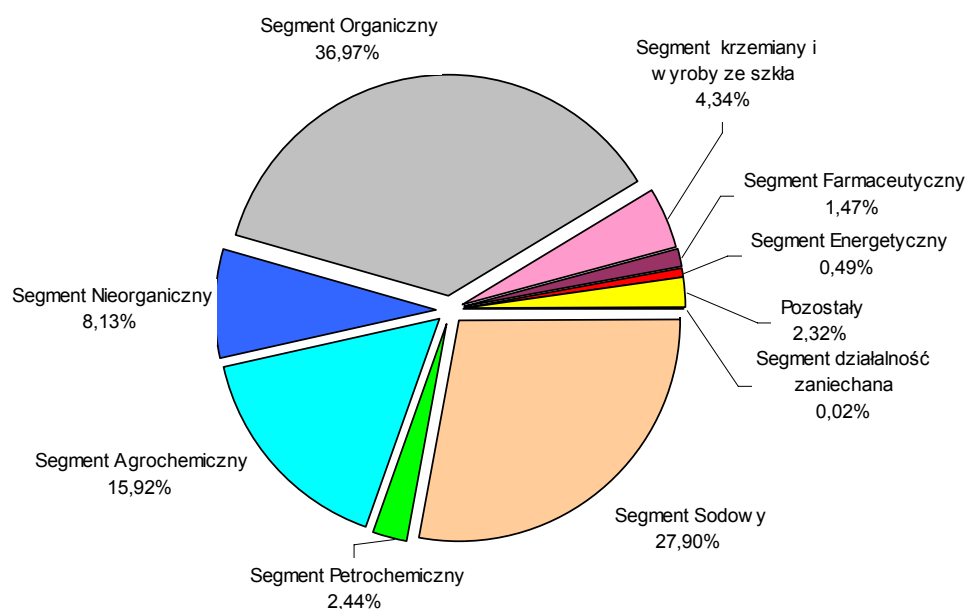
*total debt ratio – short- and long-term debt at the period-end / total assets at period-end,
equity to assets ratio – total equity as at period-end / total assets as at period-end*

Sales revenues

The Group's net consolidated revenues from sales for the four quarters of 2007 were PLN 3,418,745 thousand. Revenues increased by PLN 1,244,415 thousand, i.e., approx. by 57% as compared to 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., the ZACHEM Group and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. Furthermore, a market upturn for the Group's products as well as high dynamics of the main organic product prices (mostly TDI) resulted in considerably higher revenues than expected by the Organic Division. Sales prices of the main products from the soda segment were also higher than the previous year. Favourable pricing and demand-related relations were present in the markets of the agrochemical segment as well.

The net sales revenue in 2007 divided into business segments has been presented in the figure below.

Figure 1. Sales income distribution in 2007



Source: CIECH SA

[Translation starting with the largest segment, read clockwise:

Organic Segment 36.97%

Segment of silicates and glass products 4.34%

Pharmaceutical Segment 1.47%

Power Generation Segment 0.49%

Other 2.32%

Discontinued Operations 0.02%

Soda Segment 27.90%

Petrochemical Segment 2.44%

Agrochemical Segment 15.92%

Inorganic Segment 8.13%]

In 2007 the Ciech Group business focused on four fundamental segments: the organic, soda, agrochemical and inorganic segments. These segments generated a total of almost 89% of the income from the Group's sales. The structure of the Group income was subject to change as compared to previous years on account of changes in the composition of the Capital Group (acquisition of such companies as Z.Ch. "Organika - Sarzyna" S.A., the ZACHEM Group and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.). The organic segment (the soda segment before) currently takes the leading role.

Organic segment

Sales in the organic segment in 2007 amounted to approx. 37% of the income from the Group's sales. The ZACHEM Group has been the key player here as it is a manufacturer of the main segment products such as TDI and EPI. Sales

of these products are carried out by CIECH SA. The organic segment also covers sales of products of Z.Ch. "Organika - Sarzyna" S.A. (mainly resins). The main products of this segment are as follows: TDI - 44% of the segment sales, plastics (including resins) – 40.1% and epichlorohydrin (EPI) - 7.1%. The organic segment income almost tripled as compared to the records of 2006. The main reason for the increase was recognition in the Ciech Group results of profit from products sold by the companies acquired in Q4 2006.

Soda Segment

In the four quarters of 2007 the soda segment generated over 28% of the income from the Group's 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 in the soda segment are handled by S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – the Romanian soda company acquired in the fourth quarter of 2006. The main product in this segment is dense soda ash, which accounts for approx. 60.6% of the segment sales and light soda ash accounting for approx. 18% of the segment income. As compared with the corresponding period in 2006 sales revenues in the segment increased by over 17%; mostly due to recognition of the S.C. Uzinele Sodice Govora S.A. sales as the consolidated income. Furthermore, the average sales prices for the key products were higher in 2007 than in the corresponding period of the previous year. At the same time, a smaller sales volume of calcium chloride coming from SODA MAŁY S.A. had an adverse effect on income (recipients are still storing the product due to mild winter and as a result collections are lower than in the corresponding period of the previous years). Prices for coke, one of the main raw materials in the segment, were unfavourable in 2007. The possible increase in manufacturing cost was curbed thanks to application of anthracite in the production process, which compensated the increase in coke prices.

Agro-Chemical Segment

The agrochemical segment generated approx. 16% of the income on the Group's sales in the four quarters of 2007. The following organisations operate within the agrochemical segment: the FOSFORY 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 "FOSFORY" 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 (58.1%) and plant protection agents (31%) take the leading positions generating the segment's income. Revenues in the segment increased by 60% in relation to the previous year, which is in general the effect of the Z.Ch. "Organika - Sarzyna" S.A. income consolidation.

Inorganic segment

The inorganic segment generated over 8% of the Group's sales income in 2007. The subsidiary - "Alwernia" S.A. - which manufactures phosphorus compounds (22.3% segment income), sodium tripolyphosphorus (20.7% segment sales) and sodium hydroxide (14.8% segment sales) 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 chromium compounds (6% segment sales) and hydrochloric acid (8%), whose suppliers are ZACHEM S.A. and companies outside of the Group. These products are sold by CIECH SA and other commercial companies of the Ciech Group. Sulphur accounting for 12% of the segment income is sold by CIECH SA on a consignment basis. The segment income increased by 11% after the four quarters of 2007 in relation to the corresponding period in 2006. It was an effect of income from sales of ZACHEM S.A. inorganic products recognized in the consolidated results. Additionally, income in this segment (especially in the first quarter) was slightly affected by a higher demand for the products of "Alwernia" S.A. and increased the sales of sulphur.

Silicates and glass products segment

The share of the silicates and glass products segment in the income of the Group sales amounted to approx. 4%. The subsidiary, "VITROSILICON" Spółka Akcyjna which 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 55% of the segment income and contributed the most to the segment's revenue as well as soda glaze (30% segment income) and sodium water glass which accounted for 10% of the segment income. The growth of sales in the segment as compared to the corresponding period in 2006 was 23% and was caused by an increase in sales of particular product groups in the segment, resulting from a productive property investment carried out by "VITROSILICON" Spółka Akcyjna in 2006 and from market growth and higher demand.

Other segments

Having sold the Petrochemia Blachownia SA shares in 2006 and having completed the Group's strategy of withdrawal from production in the petrochemical segment, the company's participation in the Group's sales remains irrelevant (it accounts for almost 3% income). Currently, the segment comprises of commercial agency transactions handled by CIECH SA and by Cheman S.A. The pharmaceutical segment includes the business activity of CIECH POLFA Sp. z o.o. While EC KUJAWY Sp. z o.o. operates within the power generation segment handling production and distribution of electricity for the purposes of SODA MAŁY S.A. and JANIKOSODA S.A. and third parties.

Table No. 2
Sales revenue by business segment

in thousands of Polish zlotys

01.01.-31.12.2007

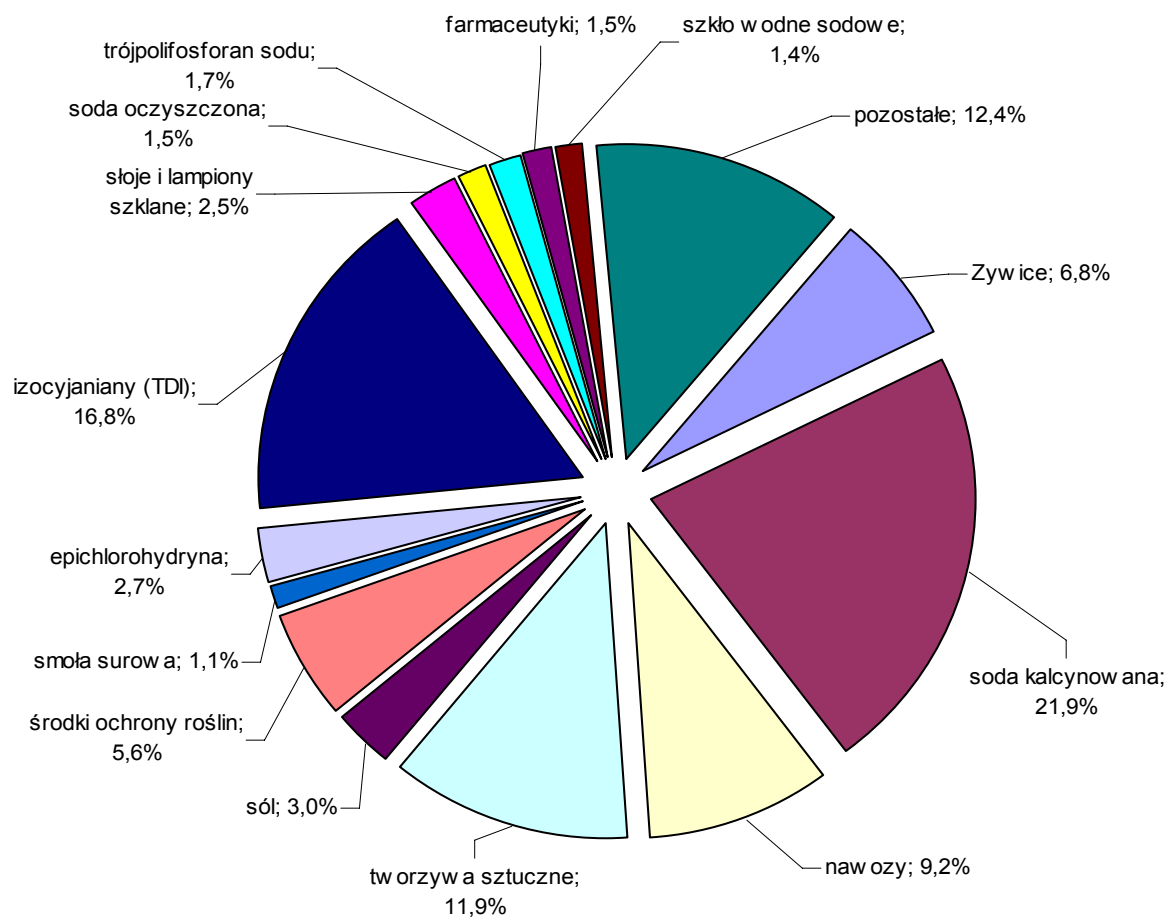
01.01.-31.12.2006

<i>in thousands of Polish zlotys</i>	01.01.-31.12.2007	01.01.-31.12.2006
Organic Segment.	1 263 742	442 980
Soda Segment	953 833	813 452
Agrochemical Segment	544 133	339 240
Inorganic Segment	278 041	250 234
Segment of silicates and glass products	148 534	119 871
Petrochemical Segment	83 321	83 813
Pharmaceutical Segment	50 248	49 293
Power Generation Segment	16 636	25 213
Other	79 598	36 037
Discontinued Operations	659	14 197
TOTAL	3 418 745	2 174 330

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

[Products starting with the largest share, read clockwise:

Soda ash 21.9%

Fertilizers 9.2%

Plastics 11.9%

Salt 3.0%

Plant protection agents 5.6%
 Crude tar 1.1%
 Epichlorohydrin 2.7%
 Isocyanates (TDI) 16.8%
 Jars and glass lantern 2.5%
 Baking soda 1.5%
 Sodium tripolyphosphorus 1.7%
 Pharmaceuticals 1.5%
 Sodium water glass 1.4%
 Other 12.4%
 Resins 6.8%]

Gross sales profit

The consolidated gross sales profit after the four quarters of 2007 was PLN 805,233 thousand. Profit increased by PLN 306,912 thousand as compared to the previous year. The profit results were given a boost mainly thanks to consolidation of results of the Polish companies acquired in the fourth quarter of 2006: Z.Ch. "Organika - Sarzyna" S.A. and ZACHEM S.A. and thanks to an increased sales result in these companies' products in CIECH SA. The FOSFOR Y Group also recorded a considerable improvement in its results (increase in demand and disposal prices for the main products of GZNF "FOSFOR Y" Sp. z o.o. in 2007).

Operating profit (EBIT)

After the four quarters of 2007 the operating profit was equal to PLN 310,178 thousand (amounting to PLN 180,724 thousand in 2006). The dynamic growth in the organic segment and increase in demand as well as increase in prices for sale of the agrochemical segment products were the main sources of profit in 2007. The following factors had a positive effect on the operating result: (a) increase in sales of the leading product prices of the soda segment, (b) increase in CIECH SA's profit from trade in organic products (mainly TDI). Negative EBIT generated in 2007 by S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. had an adverse effect on the operating profit. Profit/loss on operating activity generated in 2006 comprises single adjustments related to recognition of surplus of the acquired net assets over the cost of their merger and writing off goodwill as a result of settlement of the companies acquired in the fourth quarter of 2006. Total account of these adjustments amounted to PLN 34,405 thousand.

EBIT margin rate amounted to 9.1% after the four quarters of 2007 (8.3% the year before). Increase in return on operating activity in the largest part was caused by results of Z.Ch. "Organika - Sarzyna" S.A. and ZACHEM S.A., whose EBIT margin rates were higher in 2007 than the ones recorded by other companies of the Group.

Net result

The consolidated net profit for two quarters of 2007 was PLN 235,204 thousand, including PLN 233,398 thousand accounting for net profit for shareholders of the parent company. Net return was 6.8% (8.5% the year before). The Group recorded an increase in the net result by PLN 50,365 thousand in relation to the corresponding period of the previous year. It is attributed almost entirely to an increase in the operating profit (by PLN 129,454 thousand). The balance of financial activities that was subject to attenuation as compared to the previous year by PLN 16,522 thousand had an adverse effect on the net profit. The negative balance of financial activity in the Ciech Group resulted mainly from using bank loans by the Group in order to finance development investments (expense of PLN 26,302 thousand). A positive balance of realised exchange differences had a positive impact on the result recorded by the Group. A material portion of foreign exchange exposure was secured in 2007 and this in fact limited potential losses due to realised exchange differences.

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

	Q4 2007	Q4 2006	2007/2006 dynamics
1. Operating profit	310 178	180 724	71.6%
2. Net finance income (costs)	(12 976)	3 546	-
3. Share of the net profits of subsidiaries accounted for using the equity method	5 062	1 911	164.9%
4. Income tax	(67 060)	(28 151)	138.2%
5. Sales profit relative to discontinued operations	-	26 809	-
6. Net profit (1+2+3-4+5)	235 204	184 839	27.2%
7. Profit attributable to minority interests	1 806	325	455.7%
8. Profit for the shareholders in the parent company (6-7)	233 398	184 514	26.5%

Source: CIECH SA

Balance Sheet

Equity

The consolidated equity of the Group as at December 31st, 2007, was PLN 1,358,385 thousand (including equity of the parent company of PLN 1,313,396 thousand), which is higher than the equity of the previous year by the amount of PLN 179,140 thousand. The equity growth was mainly influenced by generation of a net profit in the four quarters of 2007 in the amount of PLN 235,204 thousand and decrease by payment of dividend of almost PLN 60 million.

Non-current assets

Non-current assets of the Group were worth PLN 2,822,735 thousand at the end of 2007. The value of non-current assets considerably increased (by PLN 1,065,938 thousand), as compared to the status as at December 31st, 2006. The increase concerned mainly acquisition of the Soda Deutschland Ciech Group conducted in the fourth quarter of 2007, which resulted in an increase in non-current assets by PLN 1,012,317 thousand. The value of assets increased additionally by goodwill on account of settlement of Z.Ch. "Organika – Sarzyna" S.A. acquisition. Furthermore, in 2007 the Ciech Group made capital expenditures in productive property in order to keep up with the current pace of growth. Particularly, it applies to the following companies: JANIKOSODA S.A., the SODA MAŁY Group, GZNF "FOSFOR" Sp. z o.o. and "VITROSILICON" Spółka Akcyjna. An increase in fixed assets share in total assets up to 66.9% (61.4% the year before) was prompted within the 12 months.

Current assets

The Group's current assets amounted to PLN 1,395,183 thousand as at December 31st, 2007. In the current asset structure the following elements were dominant: (a) trade and other receivables – 70.7% of the current assets, (b) inventories – 20.4% and (c) cash and cash equivalents – 8.9%. In comparison to the status as at the end of 2006, current assets increased by 26.4%, which is by PLN 291,315 thousand. In major part it resulted from recognition of assets of the Soda Deutschland Ciech Group acquired in the fourth quarter of 2007 (increase by PLN 283,125 thousand).

Consolidated liabilities

The total short-term and long-term liabilities of the Ciech Group at December 31st, 2007 stood at 2,859,533 thousand, which is more than at the end of 2006 by PLN 1,178,113 thousand. The long-term liabilities were worth PLN 1,306,699 thousand. This balance sheet item increased several times in major part due to the increase in (a) liabilities due to long-term credits and loans and other financial instruments by PLN 418,099 thousand, (b) other long-term liabilities by PLN 223,159 thousand. The increase in debt ensues in general from issue of long-term bonds in CIECH SA and acquisition of the Soda Deutschland Ciech Group in Q4 2007. Short-term liabilities were worth PLN 1,552,834 thousand, which makes an increase by PLN 583,460 thousand as compared to the status as at December 31st, 2006. Trade and other payables were subject to increase by PLN 288,453 thousand prompted by acquisitions conducted in Q4 2007 (the Soda Deutschland Ciech Group). Borrowings increased by PLN 183,981 thousand. This increase results in major part from more intensive use of credit limits by CIECH SA (by PLN 171,841 thousand) in order to finance the investments in progress.

Consolidated debt

Net debt at the end of the fourth quarter of 2007 (comprising bank loans, other loans, debt instrument-related liabilities, and financial lease liabilities less cash) amounted to PLN 1,099,921 thousand (PLN 461,922 thousand the year before). The increase in net debt was in general affected by issue of corporate bonds by CIECH SA in the amount of PLN 300 million. The Group debt index (calculated as the ratio of net debt to the total assets) increased from 16% to 26% in comparison to December 31st, 2006. The financial leverage (the ratio of net debt to the sum of net debt and total equity) was 45% at the end of 2007. The year before the same index was 28%.

The Ciech Group has the capacity to repay its total debt. The current ratio, calculated as the ratio of total current assets to short-term debt, amounted to 0.9 as at December 31st, 2007, while the increased cash flow ratio amounted to 0.7. For the previous years the same indexes were higher. The decrease is caused mainly by acquisitions conducted by the Group and an increase in short-term loans which accounted for a source of the project financing. In addition, ZACHEM S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. are characterised by lower liquidity than the one recorded in the Ciech Group before the acquisitions. Improvement in the liquidity is one of the key restructuring assumptions of the acquired companies. Results of measures undertaken in these areas can be observed in these companies.

The non-current assets to fixed assets cover ratio (total equity, liabilities and long-term reserves) amounted to 94% as at December 31st, 2007.

The net debt ratio / equity stood at 81% at the end of Q4 2007 (39% the year before).

At the end of 2007 the Ciech Group's debt was considered as stable. Total liabilities were valued at 68% of the assets. The increase from 59% (as at December 31st, 2006) evidences use of potential, as announced in the strategic plans, of acquisitions financed from foreign resources the Group obtained after the stock exchange entry in 2005.

Cash flows

In 2007 the Ciech Group handled a series of development and restructuring investments incurring material financial expenditure. The net cash flows after the four quarters of 2007 were negative and amounted to PLN -35,659 thousand, which was an effect of investment activity. The Group generated positive cash flows of PLN 44,389 thousand in the corresponding period of the previous year, and in 2006 disposal of Petrochemia Blachownia S.A. shares was finalised (proceeds from the transaction amounted to PLN 104 million). The net cash from operating activities was PLN 178,370 thousand and were almost equal to the one generated in 2006. The main source of cash from operating activity throughout the four quarters 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 -258,201 thousand, which basically ensued from: (a) more intensive growth in commercial receivables than liabilities in the agrochemical segment - deferred payments from recipients dealing with agricultural production are typical of the second and third quarter of the year and (b) repayment of the S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. claim against Indian England N.V. The negative cash flows from operating activities were additionally affected by: (a) interest paid (mainly from loans – the Ciech Group increased in 2007 the use level of bank financing resources in comparison with the corresponding period of the previous year) and (b) income tax paid (higher than the year before due to more favourable financial conditions of the Group's companies).

After the four quarters of 2007 the balance of operating activity was negative and amounted to PLN 534,425 thousand. The main expenditure was: (a) investment expenditure incurred in productive property within development projects and modernisation (almost all companies of the Group took such initiatives, however, the largest expenditure was incurred by the Polish soda companies totalling at approx. PLN 95,891 thousand) and (b) the companies acquired in the fourth quarter of 2006 Z.Ch. "Organika - Sarzyna" S.A. (PLN 47,643 thousand) ZACHEM S.A. (PLN 26,799 thousand) and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. (PLN 14,816 thousand). The sale of property, plant and equipment by ZACHEM S.A. (PLN 21,816 thousand - the company completed the restructuring programme within the area of removal of unnecessary assets) was the main source of investment inflows.

Net cash generated in financing activities was equal to PLN 320,396 thousand. Issue of corporate bonds by CIECH SA in the amount of PLN 300 million and surplus of taken borrowings over the repaid ones, amounting to PLN 80,595 thousand, was the source of the positive cash flow. This was an effect of external financing of the investment projects held in the manufacturing companies of the Ciech Group, including mainly S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., JANI-KOSODA S.A. and "VITROSILICON" Spółka Akcyjna.

Cash as disclosed in the cash-flow statement at the end of the fourth quarter of 2007 amounted to PLN 95,390 thousand.

7. Income and profits/losses by business segments
01.01.-31.12.2007

<i>in thousands of Polish zlotys</i>	Soda Segment	Power Generation Segment	Organic Segment	Petrochemical Segment	Agrochemical Segment	Pharmaceutical Segment	Segment of silicates and glass products	Inorganic Segment	Other Operations	Eliminations (consolidation adjustments)	TOTAL
Revenue from third parties	953 833	16 640	1 263 742	83 979	544 133	50 248	148 534	278 041	79 595	-	3 418 745
Income from inter-segment sales	57 730	223 869	33 780	2 725	4 184	166	141	4 261	78 822	(405 678)	-
Total revenue	1 011 563	240 509	1 297 522	86 704	548 317	50 414	148 675	282 302	158 417	(405 678)	3 418 745
Segment profit/loss	241 202	10 986	235 874	4 045	141 251	18 231	13 663	54 233	30 633	(53 734)	696 384
Unallocated (costs) income											(386 206)
Operating profit											310 178
Net finance income (costs)											(12 976)
Share of profit of associates									5 062		5 062
Tax											(67 060)
Profit on discontinued operations											
Net profit											235 204

01.01.-31.12.2006

<i>in thousands of Polish zlotys</i>	Soda Segment	Power Generation Segment	Organic Segment	Petrochemical Segment	Agrochemical Segment	Pharmaceutical Segment	Segment of silicates and glass products	Inorganic Segment	Discontinued Operations	Other Operations	Eliminations (consolidation adjustments)	TOTAL
Revenue from third parties	813 452	23 979	442 980	83 813	339 240	49 293	119 871	250 234	14 197	37 270	-	2 174 330
Income from inter-segment sales	50 747	214 656	166	-	3 688	606	205	1 812	-	40 666	(312 546)	-
Total revenue	864 199	238 635	443 146	83 813	342 928	49 899	120 076	252 046	14 197	77 936	(312 546)	2 174 330
Segment profit/loss	276 667	12 941	36 278	3 509	56 281	19 785	15 887	55 391	1 325	22 830	(26 277)	474 618
Unallocated (costs) income												(293 894)
Operating profit												180 724
Net finance income (costs)												3 546
Share of profit of associates										1 911		1 911
Tax												(28 151)
Profit on discontinued operations												26 809
Net profit												184 839

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

In thousands of PLN

Data from 01.01.2007 to 31.12.2007	Purchase	Disposal
a) Property, plant and equipment, including	156 792	13 080
land, buildings, structures, and land- and water engineering facilities	48 346	2 300
machinery and equipment	98 842	7 979
means of transport	5 149	2 428
other fixed assets	4 455	373
b) Fixed assets under construction	103 853	12 128
c) Advances on fixed assets under construction (net)	5 753	7 073
Total property, plant and equipment	266 398	32 281

CIECH SA

CIECH SA purchased PPE worth PLN 4,196 thousand in total, including PLN 2,268 thousand spent on purchases of machinery and technical equipment, and PLN 1,660 thousand on fixed assets under construction. All property, plant and equipment were purchased from its own resources.

Zakłady Chemiczne "Alwernia" Spółka Akcyjna

"Alwernia" S.A. purchased PPE for PLN 7,418 thousand, including PLN 3,356 thousand spent on purchases of machinery and technical equipment, it also spent PLN 3,710 thousand on land, buildings, structures, and land- and water engineering facilities. Purchase of PPE was financed from its own resources.

Przedsiębiorstwo Chemiczne Cheman Spółka Akcyjna

Cheman SA purchased PPE for a total of PLN 82 thousand, including PLN 52 thousand spent on purchases of machinery and technical equipment. Additionally, the company sold means of transport worth PLN 169 thousand. Purchase of PPE was financed from its own resources.

FOSFORY Group

GZNF "FOSFORY" Sp. z o.o. purchased PPE for PLN 16,011 thousand, including PLN 2,055 thousand intended for machinery and technical equipment, PLN 1,572 thousand for land, buildings, structures, and land- and water engineering facilities and PLN 456 thousand for means of transport. The amount of PLN 11,683 thousand was spent on fixed assets under construction. Property, plant and equipment were purchased for its own resources.

JANIKOSODA Group

JANIKOSODA S.A. incurred expenditure on fixed assets under construction in the amount of PLN 31,011 thousand. The purchase was financed from its own resources.

"CIECH POLFA" Spółka z ograniczoną odpowiedzialnością

The company purchased PPE for PLN 558 thousand, including PLN 397 thousand spent on purchase of means of transport, and PLN 41 thousand on machinery and technical equipment. All non-current assets were financed from its own funds.

SODA MAŁY Group

SODA MAŁY S.A. purchased PPE (machinery and technical equipment) worth PLN 81,434 thousand. Furthermore, expenditure and advances on fixed assets under construction amounted to PLN 2,525 thousand. The company submitted for use fixed assets under construction of PLN 67,277 thousand (including the "Monohydrate System" worth PLN 55,632 thousand). The company finances construction of the "Monohydrate System" thanks to the loan taken in the amount of PLN 8,773 thousand; other property, plant and equipment were purchased for its own resources.

"VITROSILICON" Spółka Akcyjna

The company spent PLN 13,547 thousand on purchase of fixed assets under construction. The total value of purchased property, plant and equipment amounted to PLN 13,668 thousand. The purchases of property, plant and equipment have been financed from a loan of PLN 7,270 thousand, and from a leasing of PLN 1,140 thousand, other purchases were covered from its own resources.

ZACHEM Group

ZACHEM S.A. purchased PPE for the total of PLN 4,723 thousand, including PLN 3,855 thousand intended for machinery and technical equipment, and PLN 782 thousand for other fixed assets. Fixed assets were purchased for its own funds.

Zakłady Chemiczne "Organika - Sarzyna" Spółka Akcyjna

Z.Ch. "Organika - Sarzyna" S.A. purchased PPE for the total of PLN 47,929 thousand. PLN 29,035 thousand was spent on machinery and technical equipment – these expenses include devices equipping the epoxide system, the control and visualization system as well as measuring and regulating system. PLN 16,507 thousand was spent on land, buildings, structures, and land- and water engineering facilities. This amount comprises expenses for the wiring system, fire extinguishing system and new manufacturing systems. The amount of PLN 1,887 thousand was spent on other fixed assets (mainly laboratory equipment). Purchases of property, plant and equipment were financed from its own resources.

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.

The company purchased PPE for a total of PLN 40,087 thousand, including expenditure on fixed assets under construction which amounted to PLN 30,907 thousand and PLN 5,639 thousand on machinery and technical equipment. All outflows were financed from its own funds.

Przedsiębiorstwo Transportowo – Usługowe TRASCLEAN Sp. z o.o.

The company purchased PPE for the total of PLN 1,360 thousand from its own resources. A total of PLN 1,012 thousand was spent on means of transport, while PLN 255 thousand on land, buildings, structures, and land- and water engineering facilities.

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

In the presented quarter the aforesaid events did not occur in the Ciech Group.

10. Provisions and impairment of assets from October 1st, 2007 to December 31st, 2007

The Ciech Group's consolidated financial statement for Q4 2007 showed the following recognitions and reversals of provisions and impairment of assets.

Provisions recognised in Q4 2007	<i>In PLN '000</i>
Deferred tax provision	31 711
Provision for severance pays, leaves, bonuses, reimbursements, etc.	21 732
Provision for expected losses	2 371
Provision for environmental protection	4 477
Restructuring provision	-
Provision for commitments (expenses)	1 406
Total	61 697

Provisions reversed in Q4 2007	<i>In PLN '000</i>
Deferred tax provision	10 212
Provision for severance pays, leaves, bonuses, reimbursements, etc.	12 711
Provision for expected losses	4 148
Provision for environmental protection	3 725
Restructuring provision	98
Provision for commitments (expenses)	13 559
Total	44 453

Impairment losses on assets (increase) recognised in Q4 2007	<i>In PLN '000</i>
Impairment losses on intangible assets	-
Impairment losses on PPE	-
Revaluation write-downs on long-term receivables	-
Revaluation write-downs on short-term receivables	4 767
Inventory revaluation write-downs	2 835

Impairment losses on assets (increase) recognised in Q4 2007	<i>In PLN '000</i>
Impairment losses on long-term financial assets	5
Impairment losses on short-term financial assets	-
Total	7 607

Impairment losses on assets (decrease) recognised in Q4 2007	<i>In PLN '000</i>
Impairment losses on intangible assets	243
Impairment losses on PPE	4 872
Revaluation write-downs on long-term receivables	666
Revaluation write-downs on short-term receivables	14 233
Inventory revaluation write-downs	2 839
Impairment losses on long-term financial assets	11 278
Impairment losses on short-term financial assets	800
Total	34 931

Deferred income tax assets in Q4 2007	<i>In PLN '000</i>
Increase	9 485
Decrease	46

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 to a large extent on the general standing of the economy. Cyclical fluctuations in income and profit are especially noticeable in the organic segment, which is marked by high-demand cycles. Due to the fact that almost 37% of the Group's revenues are achieved owing to sales of organic chemical products, the markets of which are known for their 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 are at record level. Various factors affect this phenomenon and they include:

- since oil-related raw materials are needed for production of these products (mainly: toluene, propylene), they are associated with the oil prices which currently tend to be high. Raw material prices being high are reflected in the prices for TDI, EPI and epoxy resins. The political situation in the Middle East is a final factor significantly affecting the oil prices. On the one hand, a rapidly growing economy 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 the 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.
- high prices of gas, the main raw material in the chemical industry, also affect high prices of chemical products.
- the forecast expects a rapid growth in 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 the world economy is being recorded. China's economic growth above 10% is noteworthy. Despite seasonal attempts made by the Chinese government to cool down their economy, the growth rate remains vivid. The rapid growth in the global economy brings about huge demands for raw materials, including TDI, EPI and epoxy resins. As a consequence the high demand causes problems with acquisition of these products and an increase in prices. Additionally, in case of TDI, several serious system failures and technical problems connected with launching new systems resulted in season shortages and an increase in prices.
- forecasts regarding three basic products of the organic segment assume a decrease in prices in the nearest future. Due to their high price, new systems are planned and in a few years the systems will contribute to considerable overproduction. Furthermore, high prices encourage the recipient's interest in substitutes, which may result in a decrease in demand in the long run.
- it is not possible to unambiguously identify and estimate the cyclicity of prices for basic organic chemical commodities. Historically, the cyclicity has been observed once per several years. High prices and large demand induce the taking of decisions concerning launches of new systems. Further on, increase in production is introduced and followed by a decrease in prices. When a good standing is experienced, ineffective systems are closed down, while demand goes up. This leads to a situation where the prices for the commodities are low, another shortage occurs in the market and this is followed by 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 a certain impact on the general sales trends in the Ciech Group. Products especially prone to seasonality are those tightly associated with agriculture and these are:

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

Concentration of sales of fertilizers takes place in the third quarter of the year. This is due to the intensive field fertilisation occurring in the autumn. The 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 occur.

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 these 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 in the Ciech Group

In Q4 2007 the Ciech Group was issuing securities.

On November 23rd, 2007 the following contracts were concluded: Dealership Contract, Agency Contract and Deposit Contract with such banks as Bank Handlowy w Warszawie SA, BRE Bank SA and Bank PKO BP. The contracts concern realization of the Bond Issuance Programme held by CIECH SA worth PLN 500,000 thousand. Within the Programme and with respect to the bonds, the banks operate exclusively as the Issuer's representatives and bear no liability towards the bond holders of CIECH SA as far as obligations of the Issuer resulting from the bonds are concerned, especially with respect to the Issuer's buyout of bonds and interest payments. Legal form of the instrument: bearer bonds, not having any document form, are issued in accordance with the Act on bonds of June 29th, 1995 and on the basis of Act no. 130/V/2007 of the Supervisory Board of CIECH SA. Issuance of the bonds shall take place pursuant to Article 9 section 3 of the Act on bonds, by means of addressing a proposal of bond purchase to a group of no more than 99 individual persons. The Issuer and Dealers do not provide for introduction of the bonds for public trade and their quotations on any regulated or non-regulated market. Within the Programme, the Coupon Bonds may be offered with a purchase term of 1 year to 10 years and with a fixed-interest-rate or variable-interest-rate. The nominal value of one bond is PLN 100 thousand. The bonds will be sold at nominal value and are not hedged. Proceeds from the Issuance will be allotted for financing of the Ciech Group investment projects and restructuring of the CIECH SA's debt.

On December 14th, 2007 CIECH SA issued Class A Bonds in the amount of PLN 300,000 thousand under the following terms:

- maturity period is 5 years,
- coupon formula: based on 3M WIBOR + margin,
- coupon payment frequency: quarterly,
- redemption date is on December 14th, 2012.

The issue price of the bonds is equal to their nominal value and amounts to PLN 100 thousand, the bonds are unsecured. Proceeds from the issue will be used to finance the acquisitions of Sodawerk Holding Staßfurt GmbH and the repayment of partial short-term debt of CIECH SA.

In Q4 2007 the Group did not redeem any debt or capital securities.

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

The Ordinary General Meeting of Shareholders of CIECH SA resolved by virtue of resolution no. 7 dated June 21st, 2007 to allot PLN 58,800 thousand from the net profit generated by the Company in the 2006 financial year to pay a dividend to the Shareholders. A dividend for 2006 in the amount of PLN 2.10 per share was paid to the Shareholders who owned shares in CIECH SA on July 10th, 2007 (date of dividend). The dividend was paid on August 2nd, 2007.

The Ordinary General Meeting of Shareholders of CIECH SA resolved by virtue of resolution no. 8 dated June 14th, 2006 to allot PLN 22,400 thousand from the net profit made in 2005 to pay a dividend to the Shareholders equal to 0.80 PLN per one ordinary share. The dividend was paid to the Shareholders who were holding the Company's shares on July 4th, 2006. The dividend was paid on August 1st, 2006.

There are only ordinary shares in the structure of the CIECH SA initial capital.

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

- On January 2nd, 2008 CIECH SA was notified of affixing the last signature on "The Agreement of the Shareholders of Polskie Towarzystwo Ubezpieczeń S.A." dated on January 30th, 2008 concluded by the subsidiaries of CIECH SA such as Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna and Inowrocławskie Zakłady Chemiczne SODA MATWY Spółka Akcyjna, and Polskie Towarzystwo Reasekuracji S.A. The agreement defines terms and conditions of partnership of the parties acting as shareholders of Polskie Towarzystwo Ubezpieczeń S.A. Soda Companies hold jointly approx. 46%, while Polskie Towarzystwo Reasekuracji S.A. approx. 23% votes at the General Meeting of Polskie Towarzystwo Ubezpieczeń S.A. The agreement regulates a method of exercising the voting rights at the General Meetings of Polskie Towarzystwo Ubezpieczeń S.A. by the Soda Companies and Polskie Towarzystwo Reasekuracji S.A., particularly within the domain of appointment and dismissal of the Supervisory Board members and rules of establishing the Supervisory Board composition. The agreement was concluded for the period until December 31st, 2008 and shall enter into force after all the required administrative permits are obtained. The agreement does not give rise to any obligation on the side of the Soda Companies to dispose Shares of Polskie Towarzystwo Ubezpieczeń S.A. in favour of Polskie Towarzystwo Reasekuracji S.A. nor any entitlement on the side of Polskie Towarzystwo Reasekuracji S.A. to purchase the shares of Polskie Towarzystwo Ubezpieczeń S.A.
- On January 7th, 2008 CIECH SA granted a loan of EUR 5,000 thousand to the subsidiary, Uzinele Sodice Govora – Ciech Chemical Group S.A. under the following terms: final maturity of the loan is on December 31st, 2008, interest rate is 3M EURIBOR + margin, interest payable in a three-month period.
- On January 14th, 2008 the second routine Contract with CIECH SA's subsidiary, i.e., Zakłady Chemiczne ZACHEM S.A. was signed. The Contract was concluded for an indefinite period with a 6-month period of notice before termination thereof by each party. Distribution of TDI manufacture by ZACHEM S.A. on the basis of exclusivity in the domestic and foreign market is the subject of this Contract. The estimated value of the Contract in 2008 is PLN 500 million.
- On January 15th, 2008 CIECH SA's subsidiary – "VITROSILICON" Spółka Akcyjna acquired 419,684 shares of Huta Szkła in Wymiarki accounting for 34.295% of the share capital. At the same time negotiations were held on acquisition of other 5 - 10% shares in Huta Szkła in Wymiarki. Share purchase in Huta Szkła in Wymiarki is an element of the strategy of the Ciech Group for 2007 - 2011 in the area of Silicates and Glass.
- On January 23rd, 2008 a loan agreement of EUR 75 million was concluded in Berlin between Soda Deutschland Ciech GmbH, Sodawerk Staßfurt GmbH&Co. KG, and COMMERZBANK Aktiengesellschaft. The loan was granted to refinance the existing bank debt of SWS KG and finance development investments of the Company. A guarantee for EUR 25 million was issued by CIECH SA as collateral for a portion of the loan. The final repayment of the loan will be on December 31st, 2012.
- On February 8th, 2008 CIECH SA signed a contract for an indefinite period of time on the partnership with Soda Polska CIECH Sp. z o.o. regarding purchase and sale of the Soda Polska CIECH Sp. z o.o. products. Volumes and pricing for purchase and sales of soda ash, baking soda, calcium chloride, precipitated chalk and vacuum pan salt have been set for 2008. The value of the Contract is PLN 692 million in 2008.
- An Extraordinary General Meeting of CIECH SA will be convened on April 2nd, 2008. The agenda includes issues concerning adoption of resolutions on changes in composition of the Supervisory Board of CIECH SA and changes in composition of the Management Board of CIECH SA.

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

In 2007 investment and disinvestment activities were continued in accordance with the overall Ciech Group development strategy.

As a result of investment:

Soda Deutschland Ciech GmbH

The parent company CIECH SA made a purchase of 100% shares in the German company known as Soda Deutschland Ciech GmbH, which considerably affected the Group's structure. Acquired share in equity is estimated at 90%, however, 100% share was assumed for consolidation purposes with regard to submission of a non-cancellable offer of purchasing the remaining 10%.

Through acquisition of Soda Deutschland Ciech GmbH, the following subsidiaries and indirectly associated companies joined the Ciech Group:

- Soda Deutschland Ciech GmbH (direct subsidiary – 100%)
- Sodawerk Holding Staßfurt GmbH (indirect subsidiary – 100%)
- Sodawerk Staßfurt Verwaltungs GmbH (indirect subsidiary – 100%)
- Sodawerk Staßfurt GmbH&Co.KG (indirect subsidiary – 100%)
- KWG GmbH (indirect subsidiary – 100%)
- Sodachem Handels GmbH (indirect subsidiary – 100%)
- KPG Kavernen-Projekt-Beteiligungsgesellschaft GmbH (indirect subsidiary – 100%)
- Kavernengesellschaft Staßfurt GmbH (indirect associate – 50%)

Polsin Pte Ltd.

On October 31st, 2007 CIECH SA finalized the purchase of parcel of 174,467 (17.45%) shares in Polsin Private Limited with its registered offices in Singapore. Due to the transaction the CIECH SA share in the Polsin Private Limited share capital increased from 65.00% to 82.45%.

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.

On account of conversion of the loans granted for EUR 8.2 million, 103,064,090 shares in the company's equity were subscribed. The capital was registered on November 1st, 2007. Presently, CIECH SA holds 92.9126% of shares in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.

CIECH AMERICA LATINA LTDA.

On November 22nd, 2007 CIECH SA ended the process of establishing CIECH AMERICA LATINA LTDA. with its registered office in Brazil. CIECH SA subscribed to 599,999 shares, which accounts for 99.99% of the share capital. CIECH AMERICA LATINA LTDA will be conducting commercial activity in the markets of Latin America.

As a result of incorporation:

Soda Polska Ciech Sp. z o.o.

In the fourth quarter of 2007 a merger of two neighbouring companies manufacturing soda took place, i.e., Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna and Inowrocławskie Zakłady Chemiczne SODA MAŃWY Spółka Akcyjna and Elektrociepłownie Kujawskie Spółka z ograniczoną odpowiedzialnością working for their benefit. The merger of the soda companies was conducted based on contribution in kind of the companies such as SODA MAŃWY S.A. and JANIKOSODA S.A. to Soda Polska CIECH Sp. z o.o. The companies, SODA MAŃWY S.A. and JANIKOSODA S.A. still exist as they continue to be the owners of stock in Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna (holding 22.5% capital each) and shares in Soda Polska Ciech Sp. z o.o. (holding respectively 53.51% and 46.49% capital). These companies no longer handle the operating activity which has been transferred to Soda Polska CIECH Sp. z o.o.

As a result of disinvestment:

Govcrest International Srl

On October 9th, 2007 the subsidiary, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. sold all the shares (41.64%) held in its associate S.C. Govcrest International Srl. As of the date of the sale this company is no longer an associate of CIECH SA.

As a result of other changes:

Chemiepetrol GmbH

On November 26th, 2007 a resolution on initiation of the liquidation proceedings of the subsidiary, Chemiepetrol GmbH was adopted at the Extraordinary General Meeting of the Company Shareholders.

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

As at December 31st, 2007 contingent receivables did not occur in the Ciech Group.

Contingent liabilities as at December 31st, 2007 amounted to PLN 42,283 thousand, which denotes a decrease in the amount of PLN 1,972 thousand in relation to the status as at December 31st, 2006, which is caused mainly by a drop in contingent liabilities for guarantees and sureties by 1,484 thousand and other contingent liabilities by PLN 488 thousand.

The decrease in contingent liabilities due to guarantees and sureties granted ensues mainly from expiration of the surety granted by Z. Ch. "Organika - Sarzyna" S.A. for PLN 908 thousand, accounting for the loan collateral for Town and Community of Nowa Sarzyna and abrogation of the bill of exchange for PLN 372 thousand in "Alwernia" S.A. and expiration of the guarantee for PLN 204 thousand issued by CIECH POLFA Sp. z o.o. for the National Insurance Health Fund (Sofia, Bulgaria).

The decrease in other off-balance sheet liabilities is primarily associated with a discharge of interest costs of PLN 647 thousand (that occurred owing to payment delays) due to an agreement concluded between ZACHEM S.A. and Wodna Kapuściska Company and due to bills of exchange discounted by Alwernia S.A. for PLN 298 thousand. In the meantime, other contingent liabilities increased as compared to December 31st, 2006 by PLN 457 thousand owing to occurrence of the contingent liability due to an administrative penalty imposed on SODA MAŁY S.A.

Other off-balance sheet items amounted to PLN 7,052 thousand as at December 31st, 2007. This item increased generally by the liability of the Soda Deutschland Ciech Group of PLN 6,815 thousand towards the Authority Managing the Municipal Water-Pipe Network. It is a liability resulting from the use of the municipal sewage system in 1998 and 2000; payment of which the Municipal Water Supply Company conditionally renounced; however, the contract includes a clause pertaining to resumption of payments depending on the current situation of the company.

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 of the fuel activity, which was taken over by the Company as a result of the incorporation of Ciech Petrol Sp. z o.o. The decision to shut-down the fuel activity was taken based on the analysis showing that the fuel activity managed by Cheman S.A. is marked by low profitability on the level of gross margin and it is not enough to cover all the other costs related to its functions, namely being costs of sale, transport, and maintenance of fuel stations.

In 2006 Cheman S.A. sold a fuel station in Jarocin, terminated lease contracts for fuel stations in Kalisz, Zduńska Wola, Kleszczów and Szczytniki, the company terminated the contract concluded with MPK in Sieradz. The logistic and storage activity related to management of fuel and car accessories warehouse was closed as well. With respect to a disparate opinion of the Management Board of MPK Sieradz regarding efficiency of the contract termination by Cheman S.A., there is a risk of litigation. In 2006 and 2007 efforts were made to win an investor who might be interested in acquisition of the Base in Błaszki. In the end, a transaction with a potential investor fell through due to failure to make advance payments/deposit by the purchasing party.

The Management Board of Cheman S.A. made a proposal to the Management Board of CIECH SA and to the Supervisory Board of the Company to make use of the base in Błaszki and create there the main packaging and storage centre in Cheman S.A., for which the Company obtained consent. With regard to the above, a series of

development initiatives were taken, including a plan for infrastructure modernisation and growth for the purposes of the packaging activity or logistic solutions. The company intends to spend approx. PLN 1 million for these investments.

With respect to making a decision regarding the disposal of shares by S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. in its associate S.C. Govcrest Srl dated September 30th, 2007, shares worth PLN 206 thousand were recognized in non-current assets held for sale. Disposal of shares (41.64%) followed on October 10th, 2007. Proceeds from the sale amounted to RON 672 thousand.

18. Fulfilment of profit forecasts previously published against the performance disclosed in the quarterly report

In its Current Report 33/2007 of May 10th, 2007, the Management Board of CIECH SA published a forecast of the consolidated profit of the Ciech Group for 2007. The projected consolidated sales revenues were PLN 3,500 million and the consolidated net profit of Ciech Group was PLN 220 million. Having analysed the financial results of the Ciech Group's key companies for 6 months in 2007 and on the basis of the prepared estimates of the financial forecasts for the Ciech Group for (6+6) 2007, the Management Board of CIECH SA resolved to restate the forecast for the Group's consolidated net financial result for 2007 to the level of PLN 251 million. The forecast update was published in Current Report No. 57/2007 of August 9th, 2007.

Net sales revenue in 2007 amounted to PLN 3,418,745 thousand, which means they were lower than the estimated ones by approx. 2%. Net profit in the 2007 financial year recorded by the Ciech Group stood at PLN 235,204 thousand. Decrease in the net profit as compared to the plan by approx. 6% ensues mainly from (a) increase in depreciation of assets identified and measured at fair value in ZACHEM S.A., Z.Ch. "Organika - Sarzyna" S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., these companies were subject to provisional settlement as at December 31st, 2006, (b) higher costs of soda companies' merger (c) more considerable losses in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. than expected.

19. CIECH SA's shareholders holding at least 5% 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:

- State Treasury - 10,270,800 shares equal to 36.68% of CIECH SA's share capital; voting rights: 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 S.A.'s share capital; voting rights: 1,712,732, which constitutes 6.12% of the total number of votes at the General Meeting.
- Pioneer Pekao Investment Management S.A. (PPIM) – 4,069,829, equal to 14.54% of CIECH SA's share capital; voting rights: 4,069,829, which constitutes 14.54% of the total number of votes at the General Meeting:

including the Pioneer investment funds managed by PPIM – 4,032,038, equal to 14.40% of CIECH SA's share capital; voting rights: 4,032,038, accounting for 14.40% of the total number of votes at the General Meeting.

including Pioneer Zrównoważony Fundusz Inwestycyjny Otwarty – 1,402,040, equal to 5.01% of CIECH SA's share capital; voting rights: 1,402,040, accounting for 5.01% of the total number of votes at the General Meeting.

Changes in the ownership structure of CIECH SA's significant shareholders (at least 5%).

Shareholder	As at October 16th, 2007	Shares acquired	Shares sold	As at February 27, 2008
State Treasury	10 270 800	-	-	10 270 800
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	1 712 732	-	-	1 712 732

Shareholder	As at October 16th, 2007	Shares acquired	Shares sold	As at February 27, 2008
Pioneer Pekao Investment Management S.A. (PPIM):	3 505 146	564 683	-	4 069 829
including the Pioneer investment funds managed by PPIM	3 467 454	564 584	-	4 032 038
including Pioneer Zrównoważony Fundusz Inwestycyjny Otwarty	Ownership status before the change in share: 1 392 040	10 000	-	1 402 040

- On February 20th, 2008 Pioneer Pekao Investment Management S.A. (PPIM) informed CIECH SA about an increase in the total commitment to 14.54% of the total number of votes at the General Meeting of the Company's Shareholders with respect to financial instruments belonging to the portfolios managed as part of the commissioned brokerage financial instrument portfolio management service by PPIM.
- On February 20th, 2008 CIECH SA was notified 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
 10. Pioneer Aktywnej Aloкации Fundusz Inwestycyjny Otwarty

of an increase in the commitment of the above funds to 14.40% of the total number of votes at the General Shareholder's Meeting of the company: CIECH SA with regard to financial instruments belonging to the portfolios of these funds managed as part of the commissioned brokerage financial instrument portfolio management service by PPIM.

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

- On February 27th, 2008 CIECH SA was notified 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 fund:
 1. Pioneer Zrównoważony Fundusz Inwestycyjny Otwarty

of an increase in the total commitment to 5.01% of the total number of votes at the General Shareholder's Meeting of CIECH SA as regards shares belonging to portfolios of this fund.

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, nor shares and stakes in its affiliates.

21. Procedures pending before courts, in arbitration proceedings, or public administration bodies as at December 31st, 2007

I. CIECH SA

Liabilities of CIECH SA (domestic and foreign) claimed in court or arbitration proceedings as at December 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 of PLN 50 thousand) for failing to fulfil the agreement to transfer the shares of Petrochemia Blachownia S.A. as stipulated in the preliminary contract of July 9th, 1999. On May 27th, 2003, the District Court in Warsaw issued a preliminary judgment in favour of PCC AG (stating that PCC AG's claim was well founded), without specifically determining the amount of the damages. CIECH SA appealed against the preliminary judgment on September 19th, 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 August 12th, 2004, the Appeals Court upheld the District 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 19 April 2005 CIECH SA received the final decision of the Supreme Court, which dismissed the cancellation.

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 50 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 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. During the first hearing before the District Court on October 1st, 2007, CIECH SA proved that the final contract, conclusion of which PCC demanded in the claim, contains material elements disparate from the preliminary contract and from fax correspondence exchanged between the parties after conclusion of the preliminary contract. During the next trial held on December 9th, 2007 two witnesses appointed by CIECH SA were questioned to determine evidence and the extent of application of the contract provision providing only for repayment of an advance payment in case the parties do not reach an agreement on all the material aspects of the contract. CIECH SA claims that contents of the final contract presented by PCC AG in the claim were different from the ones agreed under the preliminary contract. The District Court appointed another hearing in March 2008. 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 USD 3,872,943 (equivalent of PLN 9,431 thousand), and statutory interest according to Polish law, calculated from September 16th, 2003, which as at December 31st, 2007 constituted the amount of PLN 4,898 thousand. In addition,

Comexport demanded return of the cost of court proceedings and the cost of legal service in the amount of 204,436.26 EURO (equivalent of PLN 732 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 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 2,474,166 USD (equivalent of PLN 6,025 thousand) and the interest of 5% from September 17th, 2003, amounting as at December 31st, 2007 to USD 531 thousand (equivalent of PLN 1,293 thousand) and USD 123 thousand (equivalent of PLN 300 thousand) for court proceedings costs. 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. Subject of the complaint was 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.

During the hearing before the Appeals Court on May 15th, 2007 the parties' attorneys maintained their respective claims. On June 15th, 2007 the Appeals Court announced the judgement against CIECH SA's claim to conduct further proceedings. Presently, having received the legal advice on legitimacy of filing for a cassation, CIECH SA resolved to appeal for a cassation of the judgement by the Appeal Court. Announcement of cassation was filed to the Supreme Court in November 2007, while the material grounds for the cassation will be delivered in the first quarter of 2008. The case is pending.

Action by Enapharm

In June 2004, the Liquidator for Enapharm in Algeria filed a claim for USD 172,879.84 (equivalent of PLN 461 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; what is more CIECH SA raised the defence of the Enapharm's claims falling under statute of limitations.

In June 2007 an opinion of the court expert was delivered to CIECH SA notifying an increase in the medications subject to complaint to USD 372,085.72 (equivalent of PLN 991 thousand).

The opinion was subject to analysis by CIECH SA to assess its credibility and compliance with the purchase-sale contract. CIECH SA questioned decisions included in the expert's report on the formal and substantial grounds of the fact that the value of medications reported by Enapharm to date and in line with the contract provisions, accounts only for 10% of the amount claimed by Enapharm. In November 2007 the Algerian court announced the judgement in favour of CIECH SA, in which it rejected the existing report of the statutory auditor declaring infringement of civil proceedings. At the same time the court ordered to prepare a new expertise and appointed a new statutory to do it.

The case is pending before an Algerian court. CIECH SA is represented by a local attorney, supervised by a well respected Paris law firm.

Action by the Polish Office of Competition and Consumer Protection (UOKiK)

On December 31st, 2007 the President of UOKiK initiated anti-monopolist proceedings against CIECH SA on the charge of abuse of a dominant position in the domestic market of table salt production and sales manifested in hindering conditions necessary for the competition to emerge or develop by including provisions in their contracts committing purchasing parties to sell table salt purchased exclusively from the selling party being CIECH SA and by prohibiting table salt purchases at any other entity than the selling party, which may breach Article 9 section 1 in relation to section 2 item 5 of the Act on Competition and Consumers.

On January 31st, 2008 CIECH SA submitted initial explanations to the President of UOKiK refuting the presented charge and filed for dismissal of the proceedings. CIECH SA claims the abuse of the dominant position cannot have taken place in the subjected case.

The aforesaid proceedings are in an initial phase and it is the first anti-monopolist proceedings instituted against CIECH SA.

Employee claims

One case is currently pending against CIECH SA, filed by a former employee laid off due to no fault of his/her own. The employee is demanding to be restored to work. The projections as to the result of those suits are good.

A provision for the mentioned liabilities in the amount of PLN 18,447 thousand has been raised 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 a total of PLN 744 thousand. The projections are good. The Company established a revaluation write-down on the above-mentioned amount.

Bankruptcy proceedings

A total of PLN 10,024 thousand is being claimed in forty-six domestic bankruptcy proceedings. CIECH SA is claiming USD 689,632 and EURO 534,995 (totalling PLN 3,596 thousand) via international bankruptcy proceedings, with the largest claims being the bankruptcy proceedings for:

- Chemapol – Prague (PLN 585 thousand),
- Euroftal N.V. Belgium (PLN 748 thousand),
- Petrimex – Bratislava (PLN 548 thousand),
- WMW – Novosibirsk (PLN 362 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 8,779 thousand from domestic debtors through twenty-six enforcement proceedings. The projections as to the results of the execution proceedings are different, depending on the debtors' assets.

The amount of EURO 27,116 (equivalent to PLN 97 thousand) is claimed in foreign enforcement proceedings. 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	PLN 2.4350
EURO rate exchange	PLN 3.5820

II. Subsidiaries

SODA MAŹWY Group

No claims (liabilities) have been filed against the SODA MAŹWY Group that could affect its business. Amounts receivable claimed in bankruptcy proceedings, in court actions and in enforcement proceedings by SODA MAŹWY S.A. and its subsidiaries amount to PLN 24,009 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 MAŹWY S.A. projections are not good.

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

JANIKOSODA Group

No significant claims (liabilities) have been 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, totalling PLN 532 thousand. Debt enforcement proceedings are pending to recover a total of PLN 2,125 thousand, including the largest claim for PLN 2,102 thousand against B. Lepiarz. The amount of PLN 370 thousand is being claimed through bankruptcy proceedings.

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

"VITROSILICON" Spółka Akcyjna

No claims (liabilities) have been filed against the company that could affect its business. The company is claiming a total of PLN 1,259 thousand from debtors for deliveries and services, including the largest claim pursued through enforcement proceedings for PLN 661 thousand, and PLN 490 thousand pursued through bankruptcy proceedings. "VITROSILICON" Spółka Akcyjna recognised impairment losses against all pending claims.

"Alwernia" S.A.

No claims (liabilities) have been filed against "Alwernia" S.A. that could affect its business. "Alwernia" S.A. is claiming trade receivables and damages in a total amount of PLN 434 thousand through court actions and enforcement proceedings. The amount of PLN 1,122 thousand was claimed in bankruptcy proceedings. "Alwernia" S.A. recognised an impairment loss on all the proceedings pending.

Chemana S.A.

No claims (liabilities) have been filed against Chemana S.A. that could affect its business. Chemana S.A. filed court cases against several dozen trade debtors for a total of PLN 4,227 thousand, including PLN 2,006 thousand claimed in enforcement proceedings and PLN 962 thousand reported for bankruptcy and composition proceedings. Chemana S.A. recognised an impairment loss on all the proceedings pending.

FOSFOR Group

No claims (liabilities) have been filed against the companies belonging to the FOSFOR Group that could affect its business. The FOSFOR Group is claiming a total of PLN 4,469 thousand in court actions, enforcement and bankruptcy proceedings from several dozen debtors, with the largest claim of PLN 3,084 thousand reported for bankruptcy and composition proceedings. The FOSFOR Group recognised impairment losses against all pending claims.

CIECH POLFA Sp. z o.o.

No claims (liabilities) have been filed against CIECH POLFA Sp. z o.o. that could affect its business. The company is claiming a total of USD 34 thousand (equivalent of PLN 83 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) have been filed against the companies belonging to Z.Ch. "Organika – Sarzyna" S.A. that could affect its business. Z.Ch. "Organika – Sarzyna" S.A. is claiming the amount of PLN 9,062 thousand from a dozen of domestic companies for liabilities in court actions, bankruptcy, enforcement and composition proceedings. The largest amount of PLN 7,652 thousand is claimed in the bankruptcy and composition proceedings. The Group recognised an impairment loss on the proceedings pending.

ZACHEM Group

No material claims (liabilities) have been filed against the companies belonging to the ZACHEM Group that could affect its business. The ZACHEM Group's claims pending in business lawsuits and enforcement proceedings from a dozen debtors account in total for PLN 11,820 thousand, with the largest claim being PLN 9,655 thousand in bankruptcy and composition proceedings. The Group recognised an impairment loss against all pending claims.

S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.

No claims have been filed against S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. that could affect its business. 11 business lawsuits are currently pending against the Company to satisfy the claim of RON 156 thousand (equivalent of PLN 156 thousand). Furthermore, S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. is claiming a total of RON 48 thousand (equivalent of PLN 48 thousand) from various claim debtors in 7 business lawsuits.

Exchange rates were adopted for translation 1 RON = 0.9979 PLN

22. Disclosures 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 – Ciech Chemical Group 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 – Ciech Chemical Group S.A.	Subsidiary	Conversion of the loans granted into equity		Subscription of 103,064,090 shares	Transaction value EUR 8 million
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Subsidiary	Loan	Interest in the amount of 3M EURIBOR + 1.5% in a year	Single repayment of loan with interest by December 31st, 2008	Transaction value EUR 4 million
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Subsidiary	Debt to loan conversion	Interest in the amount of 3M EURIBOR + 0.5% in a year	Repayment in 5 annual instalments by December 31st, 2009 Interest capitalised quarterly (by the end of the grace period - 31/12/2008) - payable on instalment maturity dates. Final loan repayment date on December 1st, 2013	Transaction value EUR 12 million
Soda Deutschland Ciech GmbH	Subsidiary	Loan	Interest in the amount of 1R EURIBOR + 0.5% in a year	Loan and interest repayment after 2012, depending on repayment of the loan taken by Soda Deutschland Ciech GmbH in Commerz Bank AG	Transaction value EUR 95 million
Group of SODA MAŹWY					
Loan agreement between Soda Polska CIECH Sp. z o.o. (borrower) and SODA MAŹWY S.A. (borrower)	Soda Polska CIECH Sp. z o.o. - subsidiary of SODA MAŹWY S.A.	Loan agreement of November 14th, 2007 for PLN 1,500 thousand	3M WIBOR 3M from each interest period increased by a 0.5% margin annually.	None	Long-term loan falling due on June 30th, 2009 devoted to repay public law liabilities and other current liabilities.
Loan agreement between Soda Polska CIECH Sp. z o.o. (borrower) and SODA MAŹWY S.A. (borrower)	Soda Polska CIECH Sp. z o.o. - subsidiary of SODA MAŹWY S.A.	Loan agreement of November 19th, 2007 for PLN 4,500 thousand	3M WIBOR 3M from each interest period increased by a 0.5% margin annually.	None	Long-term loan falling due on June 30th, 2009 devoted to repay public law liabilities and other current liabilities.
Loan agreement between Soda Polska CIECH Sp. z o.o. (borrower) and JANI Kosoda MAŹWY S.A. (borrower)	Soda Polska CIECH Sp. z o.o. - associate of JANI Kosoda S.A.	Loan agreement of November 14th, 2007 for PLN 1,950 thousand	3M WIBOR 3M from each interest period increased by a 0.5% margin annually.	None	Long-term loan falling due on June 30th, 2009 devoted to repay public law liabilities and other current liabilities.
Loan agreement between Soda Polska CIECH Sp. z o.o. (borrower) and JANI Kosoda MAŹWY S.A. (borrower)	Soda Polska CIECH Sp. z o.o. - associate of JANI Kosoda S.A.	Loan agreement of November 19th, 2007 for PLN 4,050 thousand	3M WIBOR 3M from each interest period increased by a 0.5% margin annually.	None	Long-term loan falling due on June 30th, 2009 devoted to repay public law liabilities and other current liabilities.

23. Disclosures 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		4 000	by 31.08.2008	Payment to CIECH SA equal to 1% of the surety value + PLN 3.5 thousand + PLN 2.5 thousand + PLN 62.5 thousand	Chemana S.A.	Subsidiary
KREDYT BANK SA Sieradz Branch		4 000	by 31.08.2008	Payment to CIECH SA equal to 1% of the surety value + PLN 3.5 thousand + PLN 2.5 thousand	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 31.07.2008	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				
JANIKOSODA S. A.						
BOŚ Poznań	EUR 1 110	3 977	by 16.11.2009	No fee	"VITROSILICON" Spółka Akcyjna	Subsidiary
Total JANIKOSODA S.A.		3 977				
ZACHEM S.A.						
Bank Pekao S.A.		18 160	by 30.07.2008	None	Wodna Kapuściska Company	None
Nordea Bank		18 160	by 30.07.2009	None	Wodna Kapuściska Company	None
Total ZACHEM S.A.		36 320				
Total loans guaranteed		53 997				

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
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					the borrower
ZACHEM S.A.					the borrower
Wojewódzki Fundusz Ochrony Zdrowia i Gospodarki Wodnej Toruń (Voivodship Fund of Healthcare and Water Management in Toruń)		3 632	by 31.12.2011	Wodna Kapuściska Company	None
Total ZACHEM S.A.		3 632			
Total amount of loans covered by surety		3 632			

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 of PLN				
CIECH SA						
Citibank Romania S.A.	EUR 6 000	21 492	by 28.03.2008	Payment to CIECH SA equal to 0.5% the surety value	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
ING Bank NV Amsterdam – Branch in Bucharest	EUR 9 000	32 238	by 12.09.2008	Payment of EUR 19.1 thousand as a return of guarantee costs incurred by CIECH SA	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
SG Equipment Leasing Polska Sp. z o.o. - Warsaw	EUR 1 100	3 940	30.09.2009	To the lease agreement concluded between S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and ECS International Polska Sp. z o.o. as of July 10th, 2007	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
SG Equipment Leasing Polska Sp. z o.o. - Warsaw	EUR 1 700	6 089	30.09.2009		S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
Air Products, LLC and Air Products Chemicals Europe B.V.	USD 38 500	93 748	2013	The guarantee was estimated on the basis of semi-annual deliveries carried out based on the contract concluded by ZACHEM S.A. in 2004 and annexed in October 2007. Annual deliveries are worth USD 77 million	ZACHEM S.A.	Subsidiary
Total CIECH SA		157 507				
JANIKOSODA S.A.						
Zakłady Koksownicze "Zdzieszowice"		775	by 31.12.2007	Collateral of receivables payment		
Total JANIKOSODA S.		775				

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 of PLN				
A.						
Total amount of guarantees granted		158 282				

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) to 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 the 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%	19 393	337	10 032	0.93%	0.54%	Subsidiary
2) Polcommerce Handel und Vertretungsgesellschaft m.b. H	100.00%	39 554	62	6 182	1.89%	0.33%	Subsidiary
3) CIECH SERVICE Sp. z o.o.	100.00%	4 345	43	1 453	0.21%	0.08%	Subsidiary
4) "BORUTA - KOLOR" Sp. z o.o.	100.00%	13 784	1 158	18 223	0.66%	0.98%	Subsidiary
5) CIECH POLFA Group							
5.1.) Polcommerce Kft., Hungary	100.00%	2 329	(280)	944	0.11%	0.05%	Indirect subsidiary
6) SODA MAŹWY Group							
6.1.) SODA - MED. Sp. z o.o.	53.51%	1 009	6	2 902	0.05%	0.16%	Indirect subsidiary
7) Nordiska Unipol Aktienbolag	97.78%	17 749	288	5 385	0.85%	0.29%	Subsidiary
8) ALWERNIA Group							
8.1.) "ALWERNIA - FOSFORANY" Spółka z ograniczoną odpowiedzialnością	73.75%	-	-	50	0.00%	0.00%	Indirect subsidiary
8.2.) SOC - AL. Spółka z ograniczoną odpowiedzialnością	69.88%	2 035	27	1 628	0.10%	0.09%	Indirect subsidiary
9) CHEMIEPETROL Außenhandelsgesellschaft mit beschränkter Haftung in liquidation	60.00%	32 718	1 248	4 879	1.56%	0.26%	Subsidiary
10) DANSKE UNIPOL A/S	55.00%	24 404	841	4 957	1.16%	0.27%	Subsidiary
11) ORGANIKA - SARZYNA Group							

Non-consolidated undertakings	Shares of CIECH SA in the 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
11.1.) Z.D. "ORGANIKA" Sp. z o.o.	51%	3 041	31	2 300	0.15%	0.12%	Indirect subsidiary
12) Soda Deutschland Ciech Group							
12.1. Sodachem GmbH	100%	5 901	-	1 639	0.28%	0.09%	Subsidiary
12.2 KPG Kavernen-Projekt-Beteiligungsgesellschaft mbH	100%	-	-	744	0.00%	0.04%	Subsidiary
13) Ciech America Latina LTDA	99.99%	-	-	971	0.00%	0.05%	Subsidiary

* out of business

Total value	Non-consolidated undertakings	Ciech Group (without eliminations)	% share
in balance sheet totals	62 289	6 508 424	0.96%
Net income from the sale of goods and products and from financing activities	166 262	6 029 989	2.76%

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

Undertakings not accounted for using the equity method	Shares of CIECH SA in the company (direct + indirect)	Total number of votes at the General Meeting	Acquisition cost	Impairment losses on the acquisition cost	Equity as at 31.12.2007 attributable to the Ciech Group	Net income from the sale of goods and products and from financial operations of a given entity	Balance-sheet total of the entity	Net profit (loss)
			(thousands of PLN)	(thousands of PLN)	(thousands of PLN)	(thousands of PLN)	(thousands of PLN)	(thousands of PLN)
1) Suomen Unipol Oy*	24.78%	24.78%	132	-	925	47 667	16 126	906
2) ORGANIKA - SARZYNA Group								
2.1.) "Komunalna Biologiczna Oczyszczalnia Ścieków - Spółka z ograniczoną odpowiedzialnością"	56.62%	45.29%	8 358	-	8 065	2 661	14 557	15
2.2.) Zakłady Chemiczne "Silikony Polskie" Spółka z ograniczoną odpowiedzialnością	30.00%	24.00%	5 209	-	5 763	18 381	21 635	333
2.3.) "Bud - Org" Sp. z o.o.	24.85%	19.88%	43	-	228	3 456	1 765	218
2.4.) "Gumokor - Organika" Sp. z o.o.	24.81%	19.84%	16	-	116	930	584	11
2.5.) "ORGANIKA - PROJECT" Sp. z o.o.	24.49%	19.59%	18	-	51	653	270	4
2.6.) "DREWREM - ORGANIKA" Sp. z o.o.	24.14%	19.31%	8	-	18	961	202	5
2.7.) "EL - CHEM" Sp. z o.o.	24.73%	19.78%	92	-	471	11 515	7 398	208

			Acquisiti on cost	Impairment losses on the acquisition cost	Equity as at 31.12.2007 attributable to the Ciech Group	Net income from the sale of goods and products and from financial operations of a given entity	Balance- sheet total of the entity	Net profit (loss)
2.8.) "WOD - REM" Sp. z o.o.	24.94%	19.95%	146	-	465	6 755	2 585	144
2.9.) "NS Automatyka" Sp. z o.o.	22.44%	17.95%	115	-	475	8 322	3 132	713
3) ZACHEM Group								
3.1.) "BUDPUR" Spółka z ograniczoną odpowiedzialnością	27.73%	22.18%	63	-	139	3 527	890	184
3.2.) Przedsiębiorstwo Transportowo Spedycyjne "TRANSCHEM" Spółka z ograniczoną odpowiedzialnością	27.81%	22.25%	89	54	79	4 956	1 850	6
3.3.) Zakład Remontowo - Produkcyjny "Metalpur" Spółka z ograniczoną odpowiedzialnością	24.52%	19.62%	26	-	204	4 591	1 245	96
3.4.) Natural Chemical Products	44.03%	35.23%	214	-	2 456	34 331	14 119	379
4. Soda Deutschland Ciech Group								
4.1. Kaverngesellschaft Staßfurt GmbH	50%	50%	no data available	-	923	4 679	5 712	1 474
Total value	-	-	14 706	54	20 378	153 385	92 070	4 696

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% shares/votes held directly by Ciech SA, the company has not been shown in the table above due to data shortage.
- ZAO - Polfa Ciech, Russia, in liquidation, 65.00 % shares/votes held directly by Ciech SA.
- Polsin - Karbid Sp. z o. o in liquidation, 22.76% shares/votes held by CIECH SA, shares/votes (direct + indirect) via CIECH SA and POLSIN PRIVATE LIMITED
- K.Foster&Son Ltd. - lost control, 46.51%, 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% shares/votes held directly by CIECH SA, on 24 January 2006, the District Court in Katowice declared the company bankrupt.
- Zakład Gastronomiczno - Hotelowy "MIREX" Sp. z o.o. – in liquidation, 27%, shares/votes held indirectly by CIECH SA through ZACHEM S.A.
- Polsin Overseas Shipping Ltd. is an associate of CIECH SA. The company did not deliver its financial figures for Q4 2007.

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

Information necessary to assess the HR situation

The project of competency appraisal for the CIECH SA senior management was carried out in Q4 2007. The project concerned the CIECH SA Management Board members and all the heads of the Company's organizational units. The survey was made using 360 degree feedback. Each evaluated person obtained an opinion on their competences from three sources:

- ◆ from immediate supervisor,
- ◆ from subordinated employees and

- ♦ from other peer managers working together with them.

As a result of the survey a comprehensive programme was developed for improving the managerial competence, fundamental in the process of increasing the value of the Company and the Ciech Group.

In December 2007 recruitment process of the second MBA programme began. The Executive MBA studies organized together with the Leon Koźmiński Academy of Entrepreneurship and Management (Wyższa Szkoła Przedsiębiorczości i Zarządzania im. Leona Koźmińskiego) in Warsaw are dedicated especially to the executives of the companies included in the Ciech Group. During the MBA courses, the participants will acquire advanced knowledge and practical managerial skills through access to the latest achievements in science and management practice obtaining high competences to perform their managerial tasks.

Meanwhile, initiatives connected with a unique educational programme for front line workers employed in the production plants of the Ciech Group chemical industry were carried out together with the Warsaw University of Technology. Postgraduate Studies of "Chemical and Process Technology and Engineering" will be organized jointly by two departments of this well-renowned school: the departments of chemistry and chemical and process engineering. The classes will be conducted by eminent scientists.

Projects associated with the by-laws on collective labour agreements (including incentive programmes for employees) were carried out in Q4 2007. With respect to the measures taken, the final version of the Work Regulations was agreed upon with the trade union organisations operating in CIECH SA. Furthermore, contents of the Regulations for Cafeteria Plan promoting excelling employees of CIECH SA were approved.

In order to fulfil the strategic business goals of the Company, centralize management and optimize all the initiatives related to the agricultural sector and glass-making industry in terms of products, initiatives adjusting the organizational structure to assumptions of the new strategy were continued. Two business Divisions have been established: Agro Division and Silicates and Glass Division. The organizational changes introduced will enable implementation of the plan concept.

In October 2007 a recertification audit was conducted in CIECH SA by KEMA Quality Polska Sp. z o.o. to verify compliance of the management system with the standards of ISO 9001:2000. After the successful audit, CIECH SA retained the quality certificate valid until November 1st, 2010.

In October the first surveillance audit was conducted in Soda Division by SGS Polska Sp. z o.o. to verify compliance of the Quality Assurance System with GMP B2 standards within trade of feed materials (baking soda and soda ash). No system incompatibility was identified during the audit.

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

- Increase in revenues of the Ciech Group with regard to inclusion of Sodawerk Staßfurt GmbH & Co. KG, manufacturer of soda ash and baking soda to the Group in December 2007.
- Completion of organic acquisitions and investments provided for under the new strategy of the Ciech Group for 2007 - 2011.
- Continuation of the positive situation in the European glass industry and in the construction industry, accounting for significant markets for CIECH SA (it applies especially to new assembly lines of glass recently launched and planned in Central and Eastern Europe).
- Price increases of soda ash in the European market since the beginning of 2008 (by 10 - 15% as compared to 2007).
- Less intensive deliveries of competitive soda ash from USA to Europe (in favour of export to China and South America).
- Increasing tendency in the use of fertilizers in Europe and globally on account of increasing the areas for industrial plant uses for the purposes of biofuels production.
- A good standing of the domestic furniture industry (with prospects for further growth in export), also being a recipient of the Ciech Group products (polyurethane foams and indirectly toluene diisocyanate (TDI), a semi-finished product used to manufacture the foams).

External factors of general nature

Economic situation in Europe and worldwide

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

Global economic growth was estimated to be slower than the previous year (the GDP increased by 3.5% against 3.8% in 2006 according to the European Chemistry Industry Council - CEFIC). These dynamics will be even slower in the European Union (27) (2.8% against 3.0% in 2006). In Eastern Europe economic growth is estimated to be twice as fast as in the EU. With the above in mind, the CEFIC forecast concerning the chemical sector for this year is quite optimistic: an increase is expected in the chemical output of the European Union (within the area of chemicals without pharmacy) to 2.6% against 2.1% in 2006.

The CEFIC forecast for 2008, in turn, indicates a stagnation in economic growth rates: globally to 3.3% GDP, in the European Union (27) - 2.4% GDP. Expectations as to the chemical sector of the EU are not too optimistic either (decrease in dynamics of the chemical output without pharmacy to 1.9% in 2008).

On the other hand, a faster rate of growth is forecasted for the chemical sector of the largest economy of Eastern Europe, i.e., for Russia in relation to the entire industry of this country (increase in the chemical production in 2008 by 9% against 6.5% dynamics of the GDP).

Situation in the industries of the recipients of the Ciech Group products in Poland

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

How those industries expand, depends on the general economic situation in Poland. Industrial output in fixed prices recorded in the 12 months of 2007 increased by 9.7% (in 2006 by 11.8%). The dynamics of the chemical industry was +2.6% (in 2006 +11.0%) with regard to the manufacture of chemical products, and +13.6% (in 2006 +14.2%) with regard to the manufacture of rubber products and plastics.

2007 was another year in a row that saw a high economic upturn in the country. Various forecasts expect that the dynamics of the GDP achieved approx. 6.5% throughout 2007 (against 6.1% in 2006). However, a slight stagnation of this dynamics to approx. 5.5% is assumed in 2008. Undoubtedly some stagnation is also expected in the economic growth rate of the chemical sector growth of which is usually similar to the entire economy.

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. This should translate into an increase in the Ciech Group's revenues. 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 the 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, this is 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 continues, this will benefit CIECH SA's imports of raw materials. Large fluctuations in demand and prices caused either by a high economic growth rate, or by an economic slump, will affect the CIECH SA's trade in chemical raw materials.

PLN/Euro exchange rates The majority of the Ciech Group's export sales are settled in EURO. A strong EURO means higher profitability for 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.

Implementation of REACH system

Pursuant to the Resolution of January 16th, 2007 the Management Board of CIECH SA appointed the REACH Task Force which is committed to prepare CIECH SA and the Ciech Group Companies to implement the system and decrease any risks with respect to new legal requirements to minimum.

In 2007 a detailed analysis of effects of implementing the REACH system in the Group was carried out together with the Industrial Chemistry Research Institute, which will substantially improve planning expenses for this purpose in the years to come. The measures are currently focused on preparation of the companies for the initial registration of substances produced and imported that will last from June 2008 to November 2008. The initial registration of substances will allow the companies to make use of transitional periods and register the substances later on, i.e., in 2010, 2013 and 2018. Some companies have entered into partnerships with the future registering entities within associations of manufacturers operating in the EU, making consortia for the purposes of common substance registration.

Internal factors

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

In line with the commitments under the Privatisation Agreements concerning ZACHEM S.A. and Z.CH. "Organika - Sarzyna" S.A. and concerning plans with respect to S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and Sodawerk Staßfurt GmbH & Co. KG, CIECH SA carries out investment parcels directed at the modernization 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 technique, 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 the adverse effects on the 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 manufacturing capacity for attractive products in the marketplace,
- Reconstruction of productive property of the Company - technological modernisations and modern control systems,
- Investments connected with environmental protection.

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - development plans cover the following steps:

- Development of the existing productive powers of soda ash,
- Reconstruction and modernization of the existing manufacturing property of the company,
- Investments connected with environmental protection.

Sodawerk Staßfurt GmbH & Co. KG – the development investments already in progress pertain to improvement of the existing manufacturing capacity of soda ash.

Basic risks and uncertainties concerning 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 rises 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 of internal demand, export attenuation and stagnation of investment dynamics). Possible attenuation of this branch of economy may indirectly affect the chemical sector. A weaker demand for chemical products may impact the Ciech Group's revenues, and impair its financial performance.

Risk of economic stagnation in Europe and worldwide

The Ciech Group's commercial activities rely to a large extent on chemical product exports, the level and profitability of which depend on the global economic situation in Europe and worldwide. A global economic slump could affect the 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. in 2006 CIECH SA became the main shareholder of the sole manufacturer of 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 (furniture and automotive industries) TDI is strongly dependent on the general standing of the economy. In the event of drastic attenuation of this branch of economy, demand for TDI falls as well. A fixed number of suppliers in numerous global marketplaces may be a solution to secure against a 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 global scale is announced (by approx. 25% or more). Provided all the planned investments are carried out in the expected time frames, and considering an economic growth forecast at 3 - 4%, 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 diminish adverse effects of such a scenario in the Ciech Group, adequate measures have been taken to modernize relevant manufacturing systems and decrease manufacturing costs.

Risk of oversupply of soda ash in Europe in a midterm perspective

At the end of the first and at the beginning of the second decade of this century, launch of new manufacturing capacities of soda ash in Central and Eastern Europe (Russia, Belarus, Romania, Bulgaria, Bosnia and Herzegovina) and in Turkey and Germany will be expected or considered – jointly accounting for over 20% of the current nominal manufacturing capacities of Europe. In case of completion of all these investments as planned (and a significant increase in supplies to the market in a relatively short period of time) we may face a temporary oversupply of the product and a fall of prices in the region. Measures already taken in the Ciech Group and targeted at improvement of performance and profitability of the plants manufacturing soda ash should curb the potential negative impact the mentioned course of events may have on the Group.

27. Business mergers – initial settlement established on a provisional basis

On December 19th, 2007 CIECH SA finalized a purchase of 100% shares in Soda Deutschland Ciech. Pursuant to the sale-and-purchase-back of shares, CIECH SA sold 10% of its shares to Mr. Jochen Ohm and committed to repurchase them in the following tranches:

- 2.5% shares after March 31st, 2008 at EUR 3 million,
- 5% shares after December 29th, 2008 upon compliance with contractual terms (receipt of a permit for production, fulfilment of the investment plan and confirmation of retaining air-polluting emissions within limits and completion of the so-called cavity project). The purchase price will be EUR 2 million and 50% profit from completion of the cavity project.
- 2.5% shares after December 31st, 2009 upon compliance with contractual terms (completion of the cavity project). The purchase price will be EUR 1 and 50% profit from completion of the cavity project.

Analysing the economic aspect of the concluded contract, the Management Board of CIECH SA agreed that the first tranche accounted for a portion of the Soda Deutschland Ciech GmbH acquisition costs and should be included upon recognition of the acquisition in line with IFRS 3 "Business combinations". Judging from their terms (receipt of permits for production, fulfilment of the investment plan or completion of the so-called cavity project), the next two tranches are a form of salary for services provided by Mr. Ohm towards the company resulting in fulfilment of the terms. According to the Management Board of CIECH SA the future expenses that will be incurred for realization of the tranches, should be recognized as costs of salaries in period in which conditions for the obligation of their payment arise (i.e., the terms as specified in the contract will be fulfilled).

With regard to the buyback option, the shares sold to Mr. Jochen Ohm should not be recognized as a minority interest. Pursuant to the above approach, the consolidated financial statement specified herein was prepared under the assumption that CIECH SA had acquired 100% shares in Soda Deutschland Ciech.

In line with the records of IFRS 3 "Business Combinations" item 61, CIECH SA not knowing fair values of acquired assets and liabilities of the company, resolved to apply the initial settlement established on a provisional basis. The reason for application of the provisional settlement was acquisition of the companies which took place shortly before the balance sheet date, thus the short period of time didn't enable finalisation of valuation to fair value before the date of the consolidated financial statement for 2007 was approved. The provisional settlement was conducted on the basis of the accounting value of assets and liabilities of the acquired entity.

After conducting an analysis of the financial data of the acquired entity for the period from the acquisition date (i.e., December 19th, 2007) to the balance sheet date, the data were found not to have much influence on the consolidated profit and loss account for 2007 and on the calculated goodwill or on surplus of the net assets acquired over the cost of business combinations. Therefore, in case of the company mentioned above, settlement of the acquisition in the consolidated financial statement of the Ciech Group was executed on December 31st, 2007.

The accounting value of the acquired assets and liabilities of the Soda Deutschland Ciech Group on December 31st, 2007 (date of merger settlement) is as follows:

Soda Deutschland Ciech	<i>Value recognised at the moment of merger = Accounting value</i>
Property, plant and equipment	570 910
Intangible Assets	417 167
Other long-term investments	7 494

Soda Deutschland Ciech	<i>Value recognised at the moment of merger = Accounting value</i>
Total non-current assets	995 571
Current assets	
Inventories	13 078
Trade and other receivables	259 838
Cash and cash equivalents	10 209
Total current assets	283 125
Total Assets	1 278 696
Borrowings and other debt instruments	203 060
Employee benefits	3 475
Provisions (other long-term)	3 829
Other long-term liabilities	221 855
Deferred tax provision	28 828
Total non-current liabilities	461 047
Borrowings and other debt instruments	355 753
Trade and other payables	403 595
Income tax payable	14 600
Provisions (short-term employee-benefit and other provisions)	44 037
Total current liabilities	817 985
Total liabilities	1 279 032
Net asset value	(336)
Acquiree's net asset value	(336)
Goodwill arising due to take-over	16 746

Costs of the merger of the Soda Deutschland Ciech Group:

Purchase price	16 410
Net cash acquired with entity	10 209
Cash paid	(4 101)
Inflows of net cash	6 108

Goodwill that arose due to provisional settlement amounts to PLN 16,746 thousand.

28. Finalisation of provisional settlement for S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., ZACHEM S.A. and Z.Ch. "Organika – Sarzyna" S.A.

On December 31st, 2006 settlement of the merger of ZACHEM S.A., Z.Ch. "Organika - Sarzyna" S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. was set on a provisional basis according to IFRS 3 "Business Combinations" items 61 - 62. In 2007 identification and establishment of fair value of all identifiable assets, liabilities and contingent liabilities were made. Costs of the merger were also subject to verification. The balance sheet data as at December 31st, 2006 as well as data concerning the 2006 results disclosed in this report cover any adjustments of accounting estimates recognized to date and resulting from the finalization of provisional settlement.

Fixed assets, costs of finished development work, perpetual freehold rights, investment property, long-term investments, inventories, contingent liabilities (reclamation provisions) were subject to measurement to fair value in the companies. Furthermore, in Z.Ch. "Organika - Sarzyna" S.A. intangible assets so far not recognized in the statement, were identified and measured. The intangible assets are the CHWASTOX trademark, including the related

MCPA production technology (in the amount of PLN 8,560 thousand) and relationships with customers valued based on the current history of partnership at PLN 18,805 thousand. The operational life of the CHWASTOX brand and the related production technology as well as the operational life of the relationships with customers are expected to last 10 years. Revaluation of certain balance sheet items to fair value resulted in the creation of assets or provisions for the deferred tax, respectively.

On account of adjustment of accounting estimates recognized to date by the result of measurement at fair value, values of goodwill or surplus of the acquired net assets over the cost of the merger disclosed in the statement as at December 31st, 2006 were subject to change. The table below shows data presented to date and currently.

S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.	31.12.2006 (provisional settlement)	31.12.2006 (after provisional settlement)
Acquiree's net asset value	(154 875)	(66 658)
costs of merger	39 785	39 785
goodwill / surplus of the Acquiree's net assets over the merger cost	194 660	106 443

ZACHEM Group	31.12.2006 (provisional settlement)	31.12.2006 (after provisional settlement)
Acquiree's net asset value	82 961	224 682
costs of merger	82 550	84 756
goodwill / surplus of the Acquiree's net assets over the merger cost	(411)	(139 926)

Z.Ch. "Organika - Sarzyna" S.A.	31.12.2006 (provisional settlement)	31.12.2006 (after provisional settlement)
Acquiree's net asset value	168 076	263 372
costs of merger	296 469	296 469
goodwill / surplus of the Acquiree's net assets over the merger cost	128 393	33 097

Surplus of the Acquiree's net assets over the merger cost in line with IAS 27 "Consolidated and Separate Financial Statements" was recognised in the 2006 profit and loss account. Goodwill that occurred upon settlement of the companies' merger was subject to tests for impairment loss. The test results showed the company's goodwill that occurred on account of settlement of the Z. Ch. "Organika - Sarzyna" S.A. merger did not lose its value as opposed to the goodwill of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. which was fully written off and charged against the 2006 result as of the date of the merger.

The account below shows adjustments entered to the statement for 2006, resulting from finalization of the provisional settlement and affecting the net profit and particular items of the balance sheet.

Reconciliation of the net profit:

net profit for 2006 recognized in the Annual Report for 2006 (provisional settlement)	150 434
writing off the goodwill of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	(106 443)
recognition of surplus of the acquired assets over the cost of merger with ZACHEM S.A.	139 926
recognition of surplus of the acquired assets over the cost of merger with Transclean Sp. z o.o.	922
net profit for 2006 after finalisation of the provisional settlement	184 839

<i>in thousands of Polish zlotys</i>	As at December 31st, 2006 disclosed in the annual report for 2007 (provisional settlement)	Valuation to fair value Organika Sarzyna	Valuation to fair value ZACHEM	Valuation to fair value Uzinele Sodice Govora	change of the consolidation adjustments with regard to changes in the companies' data	deferred tax adjustment after revaluation of the CIECH SA shares owned by Organika Sarzyna	Writing off the goodwill of Uzinele Sodice Govora	As at December 31st, 2006 disclosed in the extended consolidated quarterly report for Q4 2007
ASSETS								
Non-current assets								
Property, plant and equipment	1 156 719	57 867	92 474	102 145	-	-	-	1 409 205
Perpetual leasehold rights	1 534	31 676	111 053	-	-	-	-	144 263
Intangible assets, including:	354 705	30 219	2 179	-	(183 512)	-	(106 443)	97 148
- goodwill	323 091	-	-	-	(183 512)	-	(106 443)	33 136
Investment property	14 430	2 458	-	293	-	-	-	17 181
Long-term receivables	37	-	-	-	-	-	-	37
Investments in associates and joint ventures accounted for using the equity method	42 220	-	-	-	-	-	-	42 220
Other long-term investments	39 464	604	2 204	564	-	-	-	42 836
Deferred tax assets	19 562	(5 391)	(10 264)	-	-	-	-	3 907
Total non-current assets	1 628 671	117 433	197 646	103 002	(183 512)	-	(106 443)	1 756 797
Current assets								
Inventories	243 179	2 231	353	-	-	-	-	245 763
Short-term investments	614	-	-	-	-	-	-	614
Income tax receivable	10 400	-	-	-	-	-	-	10 400
Trade and other receivables	696 869	-	-	2 275	-	-	-	699 144
Cash and cash equivalents	147 453	-	-	(1 833)	-	-	-	145 620
Current assets available for sale	2 327	-	-	-	-	-	-	2 327
Total current assets	1 100 842	2 231	353	442	-	-	-	1 103 868
Total Assets	2 729 513	119 664	197 999	103 444	(183 512)	-	(106 443)	2 860 665

<i>in thousands of Polish zlotys</i>	As at December 31st, 2006 disclosed in the annual report for 2007 (provisional settlement)	Valuation to fair value Organika Sarzyna	Valuation to fair value ZACHEM	Valuation to fair value Uzinele Sodice Govora	change of the consolidation adjustments with regard to changes in the companies' data	deferred tax adjustment after revaluation of the CIECH SA shares owned by Organika Sarzyna	Writing off the goodwill of Uzinele Sodice Govora	As at December 31st, 2006 disclosed in the extended consolidated quarterly report for Q4 2007
EQUITY AND LIABILITIES								
Equity								
Share capital	164 115	-	-	-	-	-	-	164 115
Treasury shares	(6 124)	-	-	-	-	1 073	-	(5 051)
Share premium reserve	151 328	-	-	-	-	-	-	151 328
Equity components relative to assets available for sale	-	-	-	-	-	-	-	-
Revaluation reserve	11 986	-	-	-	-	-	-	11 986
Other reserve capital	78 683	-	-	-	-	-	-	78 683
Foreign exchange differences arising from translation of subsidiaries	(1 082)	-	-	-	-	-	-	(1 082)
Retained earnings	687 877	95 296	141 773	94 714	(184 438)	-	(106 443)	728 779
Equity attributable to equity holders of the parent company	1 086 783	95 296	141 773	94 714	(184 438)	1 073	(106 443)	1 128 758
Minority interest	50 435	-	-	-	52	-	-	50 487
Total equity	1 137 218	95 296	141 773	94 714	(184 386)	1 073	(106 443)	1 179 245

<i>in thousands of Polish zlotys</i>	As at December 31st, 2006 disclosed in the annual report for 2007 (provisional settlement)	Valuation to fair value Organika Sarzyna	Valuation to fair value ZACHEM	Valuation to fair value Uzinele Sodice Govora	change of the consolidation adjustments with regard to changes in the companies' data	deferred tax adjustment after revaluation of the CIECH SA shares owned by Organika Sarzyna	Writing off the goodwill of Uzinele Sodice Govora	As at December 31st, 2006 disclosed in the extended consolidated quarterly report for Q4 2007
Liabilities								
Borrowings and other debt instruments	316 863	-	-	-	-	-	-	316 863
Employee benefits	55 502	-	-	-	-	-	-	55 502
Other long-term reserves	103 935	5 954	41 381	5 286	-	-	-	156 556
Other long-term liabilities	68 518	-	-	47 415	874	-	-	116 807
Deferred tax provision	15 143	18 552	14 845	18 851	-	(1 073)	-	66 318
Total non-current liabilities	559 961	24 506	56 226	71 552	874	(1 073)	-	712 046
Overdraft facility	14 311	-	-	-	-	-	-	14 311
Borrowings and other debt instruments	276 368	-	-	-	-	-	-	276 368
Trade and other payables	648 929	-	-	(62 822)	-	-	-	586 107
Income tax payable	27 713	-	-	-	-	-	-	27 713
Provisions (short-term employee-benefit and other provisions)	65 013	(138)	-	-	-	-	-	64 875
Liabilities arising from non-current assets available for sale	-	-	-	-	-	-	-	-
Total current liabilities	1 032 334	(138)	-	(62 822)	-	-	-	969 374
Total liabilities	1 592 295	24 368	56 226	8 730	874	(1 073)	-	1 681 420
Total Liabilities	2 729 513	119 664	197 999	103 444	(183 512)	-	(106 443)	2 860 665

II. CONDENSED INDIVIDUAL FINANCIAL STATEMENT OF CIECH SA FOR THE FOURTH QUARTER OF 2007 DRAWN UP IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

BALANCE SHEET

In thousands of Polish zlotys

ASSETS	31.12.2007	31.12.2006
Non-current assets		
Property, plant and equipment	23 408	22 693
Perpetual leasehold rights	65	66
Intangible assets, including:	9 318	7 607
- goodwill	-	-
Investment property	12 064	12 307
Long-term receivables	44 506	-
Investments in associates and joint ventures accounted for using the equity method	52	52
Other long-term investments	1 321 546	921 936
Deferred tax assets	2 408	4 656
Total non-current assets	1 413 367	969 317
Current assets		
Inventories	16 085	12 667
Short-term investments	43 014	2 818
Income tax receivable	3 323	3 310
Trade and other receivables	358 462	335 891
Cash and cash equivalents	33 274	61 074
Current assets available for sale	-	-
Total current assets	454 158	415 760
Total Assets	1 867 525	1 385 077

EQUITY AND LIABILITIES	31.12.2007	31.12.2006
Equity		
Share capital	164 115	164 115
Treasury shares	-	-
Share premium reserve	151 328	151 328
Equity components relative to assets available for sale	-	-
Revaluation reserve	1 044	-
Other reserve capital	76 199	76 199
Foreign exchange differences arising from translation of subsidiaries	-	-
Retained earnings	382 290	338 465
Equity attributable to equity holders of the parent company	774 976	730 107
Minority interest	-	-
Total equity	774 976	730 107
Liabilities		
Borrowings and other debt instruments	476 259	205 963
Employee benefits	336	249
Provisions (other long-term)	-	-
Other long-term liabilities	46 209	-
Deferred tax provision	-	-
Total non-current liabilities	522 804	206 212
Overdraft facility	-	-

EQUITY AND LIABILITIES	31.12.2007	31.12.2006
Borrowings and other debt instruments	181 754	148 472
Trade and other payables	352 738	258 797
Income tax payable	18 017	23 112
Provisions (short-term employee-benefit and other provisions)	17 236	18 377
Liabilities arising from non-current assets available for sale	-	-
Total current liabilities	569 745	448 758
Total liabilities	1 092 549	654 970
Total Liabilities	1 867 525	1 385 077

OFF-BALANCE SHEET ITEMS*in thousands of Polish zlotys*

	31.12.2007	31.12.2006
1. Contingent receivables	-	-
2. Contingent liabilities	171 208	14 464
1.1. Towards affiliated undertakings	171 208	14 464
- guarantees and sureties granted	171 208	14 464
1.2. Towards other undertakings	-	-
- guarantees and sureties granted	-	-
3. Other	18 978	9 400
- other trade sureties	9 400	9 400
- investment liabilities	9 578	9 578
Total off-balance sheet items	190 186	33 442

PROFIT AND LOSS ACCOUNT**in thousands of Polish zlotys*

	01.01.- 31.12.2007	01.01.- 31.12.2006	01.10.- 31.12.2007	01.10.- 31.12.2006
Net sales revenue	2 053 545	1 640 918	496 183	498 825
Prime cost of sales	(1 732 020)	(1 356 572)	(425 627)	(422 884)
Gross profit/loss on sales	321 525	284 346	70 556	75 941
Other operating income	6 069	7 257	1 331	1 710
Selling costs	(117 334)	(102 780)	(30 296)	(27 902)
Administrative expenses	(78 656)	(67 194)	(21 247)	(16 263)
Other operating expenses	(7 957)	(15 169)	3 856	(4 517)
Operating profit/loss	123 647	106 460	24 200	28 969
Finance income	42 865	109 328	6 445	(4 293)
Finance costs	(40 113)	(11 602)	(17 327)	(4 847)
Net financial income / costs	2 752	97 726	(10 882)	(9 140)
Share of the net profits of subsidiaries accounted for using the equity method	-	-	-	-
Profit/loss before taxes	126 399	204 186	13 318	19 829
Income tax	(23 774)	(37 907)	(3 275)	(5 842)
Net profit (loss)	102 625	166 279	10 043	13 987
Sales profit/loss relative to discontinued operations	-	-	-	-
Profit for the marketing year	102 625	166 279	10 043	13 987

Profit per share (in PLN):

Basic	3.67	5.94	0.36	0.50
Diluted	3.67	5.94	0.36	0.50

* no operations were discontinued in the presented periods

CASH FLOW STATEMENT*In thousands of Polish zlotys*

Cash flows from operating activities	01.01-31.12.2007	01.01-31.12.2006
Profit (loss) for the period	102 625	166 279
Depreciation	6 048	6 623
Recognition / reversal of revaluation write-downs	(3 854)	(19 577)
Gains / losses on foreign exchange differences	17 245	2 791
Investment property revaluations	-	-
Gains / losses on investment activities	(1 742)	(48 339)
Gains / losses on disposal of current assets	(4)	(168)
Interest and dividends	(12 298)	(22 957)
Input income tax	23 774	37 907
Gains / losses on shares in entities accounted for using the equity method	-	-
Operating profit before changes in current assets and reserves	131 794	122 559
Changes in receivables	(66 971)	(28 609)
Changes in inventories	(3 418)	(1 748)
Changes in current liabilities	104 227	(13 430)
Changes in reserves and employee benefits	1 235	(1 077)
Net cash generated from operations	166 867	77 695
Interest paid	(11 929)	(1 145)
Income taxes paid	(3 636)	(9 378)
other adjustments	990	(1 040)
Gains / losses on disposal of discontinued operations	-	-
Net cash from operating activities	152 292	66 132
Cash flows from investment activities		
Inflows (in "+")		
Disposal of intangible assets and property, plant and equipment	23	1 363
Disposal of a subsidiary	-	104 300
Disposal of investments	-	77 077
Dividends received	14 923	23 204
Interest received	3 973	1 256
Other inflows	-	13 500
Outflows (in "-")		
Acquisition of intangible assets and property, plant and equipment	(6 568)	(4 495)
Acquisition of subsidiary (net of cash acquired)	(9 360)	(353 792)
Purchase of investment property	-	-
Purchase of other investments	-	(75 000)
Research and development expense	-	-
Other inflows	(428 656)	(137 805)
Net cash used in investment activities	(425 665)	(350 392)
Cash flows from financing activities		
Inflows (in "+")		
Proceeds from the issue of share capital and other equity instruments, and capital contributions	-	-
Proceeds from issue of convertible preference shares	-	-
Proceeds from borrowings	52 227	396 022

Other financial inflows	299 810	-
Outflows (in "-")		
Purchase of treasury shares	-	-
Dividends paid and other payments to equity holders	(58 800)	(22 400)
Dividends paid to minority interest holders	-	-
Repayment of borrowings	(47 749)	(76 172)
Redemption of debt securities	-	-
Payment of finance lease liabilities	-	-
Other financial outflows	-	-
Net cash used in financing activities	245 488	297 450
Total net cash flow	(27 885)	13 190
Cash at beginning of period	61 074	49 140
Impact of foreign exchange differences	85	(1 256)
Cash at end of period	33 274	61 074

CHANGES IN EQUITY

in thousands of Polish zlotys

	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	Retained earnings	Equity attributable to equity holders of the parent company	Minority interest	Total equity
Equity as at (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:	164 115	-	151 328	-	-	76 199	-	338 465	730 107	-	730 107
Total income and expenditure for the financial year recognised directly in equity	-	-	-	-	1 044	-	-	-	1 044	-	1 044
Net profit (loss)	-	-	-	-	-	-	-	102 625	102 625	-	102 625
total income and expenditure for the financial year	-	-	-	-	1 044	-	-	102 625	103 669	-	103 669
changes in the group's composition	-	-	-	-	-	-	-	-	-	-	-
payment of dividends to shareholders	-	-	-	-	-	-	-	(58 800)	(58 800)	-	(58 800)
Equity as at (end of period) 31/12/2007	164 115	-	151 328	-	1 044	76 199	-	382 290	774 976	-	774 976

CHANGES IN EQUITY

<i>in thousands of Polish zlotys</i>	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	Retained earnings	Equity attributable to equity holders of the parent company	Minority interest	Total equity
Equity as at (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:	164 115	-	151 328	-	-	76 199	-	194 673	586 315	-	586 315
financial instrument measurement	-	-	-	-	-	-	-	-	-	-	-
total income and expenditure for the financial year recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss)	-	-	-	-	-	-	-	166 279	166 279	-	166 279
total income and expenditure for the financial year	-	-	-	-	-	-	-	166 279	166 279	-	166 279
changes in the group's composition	-	-	-	-	-	-	-	-	-	-	-
payment of dividends to shareholders	-	-	-	-	-	-	-	(22 400)	(22 400)	-	(22 400)
Other increases	-	-	-	-	-	-	-	(87)	(87)	-	(87)
Equity as at (end of period) 31/12/2006	164 115	-	151 328	-	-	76 199	-	338 465	730 107	-	730 107

Notes to the financial statement prepared for 12 months ending on December 31st, 2007**1. Basis for preparation and principles (policy) of accounting**

On January 31st, 2007 the Extraordinary General Shareholders' Meeting of CIECH SA adopted resolution no. 4 on preparation of individual financial statements according to IFRS/IAS. With respect to the adopted resolution the report for the fourth quarter of 2007 of CIECH SA was prepared in accordance with the principles of IFRS/IAS using the calculation of assets and liabilities and measurement of the net financial result as set out in the accounting policy.

Detailed information regarding principles and methods of valuation of assets and liabilities and measurement of the financial result as well as the method of preparation of financial statements and comparable data were included in the Interim consolidated financial statement of the Ciech Group for the first half of 2007, publicly disclosed on October 1st, 2007.

Reconciliation of equity and financial result of the statements prepared and presented according to PAS as compared to principles applied upon preparation of the financial statements according to IFRS/IAS

	As at December 31st, 2005	in PLN '000
Equity according to PAS		584 079
- revaluation of fixed assets		2 973
- deferred tax on revaluated fixed assets		(521)
- adjustment of the depreciation/amortisation of fixed assets with regard to the revaluation		998
- adjustment of depreciation/amortisation of investment real estate properties for the years 2002-2003		(846)
- adjustment of amortization for 2004		2 180
- adjustment of depreciation/amortisation of non-current assets held for sale		33
- adjustment of the prime cost of selling fixed assets subject to revaluation		(2 586)
- other		5
Equity according to IFRS		586 315
	As at on December 31st, 2006	in PLN '000
Equity according to PAS		728 418
- adjustment of costs resulting from revaluation of fixed assets		2 973
- deferred tax on revaluated fixed assets		(402)
- adjustment of depreciation/amortisation of investment real estate properties for the years 2002-2003		(846)
- other		(36)
Equity according to IFRS		730 107
	As at on December 31st, 2006	in PLN '000
Net profit/loss according to PAS		166 739
- adjustment of the depreciation/amortisation of fixed assets resulting from the revaluation		(655)
- deferred tax on revaluated fixed assets		119
- other		76
Net profit/loss according to IFRS		166 279

2. Earnings per share

Data concerning profit and shares which account for the basis to calculate the basic and diluted profit per share have been presented below:

<i>in PLN '000</i>	31.12.2007	31.12.2006
Net profit (loss) from continued activity for shareholders of the parent company	102 625	166 279
Net profit (loss) from discontinued activity for shareholders of the parent company	-	-
Net profit (loss) for shareholders of the parent company, applied to calculate the basic profit per share	<u>102 625</u>	<u>166 279</u>
Net profit (loss) for shareholders of the parent company, applied to calculate the diluted profit per share	<u>102 625</u>	<u>166 279</u>

<i>in items</i>	31.12.2007	31.12.2006
Weighted average number of ordinary shares issued, applied to calculate the basic profit per share	<u>28 000 000</u>	<u>28 000 000</u>
Weighted average number of ordinary shares issued, applied to calculate the diluted profit per share	<u>28 000 000</u>	<u>28 000 000</u>

3. Seasonality and cyclicalities of the operations

Information on seasonality and cyclicalities of the operations are presented in item 11 of the extended consolidated quarterly report of the Ciech Group for Q4 2007.

4. Changes in accounting estimates

No material changes occurred in accounting estimates disclosed in the previous financial years.

5. Disclosures regarding issue, redemption, and repayment of debt securities and equity securities

Disclosures regarding issue, redemption, and repayment of debt securities and equity securities have been presented in item 12 of the extended consolidated quarterly report of the Ciech Group for Q4 2007.

6. Dividends paid

Information on dividends paid has been presented in item 13 of the extended consolidated quarterly report of the Ciech Group for Q4 2007.

7. Income and profits/losses by segments of activity
01.01.-31.12.2007

<i>in thousands of Polish zlotys</i>	Soda	Organic	Petrochemical	Agro-Chemical	Pharmaceutical	Silicates and glass products	Inorganic	Other Operations	TOTAL
Revenue from third parties	738 133	691 657	29 758	115 386	-	48 055	95 732	665	1 719 386
Income from inter-segment sales	97 574	67 495	2 725	84 832	-	-	55 106	26 427	334 159
Total revenue	835 707	759 152	32 483	200 218	-	48 055	150 838	27 092	2 053 545
Segment profit/loss	194 529	55 053	2 370	8 757	-	7 817	35 456	17 543	321 525
Unallocated expenses / income	-	-	-	-	-	-	-	-	(197 878)
Operating profit	-	-	-	-	-	-	-	-	123 647
Financial income / costs net value	-	-	-	-	-	-	-	-	2 752
Tax	-	-	-	-	-	-	-	-	(23 774)
Net profit	-	-	-	-	-	-	-	-	102 625

01.01.-31.12.2006

<i>in thousands of Polish zlotys</i>	Soda	Organic	Petrochemical	Agro-Chemical	Pharmaceutical	Silicates and glass products	Inorganic	Other Operations	TOTAL
Revenue from third parties	695 108	375 932	28 680	133 980	-	46 757	92 193	1 594	1 374 244
Income from inter-segment sales	129 916	18 626	101	60 603	44	50	49 948	7 386	266 674
Total revenue	825 024	394 558	28 781	194 583	44	46 807	142 141	8 980	1 640 918
Segment profit/loss	193 773	29 180	1 393	8 332	44	7 386	35 691	8 547	284 346
Unallocated expenses / income	-	-	-	-	-	-	-	-	(177 886)
Operating profit	-	-	-	-	-	-	-	-	106 460
Net financial income / costs	-	-	-	-	-	-	-	-	97 726
Tax	-	-	-	-	-	-	-	-	(37 907)
Net profit	-	-	-	-	-	-	-	-	166 279

8. Material events that occurred after the interim period and have not been reflected in the interim condensed financial statements

No material events, which have not been reflected in the interim condensed financial statements in the period from January 1st, to December 31st, 2007, occurred after the interim period.

9. Changes in the entity structure

In the period specified herein purchase of shares were made in the following subsidiaries:

- **JANIKOSODA S.A.** – on March 26th, 2007 CIECH SA acquired 6,062 shares, on April 27th, 2007 another purchase of 366 shares was finalised. As a result of these acquisitions, CIECH SA's share in the Company's capital now amounts to 99.62%.
- **SODA MAŁY S.A.** - on March 26th, 2007 CIECH SA acquired 15,684 shares increasing its share in the Company's capital to 99.62%.
- **S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.** - due to conversion of the loans granted, 103,064,090 shares were subscribed in the company's equity. The value of the transaction was EUR 8 million.
- **InChem Sp. z o.o.** - in the third quarter of 2007 the liquidation proceedings of the company were finalised. As of September 24th, 2007 the Company was struck from the National Court Register by way of a Decision by the Court of September 21st, 2007.
- **Polsin Singapore** – on October 30th, 2007 CIECH SA purchased 174,467 shares thus increasing its share in the Company's capital to 82.45%.
- **CIECH America Latina** – in November 2007 the newly established Company, in which CIECH SA holds 99.99% of the capital accounting for 599,999 shares, emerged in the Brazilian market.
- **Soda Deutschland Ciech GmbH** – in November 2007 the Company acquired 2 shares, which accounts for 90% of the capital.

10. Changes in contingent liabilities or contingent assets

<i>in thousands of Polish zlotys</i>	31.12.2007	31.12.2006
1. Contingent receivables	-	-
2. Contingent liabilities	171 208	14 464
1.1. Towards affiliated undertakings	171 208	14 464
- guarantees and sureties granted	171 208	14 464
1.2. Towards other undertakings	-	--
3. Other	18 978	18 978
- other trade sureties	9 400	9 400
- investment liabilities	9 578	9 578
Total off-balance sheet items	190 186	33 442

As at December 31st, 2007 contingent receivables did not occur in CIECH SA.

Contingent liabilities as at December 31st, 2007 amounted to PLN 190,186 thousand, which denotes an increase by the amount of PLN 156,744 thousand in relation to the corresponding period. The main reasons for this difference are as follows:

- granting guarantees to banks for liabilities of the subsidiary, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. of EUR 17,800 thousand,
- granting guarantees for liabilities of Zachem S.A. on account of fulfilment of the contract concluded with Air Products LLC and Air Products Chemicals Europe B.V. of USD 38,500 thousand (the guarantee was estimated on the basis of semi-annual deliveries carried out based on the contract concluded by Zachem S.A. in 2004 and annexed in October 2007. Annual deliveries are worth USD 77 million,
- expiry of the guarantee granted to Danske Unipol for DKK 1 million,
- decrease in CIECH SA's involvement in sureties for liabilities of Cheman S.A. worth PLN 250 thousand.

11. Revaluation write-downs on inventories, property, plant and equipment, intangible and other assets**01.01.-31.12.2007**

<i>in thousands of Polish zlotys</i>	balance at the beginning of the period	raised	reversed	balance at the end of the period
Intangible assets	77	-	77	-
Property, plant and equipment	238	-	-	238
Investment property	1 568	-	-	1 568
Long-term investments	26 177	4 842	11 320	19 699
Inventories	668	2	429	241
Accounts receivables	58 239	35	12 693	45 581
Short-term investments	2 992	-	-	2 992

01.01.-31.12.2006

<i>in thousands of Polish zlotys</i>	balance at the beginning of the period	raised	reversed	balance at the end of the period
Intangible assets	154	-	77	77
Property, plant and equipment	238	-	-	238
Investment property	0	1 568	-	1 568
Long-term investments	47 245	6 901	27 969	26 177
Inventories	695	314	341	668
Accounts receivables	55 750	6 735	4 246	58 239
Short-term investments	2 992	-	-	2 992

12. Reversal of provisions for restructuring costs

CIECH SA has not raised any provisions for restructuring costs.

13. Purchase and disposal of property, plant and equipment and commitments to purchase property, plant and equipment**01.01.-31.12.2007**

<i>in thousands of Polish zlotys</i>	buildings, structures, and land- and water engineering facilities	machinery and equipment	means of transport	other fixed assets	fixed assets under construction	Total
purchase	-	2 268	233	35	1 660	4 196
disposal	-	53	-	-	-	53

CIECH SA purchased PPE worth PLN 4,196 thousand in total. The purchases were financed from the Company's own resources.

01.01.-31.12.2006

<i>in thousands of Polish zlotys</i>	buildings, structures, and land- and water engineering facilities	machinery and equipment	means of transport	other fixed assets	fixed assets under construction	Total
purchase	11	2 493	118	99	25	2 746
disposal	-	95	183	10	-	288

CIECH SA purchased PPE worth PLN 2,746 thousand in total. Property, plant and equipment were purchased from the Company's own resources.

14. Court proceedings

Liabilities of CIECH SA (domestic and foreign) claimed in court or arbitration proceedings as at December 31st, 2007

Information has been presented in item 21.I of the extended consolidated quarterly report of the Ciech Group for Q4 2007.

15. Adjustments of errors from the previous years

Not applicable.

16. Unpaid loans or breach of loan agreement provisions

Not applicable.

17. Transactions with affiliates

Transactions with affiliates are concluded in line with the market conditions

<i>in thousands of Polish zlotys</i>	Sales revenues 01.01.-31.12.2007	Purchase of goods and services 01.01.- 31.12.2007	Financial income 01.01.- 31.12.2007	Receivables as at 31.12.2007	Liabilities as at 31.12.2007
Consolidated undertakings	295 899	1 354 779	26 618	78 239	270 666
Non-consolidated undertakings	68 695	8 968	9 906	11 178	4 083

<i>in thousands of Polish zlotys</i>	Sales revenues 01.01.-31.12.2006	Purchase of goods and services 01.01.- 31.12.2006	Financial income 01.01.- 31.12.2006	Receivables as at 31.12.2006	Liabilities as at 31.12.2006
Consolidated undertakings	209 201	724 995	23 427	52 503	148 494
Non-consolidated undertakings	80 185	23 394	1 157	11 941	29 350

III. Statement by the Management Board

This extended consolidated quarterly report of the Ciech Capital Group for the fourth quarter of 2007 was approved by the Management Board of CIECH SA in its headquarters on February 29th, 2008.

Warsaw, February 29th, 2008

.....
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