



GENERAL INFORMATION:

Management Board

Mirosław Kochalski
Marcin Dobrzański
Ryszard Kunicki
Artur Osuchowski
Kazimierz Przełomski

Supervisory Board

Wiktor Askanas
Przemysław Cieszyński
Alicja Pimpicka
Krzysztof Salwach
Robert Skoczeń
Wojciech Włodarczyk
Krzysztof Zdanowski

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Chartered Auditor

Deloitte Audyt Sp. z o.o.
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Ladies and Gentlemen,

Last year was marked by the period of dynamic growth and development of the Ciech Chemical Group. We reinforced our position of a leader in chemical branch in Poland and a second soda manufacturer in Europe. We achieved extraordinary operating and financial results, and the value of our shares almost doubled. I can honestly admit that the year 2007 was one of the best in the history of Ciech.

Ciech has taken the advantage of a favourable business climate. We have taken all necessary actions in order to reinforce our competitive position and the dynamisation of development. We have prepared and started realizing a medium-term strategy, which shall enable us to face the competition in more demanding market conditions.

We have realised the projects, which for different reasons had not been able to be implemented before. With the entire social acceptance, we have amalgamated our two soda companies in Poland – Soda Mątwy and Janikosoda. A large determination allowed us to realise the purchase of Sodawerk Stassfurt – a German manufacturer. It was our second foreign acquisition, after we had purchased Uzinele Sodice Govora – a Romanian soda producer a year before.

Last year also brought changes to the organizational structure of Ciech. The Organic Division started its operating activity, and on the basis of the previous FosChem Division we formed two other: Silicate and Glass Division and Agro Division. The coming years will bring a challenge in the form of bringing those divisions to the destination form anticipated in our strategy. The current agricultural situation serves as a confirmation of the rightness of our strategic choices. Still, a few years ago, when Poland acceded the European Union, agriculture was associated with food overproduction, restrictions and amounts of limits. However, now, for six months, the situation has been changing. The increased demand for food on the part of China, India and other developing countries as well as rapidly developing biofuel industry is accompanied by the growth of prices of fertilizers and other products for agricultural production.

All of these achievements of Ciech would not have been possible without right people. The greatest strength of the Ciech Group is a team of managers and employees. Owing to them, our dynamic development and investments in the future are possible; we use internal synergy, lower the costs, and improve production processes, marketing and sales. Thus, the effectivity of our actions increases, allowing us to build an advantage over the competition. We constantly track and analyse all market phenomena, related to our basic activity. We study possible acquisition propositions, which would increase our potential. By four large acquisitions within two years our Group has doubled sales revenues. Our strategy anticipates further acquisitions; however, so far we have been financing them with internal funds and credits and it must be clearly stated that the next large acquisition will require a new issue of shares. To do this we will need the support of shareholders, which we can only gain by developing a strong and confident project.

We are aware that building a competitive edge on the global market is impossible without investing in modern technological solutions. Therefore, for several years we have been spending substantial funds for innovations and development. Investments in this area, according to the forecast for the year 2008, are approximately 2.8% of revenues, which is equal to an average level of investments in the chemical branch in Europe. By increasing those expenditures we improve our products and production processes, and in consequence increase effectivity and decrease environmental stress at the same time

I think that the actions we took last year prepared us for challenges in 2008. In my opinion, despite certain signals, the current year should not bring any significant changes in business climate. The increase in raw material prices and Zloty appreciation will be the largest challenge. However, I am an optimist – we will continue our projects and endeavour to make the most of the occurring opportunities.

Ciech is based on very strong foundations and constantly makes progress by making the most of the occurring opportunities, coping with difficulties and hazards. We care about building good and long-term investor relations. We try to be predictive and trustworthy, we do our best to build trust in us. I would like to assure all who will be with us, who buy or keep our shares in portfolio, that they will not regret their decisions. It is going to be a very good investment in the long-term perspective.

I thank the shareholders for their interest and trust, and the employees for their commitment and good job. Owing to them we obtain great results. I believe that 2008 will also be favourable for the entire Ciech Group, shareholders and employees.



Prezes Zarządu Ciech SA
Mirosław Kochalski

President of the Management Board of Ciech S.A.
Mirosław Kochalski

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STATEMENT FROM THE ACTIVITY OF THE CIECH GROUP IN 2007

1 Characteristics of the Ciech Group

The Ciech Group is the group of national and foreign production-distribution-commercial companies operating in the chemical branch. As at 31 December 2007, it consisted of 60 business entities, including:

- CIECH S.A. parent company,
- 42 subsidiaries, whereof:
 - 26 national subsidiaries,
 - 16 foreign subsidiaries,
- 14 national affiliates,
- 2 foreign affiliates,
- 1 jointly controlled entity.

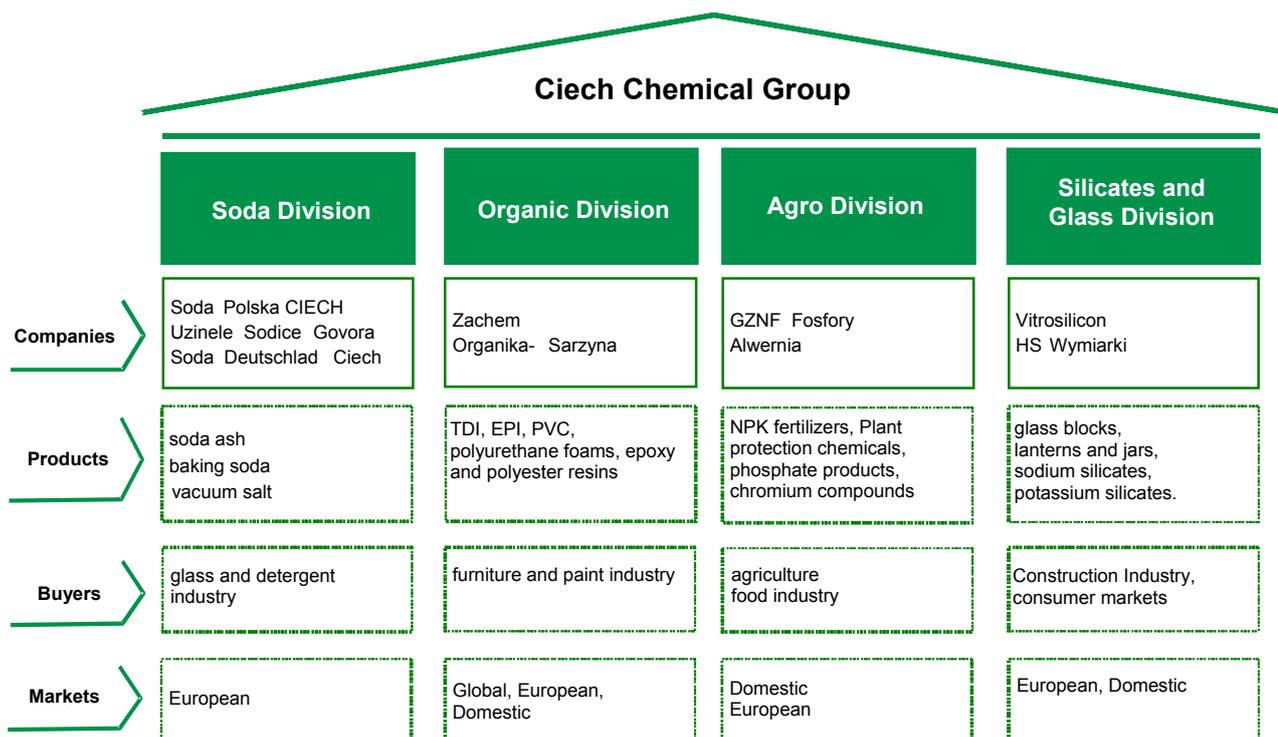
The Ciech Group consists of direct subsidiaries and affiliates i.e. CIECH S.A. is their parent company CIECH S.A., as well as indirect subsidiaries and affiliates, i.e. the direct subsidiaries of CIECH S.A. are their parent companies.

The Ciech Group conducts production activity connected with the sale of own products, as well as commercial activity connected with goods turnover..

The Ciech Group sells chemicals on the domestic market and plays a significant role in the foreign trade turnover in the area of export and import of chemical products. The major products sold by the Group in 2007 on the Polish market were: soda ash, TDI, plastics, plant pesticides, chemical fertilizers, resins, glass blocks and packagings, salt and other chemicals. Major products exported by the Group were: soda ash, TDI, epichlorohydrin, phosphatic fertilizers, sulphur, plastics, resins, phosphatic compounds, soda glaze and pharmaceuticals. The countries of European Union constituted the largest marketing area of the Ciech Group.

Strategic and operating objectives of the Group are realised by Corporate Head office and Divisions. Corporate Head office is concentrated on the management of value, finances, controlling, strategy development, public relations management, etc. Operating activities are carried out by four Divisions: Soda, Organic, Agro and Silicates and Glass. The Divisions are responsible for strategy operationalization and financial results. The key processes realised in the Divisions are sales, purchase, logistics, product development and controlling. The production is located in production plants/ companies.

Division structure of the Ciech Group



During the preparation of the consolidated Financial Statement for 2007, the following companies were included in the process of consolidation:

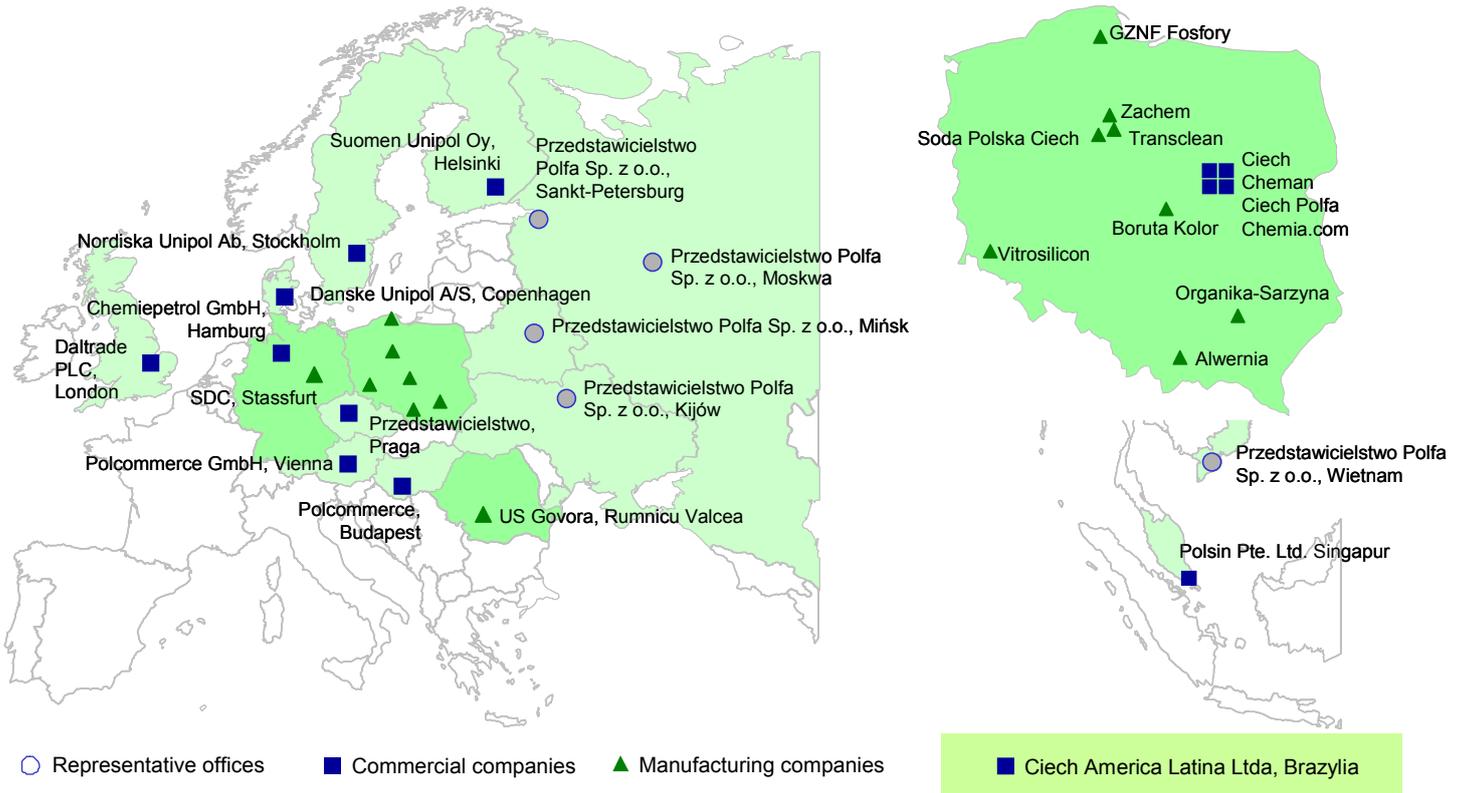
- by full consolidation:
 1. CIECH S.A. – parent company
 2. "Organika-Sarzyna" Chemical Company S.A.
 3. S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.
 4. VITROSILICON S.A.
 5. "Alwernia Chemical Company S.A.
 6. CIECH POLFA Sp. z o.o. (since 13 March 2008 under the name of POLFA Sp. z o.o.)
 7. Przedsiębiorstwo Transportowo-Uługowe TRANSCLEAN Sp. z o.o.
 8. POLSIN PRIVATE LIMITED
 9. DALTRADE PLC
 10. CIECH FINANCE Sp. z o.o.
 11. Przedsiębiorstwo Chemiczne Cheman S.A. [Chemical Company Cheman S.A.]
 - [Sp. z o.o. – limited liability company]
 - [S.A. – joint stock company]

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

1. ZACHEM Group, including:
 - Chemical Company ZACHEM S.A. – parent company
 - ZACHEM UCR Sp. z o.o.
 - ZACHEM Barwniki Sp. z o.o.
2. SODA MAŁY Group, including:
 - IZCh (Inowrocław Chemical Plant) SODA MAŁY S.A. – parent company
 - Soda Polska CIECH Sp. z o.o.
 - Elektrociepłownie Kujawskie Sp. z o.o. [heat and power plant]
 - TRANSODA Sp. z o.o.
 - Polskie Towarzystwo Ubezpieczeń S.A. (the company valued by property rights)
3. 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
4. JANILOSODA Group, including:
 - Janikowskie Zakłady Sodowe JANILOSODA S. A. – parent company
 - Polskie Towarzystwo Ubezpieczeń S.A. (the company valued by property rights)
5. FOSFOR Group, including:
 - Gdańskie Zakłady Nawozów Fosforowych "FOSFOR" Sp. z o.o. – parent company
 - AGROCHEM Sp. z o.o. – in Człuchow
 - AGROCHEM Sp. z o.o. – in Dobre Miasto

Parent company does not have branches.

Location of major companies and representative offices of the Ciech Group



As at 31 December 2007 the Management Board of the parent company CIECH S.A. performed its functions in the following composition:

Mirosław Kochalski	President of the Management Board
Rafał Pasięka	Member of the Management Board
Marek Trościński	Member of the Management Board
Wojciech Wardacki	Member of the Management Board

Mr Kazimierz Przełomski served in the capacity of a commercial proxy of the parent company.

As at 31 December 2007 the Supervisory Board of the parent company CIECH S.A. performed its functions in the following composition:

Grzegorz Miś	Chairperson of the Supervisory Board
Alicja Pimpicka	Deputy Chairperson of the Supervisory Board
Wiktor Cwynar	Member of the Supervisory Board
Tomasz Karusewicz	Member of the Supervisory Board
Dariusz Krajowski	Kukiel – Member of the Supervisory Board

On 2 April 2008 the Extraordinary General Meeting of CIECH S.A. implemented the following changes in the composition of the Management Board of CIECH S.A.:

dismissal of:
 Mr Rafał Pasięka,
 Mr Marek Trościński,
 Mr Wojciech Wardacki

appointment of:
 Mr Marcin Dobrzański,
 Mr Ryszard Kunicki,
 Mr Artur Osuchowski,
 Mr Kazimierz Przełomski.

With reference to the abovementioned, since 2 April 2008 the composition of the Management Board has been as follows:

Mr Mirosław Kochalski – President of the Management Board,
Mr Marcin Dobrzański – Member of the Management Board,
Mr Ryszard Kunicki – Member of the Management Board,
Mr Artur Osuchowski – Member of the Management Board,
Mr Kazimierz Przełomski – Member of the Management Board.

On 2 April 2008 the Extraordinary General Meeting of CIECH S.A. implemented the following changes in the composition of the Supervisory Board of CIECH S.A.:

dismissal of:

Mr Grzegorz Miś,
Mr Tomasz Karusewicz,
Mr Dariusz Krajowski-Kukiel,
Mr Wiktor Cwynar,

appointment of:

Mr Wiktor Askanas,
Mr Przemysław Cieszyński,
Mr Krzysztof Salwach,
Mr Robert Skoczeń,
Mr Wojciech Włodarczyk,
Mr Krzysztof Zdanowski.

With reference to the abovementioned, since 2 April 2008 the composition of the Supervisory Board has been as follows:

Mr Wiktor Askanas,
Mr Przemysław Cieszyński,
Ms Alicja Pimpicka,
Mr Krzysztof Salwach,
Mr Robert Skoczeń,
Mr Wojciech Włodarczyk,
Mr Krzysztof Zdanowski.

2 Significant achievements of Ciech Group in 2007.

CIECH S.A.

- On 12 January and 22 January 2007 the District Court for the Capital City of Warsaw, 11th Commercial Department – Register of Pledges, entered into the Register of Pledges on the shares of Janikowskie Zakłady Sodowe JANIKOSODA S.A. in the interest of Bank Pekao S.A. A pledge (total amount of pledged shares 4,134,448) is a collateral for a loan in the amount of PLN 216,000 thousand agreed on 13 December 2006 for the purchase of shares of Chemical Plant “Organika- Sarzyna” S.A..
- On 15 January 2007, CIECH S.A. signed the agreement with the Chemical Plant „POLICE” S.A. for the purchase of artificial fertilizers for the amount of EUR 781 thousand for the Spanish market. It has been a consecutive agreement for artificial nitrogenous, double-compound phosphate and compound fertilizers and other chemicals (sodium compounds), concluded with this supplier since 30 May 2006 until now. The total value of agreements is PLN 72.4 million.
- On 31 January 2007 the Extraordinary General Meeting of CIECH S.A. adopted a resolution concerning expanding the composition of the Company’s Management Board, appointing Mr Marek Trosiński to the Management Board of CIECH S.A.
- On 5 February 2007 the Elektrociepłownie Kujawskie Sp. z o.o. – a subsidiary company signed with Kompania Węglowa S.A. an annex to the agreement of long-term sale of energetic coal. The annex concerned the purchase of slack-coal in 2007, a basic raw material for the Elektrociepłownie Kujawskie Sp. z o.o.
- On 26 February 2007, CIECH S.A. received a decision of the District Court for the Capital City of Warsaw, 11th Commercial Department as of 13 February 2007 on the entry of the pledge to the Register of Pledges. Registered shares of Chemical Plant Organika-Sarzyna S.A. in the number of 6 792 000 for the amount of PLN 300 million constitute the subject of pledge. The Court’s decision is a consequence of the Agreement of Registered Pledge signed on 20 December 2006, which stipulated the establishment of CIECH S.A. as the Pledger in the interest of Nafta Polska S.A. as a Pledgee, of the registered pledge on shares being the collateral of payment of contractual penalties in the case of non-performance or undue performance of the

statutory obligations by CIECH S.A., included in the Agreement of Sale of Shares of Chemical Plant Organika-Sarzyna S.A. signed on 29 March 2006 .

- On 26 March 2007, CIECH S.A. purchased 6 062 shares of Janikowskie Zakłady Sodowe JANIKOSODA S.A. and increased its share in the Company equity to 99.61%. At the same time, CIECH S.A. purchased 15 684 shares in the Inowrocławskie Zakłady Chemiczne SODA MAŃWY S.A. and owns 99.85% of the Company equity.
- On 27 March 2007 CIECH S.A signed the sales conditions of heavy soda for the year 2007 with entities forming the Owens Illinois Group with the registered office in One Michael Owens Way Perrysburg (the producer of glass packaging). The anticipated total value of deliveries is estimated at PLN 78 million.
- On 30 March 2007 two agreements were signed between Polska Żegluga Morska and CIECH S.A. The first one concerned the transport of the Polish sulphur to the Moroccan ports of Casablanca and Safi, realised since December 2007. The value of the agreement is estimated at approximately PLN 11.6 million. the second one for the transport of phosphates from Casablanca to Gdańsk from February 2007 to February 2008. The value of the agreement is estimated at PLN 43.4 million.
- On 3 April 2007 the annexes to the agreements concluded on 20 January 2005 between CIECH S.A . and its subsidiary - JANIKOSODA S.A. were signed. New purchase prices were laid down – the sales in the year 2007 of soda ash, aragonite chalk, carbon dioxide, bicarbonate (annex to the agreement worth approx. PLN 265 million) and vacuum salt (annex to the agreement worth approx. PLN 76 million)
- On 3 April 2007 the annexes to the agreements concluded on 20 January 2005 between CIECH S.A . and its subsidiary - SODA MAŃWY S.A. were signed. New purchase prices were laid down – the sales in the year 2007 of soda ash (annex to the agreement worth approx. PLN 240 million) and baking soda, calcium chloride, precipitated chalk and other (annex to the agreement worth approx. PLN 70 million).
- On 3 April 2007, CIECH S.A. together with the Office Cherifien des Phosphates (OCP) Morocco approved the conditions of the agreement regarding the import of phosphorites in the period from 1 April 2007 to 31 March 2008. The subsidiary of CIECH S.A. - GZNF FOSFORNY Sp. z o.o. and Z.Ch. Siarkopol Tarnobrzeg are the customers. The value of the agreement is approx.. PLN 37.4 million. The conditions of the sale of sulphur in 2007 within the framework of a long-standing agreement 2002-2010 with Maroc Phosphore S.A. belonging to OCP Group. The value of the agreement is approx. PLN 95 million.
- On 10 April 2007, CIECH S.A. decided to conclude an agreement with Procter & Gamble International Operations S.A. for delivery of dense and light soda ash in the years 2007 - 2008. The anticipated total value of the agreement is approx. PLN 63 million.
- On 27 April 2007, CIECH S.A. acquired 366 shares in Janikowskie Zakłady Sodowe JANIKOSODA S.A. and owns 99.62% of the Company equity.
- On 11 May 2007, the Supervisory Board of CIECH S.A. adopted a resolution on the election of Deloitte Audyt Sp. z o.o. for the chartered auditor to carry out the audit of the financial statement of CIECH S.A. and of the financial statement of the Ciech Group for the financial year 2007.
- On 31 May 2007, upon the completion of due diligence and entering a bid to acquire Sodawerk Stassfurt GmbH & Co. KG., CIECH S.A. received information on being admitted to the final round of negotiations concerning the purchase of the German company of another partner. The reply referred to the negotiations concerning the purchase of Sodawerk Stassfurt GmbH&Co. carried out by CIECH S.A. from 26 January 2007.
- On 20 June 2007, the Management Board of CIECH S.A. presented the details of a new strategy of Ciech Chemical Group for 2007-2011, which anticipates a significant increase in the Group's income and revenue in that period. The Group's development strategy anticipates the formation of new divisions. Hitherto three divisions existed in Ciech: Soda, Organic and FosChem. According to the new strategy, two new [divisions] were created as a result of the transformation: Agro and Silicates and Glass.

The strategy has been described in detail in para. 42 of the statement of Ciech Group activities.

Promotion to the top twenty chemical companies

The new strategy was created in reply to the reinforcement of the position of Ciech Group in Central-Eastern Europe. The realization of both scenarios ensures that CIECH S.A. will be in the group of the top twenty European chemical companies.

The new strategy also means the change of the Ciech Group's mission. The currently realised mission is determined by the following formula: "We create value in those segments of the chemical market, wherein we are competent and achieve a strong and solid market position".

Not only is drawing up the new mission an effect of the consistent development, but also a response of CIECH S.A. to the privilege of competing with the largest economic organizations of Europe.

- On 21 June 2007, the Ordinary General Meeting of Shareholders approved the financial statement of CIECH S.A. and the consolidated financial statement of Ciech group for the financial year 2006. Furthermore, the General Meeting adopted the resolution on the distribution of profit of CIECH S.A. cleared in the financial year 2006 as follows: PLN 58,800 thousand for dividend for Shareholders and PLN 107,939 thousand for the supplementary capital of the company.
- On 29 October 2007, the long-standing agreement between CIECH S.A., (the seller) and Petrochemia Blachownią S.A. (the buyer) was signed. Deliveries of 24 thousand ton of benzene fraction in 2008 (supplier: INA Industrija Naften.d. from Croatia) are the subject of the agreement. The agreement came into force on 2 January 2008. The estimated value of the agreement is approx. PLN 43 million (plus an option for additional deliveries worth PLN 11 million).
- On 31 October 2007, the purchase of 174,467 shares (i.e. 17.45%) in the subsidiary Polsin Private Limited with the registered office in Singapore for SGD 872 thousand was concluded by CIECH S.A. As a result of the transaction, CIECH S.A. increased the share in the equity capital of Polsin Private Limited from 65.00% to 82.45%. Polsin Private Limited is a commercial company running business mainly on the markets of South-Eastern Asia.
- On 6 November 2007, the Management Board of CIECH S.A. adopted a resolution under which on 30 November 2007 FosChem Division was liquidated, and from 1 December 2007 Agro Division and Silicates and Glass were formed. The changes arise from the realization of the "Ciech Group Strategy for the years 2007-2011" assuming the achievement of a strong position in the Polish chemical sector. The creation of new Divisions will facilitate in the realization of the strategic business objectives, management centralization and optimisation of actions related to the agricultural sector and glass industry.
- On 21 November 2007, CIECH S.A. signed in Berlin the following agreements:

Purchase agreement of shares in Marmor 210. V V GmbH by CIECH S.A. The company name was changed for Soda Deutschland Ciech GmbH (hereinafter: "Soda Deutschland Ciech");

Purchase agreement of shares in Sodawerk Holding Staßfurt GmbH (hereinafter: "Sodawerk Holding Staßfurt") by Soda Deutschland Ciech.

Soda Deutschland Ciech Shareholders Agreement

Purchase agreement of shares in Soda Deutschland Ciech by CIECH

CIECH S.A. purchased shares in Soda Deutschland Ciech from VRB Dritte Beteiligungs GmbH for the total value of EUR 27.5 thousand. As a consequence of signing the abovementioned agreement, CIECH S.A. became the owner of 100% shares and is entitled to 100% votes at the Meeting of Shareholders of Soda Deutschland Ciech. A business partner of CIECH S.A. in Soda Deutschland Ciech is Mr Jochen Ohm, a current co-owner and the President of the Management Board of Sodawerk Staßfurt GmbH & Co. KG (hereinafter: "SWS KG") who purchased from CIECH S.A. 10% of shares in the company's share capital under the Shareholder agreement and upon the fulfilment of conditions referred to below.

Conditional purchase agreement of shares in Sodawerk Holding Staßfurt by Soda Deutschland Ciech.

Through its special purpose company - Soda Deutschland Ciech, CIECH S.A. purchased 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 two natural persons (Jochen Ohm, Ulrich Eichhorn). The shares in Sodawerk Holding Staßfurt were purchased for the total sum of EUR 75,000 thousand. With relation to the abovementioned transaction, Soda Deutschland Ciech became the owner of 100% shares and is entitled to 100% votes at the Meeting of Shareholders of Sodawerk Holding Staßfurt. Sodawerk Holding Staßfurt is a sole shareholder of Sodawerk Staßfurt Verwaltungs-GmbH, and a sole limited partner of SWS KG, whose sole full partner is Sodawerk Staßfurt Verwaltungs-GmbH.

The purchase agreement of shares in Sodawerk Holding Staßfurt was conditional – its coming into effect depended on procuring a consent of the Federal Cartel Office (Bundeskartellamt) on no objections regarding the performance of accumulation and to pay for the purchase of shares in Sodawerk Holding Staßfurt. Assignment of share ownership was carried out after procuring a consent of the Office on 13 December 2007 and after effecting the payment on 19 December 2007.

Agreement of Soda Deutschland Ciech Shareholders

On the basis of this agreement, CIECH S.A. disposed of 10% of shares in Soda Deutschland Ciech in the interest of Mr Jochen Ohm. Furthermore, the co-owners of Soda Deutschland Ciech established the principles of the

company management, the principles of competitive activities and the principles of returnable acquisition of shares in Soda Deutschland Ciech by CIECH S.A. from Mr Jochen Ohm until the end of April 2009. Hitherto, Mr Jochen Ohm shall remain the President of the Management Board of Soda Deutschland Ciech.

On 19 December 2007, as a result of the execution of the purchase agreement of shares in Sodawerk Holding Staßfurt by Soda Deutschland Ciech, the alienation of shares in Sodawerk Holding Staßfurt GmbH in the interest of Soda Deutschland Ciech GmbH was carried out. On the same day, CIECH S.A. granted a loan in the amount of EUR 95,100 thousand to its subsidiary - Soda Deutschland Ciech GmbH. The purpose of the granted loan was to cover the price of the acquisition of shares in Sodawerk Holding Staßfurt GmbH and refinance the company's debts towards its former co-owners.

- On 22 November 2007, CIECH S.A. obtained information on the release by the Central Bank of Brazil of share capital of CIECH AMERICA LATINA LTDA with the registered office in Brazil, which translates into the completion of the process of establishing the commercial company. The company's share capital is BRL 600 thousand and is divided into 600,000 shares with the par value of BRL 1 each. CIECH S.A. took up 599,999 shares for the total amount of BRL 599,999 (approx. PLN 869 thousand); thus its holding in the share capital of CIECH AMERICA LATINA LTDA is 99.99%. CIECH AMERICA LATINA LTDA shall run its business activities on the markets of South America.
- In November 2007, CIECH S.A. signed the following agreements: Dealer, Agency and Deposit Agreements with the Bank Handlowy w Warszawie S.A., BRE Bank S.A. and Bank PKO BP regarding the Bond Issuance Programme by Ciech SA valued up to PLN 500,000 thousand. The legal form of the instrument is bearer bonds, without the form of a document, unsecured and sold at par value. With reference to these agreements, on 14 December 2007, CIECH S.A. issued A series Bonds in the amount of PLN 300,000 thousand on the following conditions: maturity period 5 years, coupon structure – 3-month WIBOR + margin, frequency of coupon payments– quarterly, redemption date 14 December 2012. Bond issue price is equal to the par value and is PLN 100 thousand, bonds are unsecured. The funds from the issuance were appropriated for financing the acquisition of Sodawerk Holding Staßfurt GmbH and repayment of a part of short-term debt of CIECH S.A.

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

- On 8 January 2007 the agreement between S.C. CET Govora S.A. heat and power plant on the one side and S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. and CIECH S.A. on the other side was signed, concerning the restructuring of the indebtedness of S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. towards CET Govora for energy supplies. The repayment of principal amount due in the amount of EUR 18 million shall be within 9 years with a one-year grace period. At the same time, CET Govora S.A. committed itself to the conversion of interest debt in the amount of EUR 5.8 million into 7,943,853 shares in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. The signed agreement is one of the stages in the capital restructuring of the Romanian soda company.
- On 24 January 2007, CIECH S.A. established in the Bank Pekao S.A. a bank guarantee for the amount of EUR 18,054 thousand. This Guarantee is issued in the interest of C.E.T. Govora S.A. in Romania. The purpose of its issuance is to secure the payment of the sums arising from the acquisition of debt of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.
- On 6 February 2007 at the General Meeting of Shareholders of S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. a resolution concerning the increase in the company's share capital by 15,887,706 shares, with the par value of RON 2.5 each was adopted. The S.C. CET Govora S.A. heat and power plant undertook to take up 7,943,853 shares within the framework of the conversion of interest debt of S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. (the agreement of 8 January 2007). Under the pre-emption right, the existing shareholders - AVAS (2.89% of shares), CIECH S.A. (93.14% of shares) and others (3.97% of shares) obtained the right to take up 7,943,853 shares upon the validation of the resolution of the General Meeting of Shareholders of 16 February 2007.
- On 26 February 2007, CIECH S.A. signed with its subsidiary - S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. the agreement of the debt restructuring of S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. towards CIECH S.A. in the amount of EUR 18 million. The repayment of the amount due shall be within 9 years with a one-year grace period. The signed agreement is the result of the agreement concluded on 8 January between S.C. CET Govora S.A. on the one side and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and CIECH S.A. on the other side, concerning the debt restructuring of S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. for energy supplies.
- On 27 April 2007, the General Meeting of Shareholders of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. decided to cancel 7,943,853 unsubscribed shares from the previous issuance. The shares from the previous issuance were taken up only by S.C. CET Govora S.A. heat and power plant within the framework of the conversion of interest debt of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.

under the agreement of 8 January 2007. The registration of shares of the new issuance took place on 25 June 2007.

- On the same day, the General Meeting of Shareholders of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. decided to decrease the par value of shares from RON 2.5 RON to RON 0.25. Consequently, the company's share capital was decreased from RON 105,421 thousand to RON 10,542 thousand.
- On 27 April 2007, the Board of Directors of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. decided to convert the capital liabilities (in the amount of EUR 8 million) towards CIECH S.A. and convene the Extraordinary General Meeting of Shareholders as at 10 July 2007 in order to adopt a resolution concerning this matter.
- On 10 July 2007 at the Extraordinary General Meeting of Shareholders of S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. a resolution concerning the increase in the company's share capital by EUR 37,500 thousand (EUR 1=RON 3.1360) through the issuance of shares with the par value of RON 0.25 each was adopted. The shares from the new issuance were taken up by CIECH S.A. (number of shares: 103,064,090) and a natural person (number of shares: 124). Upon the registration of shares, the holding of CIECH S.A. in the share capital of S.C. Unizele Sodice Govora – Ciech Chemical Group S.A. is 92.91264 %. The registration of capital took place on 1 November 2007.
- On 22 August 2007 the reduction of the par value of shares S.C. Unizele Sodice Govora – Ciech Chemical Group S.A. from RON 2.5 RON to RON 0.25 was registered. The capital from the reduction of the par value of shares was transferred to retained profits (losses) to cover the losses from the previous years.
- On 17 September 2007, GHCL Limited and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. concluded the Agreement on Assignment of Debt and Settlement, closing the court disputes concerning the privatisation agreement of the Romanian soda company. On May 2007, GHCL Limited took legal actions to establish the ascertainment of nullity of an annex to the purchase agreement of shares of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., the subject of which was the novation of the purchase agreement of shares of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. through the change of a debtor. According to the agreement concluded on 17 September 2007, CIECH S.A. consented to repay the liabilities of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. towards Indian England N.V. in the amount of EUR 12 million, and GHCL Limited submitted a statement on the withdrawal of the actions concerning the Claims and the Privatisation Agreement.
- On 9 October 2007, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. sold all the shares (41.64%) held by the company in its affiliate S.C. Govcrest Srl. The revenues from the sale were RON 672 thousand. From the date of sale S.C. Govcrest Srl stopped being an affiliate of CIECH S.A.
- Furthermore, in 2007, within the framework of the investments carried out in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. the absorption column no. 3 and carbonating column no. 10 were launched. Additionally, the works on the carbonating column no. 7 and the steam calcining furnace no. 2 were advanced by more than 50%; the gas cooling system after RH distillation based on panel heat exchangers (RHDC) was launched as assumed in the investment plan
- The 1. stage of the IT investments the subject of which was a modern teleinformatics network and the change of r stations was also completed. The implementation of the Oracle software planned for 2008 is a consecutive stage of the IT investments.

SODA MATWY GROUP

- The system to produce monohydrate dense soda ash with a planned annual production capacity of 500 thousand ton was launched in the Inowrocławskie Zakłady Chemiczne SODA MATWY S.A. The system ensured that the quality of the produced dense soda ash complies with the strictest requirements of the European market.
- In 2007, SODA MATWY S.A. sold the surplus of 105,000 CO₂ emission rights stemming from the verified report for 2005 and planned surplus for 2006 and 2007. Next, its subsidiary - Elektrociepłownia Kujawskie Sp. z o.o. sold the surplus of 460,000 emission rights CO₂, stemming from the verified years 2005 - 2006 and planned surplus in 2007. This data is depicted in the tables below (data in thousand PLN).

SODA MATWY S.A.	2005	2006	2007	Total
Allocation of rights	97 300	97 300	97 300	291 900
Verified emission	63 402	47 068	28 348	138 818
Allocation surplus	33 898	50 232	68 952	153 082

SODA MATWY S.A.	2005	2006	2007	Total
Sales	33 898	39 300	31 802	105 000

Elektrociepłownie Kujawskie Sp. z o.o.	2005	2006	2007	Total
Allocation of rights	1 786 500	1 786 500	1 786 500	5 359 500
Verified emission	1 594 404	1 598 067	1 704 628	4 897 099
Allocation surplus	192 096	188 433	81 872	462 401
Sales	192 096	188 433	79 471	460 000

Unsold surplus of emission rights in the number of 48,082 ton was assumed by the contribution transaction to Soda Polska CIECH Sp. z o.o.

JANIKOSODA S.A.

- In 2007, the manufacture of a new product in the assortment of vacuum salt, i.e. salt tablets, was launched in Janikowskie Zakłady Sodowe JANIKOSODA S.A. The product is made from its own semi-finished products (dry vacuum salt) and constitutes a significant extension of the trade offer. The completion of the "Construction of tableting system" investment task realised within the framework of the salt business development strategy resulted in the launch of production. The production capacity of the activated salt tableting system is outwardly 20 thousand ton of tablets annually.
- At 1 January 2007, JANIKOSODA S.A. ceased the production of chalk by the resolution of the Management Board and the separate resolution of the Supervisory Board. That production was unprofitable and the analyses conducted confirmed the tendency in the following years.
- Cheaper anthracite has been used in the process of limestone burning, which results in the reduction of manufacturing costs by approx. 40%.
- The launch of a new screening system in the light soda loading station resulted in the improvement of the product quality.
- In 2007, JANIKOSODA S.A. sold a surplus of 95,000 gas emission rights. This data is depicted in the table below (data in thousand PLN).

JANIKOSODA S.A.	2005	2006	2007	Total
Allocation of rights	137 000	137 000	137 000	411 000
Verified emission	103 277	106 849	56 283	266 409
Allocation surplus	33 723	30 151	80 717	144 591
Sales	-	-	95 000	95 000

The unused part of the gas emission rights was brought by contribution to Soda Polska CIECH Sp. z o.o. Soda Polska CIECH Sp. z o.o. being the new owner of the systems, which - in accordance with the binding law - the gas emission right limit is ascribed to, is obliged to settle this limit for the year 2007.

SODA MATWY S.A. and JANIKOSODA S.A.

In 2007 the realization of one of the CIECH S.A. strategic objectives, including the merger of two neighbouring soda companies, i.e. Janikowskie Zakłady Sodowe JANIKOSODA S.A. and Inowrocławskie Zakłady Chemiczne SODA MATWY S.A. and Elektrociepłownie Kujawskie Sp. z o.o. working in the interest thereof took place. Prior to that, organizational changes enabling the operational integration of their activities had been implemented. The merger of two soda companies consisted in the in-kind contribution to Soda Polska CIECH Sp. z o.o. in the form of the SODA MATWY S.A. and JANIKOSODA S.A. companies. SODA MATWY S.A. and JANIKOSODA S.A. still exist remaining the owners of the shares of Polskie Towarzystwo Ubezpieczeń S.A. (22.5 % of the capital each) and the shares of Soda Polska CIECH Sp. z o.o.; they do not, however, run operating activity, which was transferred to Soda Polska CIECH Sp. z o.o.

After the merger, CIECH S.A. indirectly controls Soda Polska CIECH Sp. z o.o., in which, through SODA MATWY S.A. and JANIKOSODA S.A. - it holds 100% shares in the share capital.

The merger of the two neighbouring soda companies and EC KUJAWY Sp. z o.o. working in the interest thereof in one new company shall facilitate in the management of the soda segment within the framework of the Ciech Group. The synergy effect shall also be attainable through a better coordination of the business processes and the savings stemming from the reduction of administration. Apart from owning the Polish companies, the Ciech Group also owns 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 currently the second largest European producer of soda – the raw material used mainly in glass production.

- On 12 October 2007 Soda Polska CIECH Sp. z o.o. was registered by the 12th Commercial Department of the National Court Register in the District Court of the Capital City of Warsaw. The CIECH S.A. subsidiaries, i.e. SODA MAŃWY S.A. and JANIKOSODA S.A. became the owners of Soda Polska CIECH Sp. z o.o.
- On 7 November 2007 the Extraordinary General Meeting of Janikowskie Zakłady Sodowe JANIKOSODA S.A. and the Extraordinary General Meeting of Inowrocławskie Zakłady Chemiczne SODA MAŃWY S.A. adopted the resolutions concerning the in-kind contribution to Soda Polska CIECH Sp. z o.o. in the form of the soda companies.
 1. On 7 November 2007 the Extraordinary General Meeting of Janikowskie Zakłady Sodowe JANIKOSODA S.A. consented to bring Janikowskie Zakłady Sodowe JANIKOSODA S.A. into Soda Polska CIECH Sp. z o.o. to cover the increased share capital of this company, i.e. by taking up 622,000 shares in Soda Polska CIECH Sp. z o.o. worth PLN 500 each by JANIKOSODA S.A. for the total value of PLN 311,000 thousand in return for the contribution of JANIKOSODA S.A., excluding the shares in Polskie Towarzystwo Ubezpieczeń S.A., valued according to the fair value at PLN 311,000 thousand. Upon the increase of share capital the total share of JANIKOSODA S.A. in the share capital of Soda Polska CIECH Sp. z o.o. was 622,050 shares worth PLN 500.00 each, for the total value of PLN 311,025 thousand constituting 46.49% of Soda Polska CIECH Sp. z o.o. share capital.
 2. On 7 November 2007 the Extraordinary General Meeting of Inowrocławskie Zakłady Chemiczne SODA MAŃWY S.A. consented to bring in Inowrocławskie Zakłady Chemiczne SODA MAŃWY S.A. to cover the increased share capital of this company, i.e. by taking up 716,000 shares in Soda Polska CIECH Sp. z o.o. worth PLN 500,00 each by SODA MAŃWY S.A. for the total value of PLN 358,000 thousand in return for the contribution of SODA MAŃWY S.A., excluding the shares in Polskie Towarzystwo Ubezpieczeń S.A., valued according to the fair value at PLN 358,000 thousand. Upon the increase of share capital the total share of SODA MAŃWY S.A. in the share capital of Soda Polska CIECH Sp. z o.o. was 716,050 shares worth PLN 500.00 each, for the total value of PLN 358,025 thousand constituting 53.51% of the Soda Polska CIECH Sp. z o.o. share capital.
- On 7 November 2007 the Extraordinary General Meeting of Shareholders of Soda Polska CIECH Sp. z o.o. adopted a resolution to increase the share capital of the Company from the amount of PLN 50,000 to PLN 669,050 thousand by the creation of 1,338,000 New Shares with the par value of PLN 500 each. The Extraordinary General Meeting of Shareholders of the Company also resolved that the New Shares were taken up in the following manner:
 1. the shareholder of Inowrocławskie Zakłady Chemiczne SODA MAŃWY S.A. with the registered office in Inowrocław took up 716,000 shares of the par value of PLN 500 each, and the total par value of PLN 358,000 thousand constituting 53.51% of share in the capital)
 2. the shareholder of Janikowskie Zakłady Sodowe JANIKOSODA S.A. with the registered office in Janikowo took up 622,000 shares of the par value of PLN 500 each, and the total par value of PLN 311,000 thousand (constituting 46.49% of share in the capital)
- The registration of the contribution brought by Inowrocławskie Zakłady Chemiczne SODA MAŃWY S.A. and Janikowskie Zakłady Sodowe JANIKOSODA S.A. into Soda Polska CIECH Sp. z o.o. took place on 19 December 2007.

Alwernia S.A.

- The mechanical and technological start-up of the PK/NPK 5-9-18 installation for the production of granular fertilizers (on the basis of post-production waste – potassium chloride) were carried out.
- The Company obtained an integrated permit for the new installation for the production of granular fertilizers and an integrated permit for the existing waste disposal ground.
- The sales development of the new fertilizer assortment: calcium nitrate and magnesium nitrate in flakes.
- The finalization of “The use of the WKF waste heat to heat up the water supplying steam boilers in the Heat and Power Plant within the framework of the modernization in the Power Engineering Department”.
- In 2006 and 2007 Alwernia S.A. sold the surplus of 70,000 CO₂ emission rights stemming from the verified years of 2005-2006 and the surplus in 2007. This data is depicted in the table below (data in thousand PLN).

Alwernia S.A.	2005	2006	2007	Total
Allocation of rights	63 600	63 600	63 600	190 800
Verified emission	39 336	34 531	31 701	105 568
Allocation surplus	24 264	29 069	31 899	85 232
Sales	-	45 000	25 000	70 000

ZACHEM Group

- On 2 January 2007, ZACHEM S.A. sold the CHEMIK recreation centre in Sopot for PLN 9,248 thousand.
- On 7 February 2007, ZACHEM S.A. sold the CHEMIK Health Sanatorium in Ciechocinek for PLN 5,183 thousand.
- On 7 February 2007, ZACHEM S.A. sold the T- 7300 Production Department for PLN 3,651 thousand.
- In 2007 the European Commission extended the derogation for the use of asbestos in electrolysis installation, which allows ZACHEM S.A. to use the existing electrolysis installation until its use-up.
- On 17 September 2007, Zakłady Chemiczne ZACHEM S.A. signed with Mostostal Puławy S.A. an agreement for the extension of the TDI (isocyanides) system – a component in the production of polyurethane foams used in the following industries: furniture (mattresses, furniture covers), automotive (seats, bumpers), textiles (insulations), cosmetic (bath foams), and building as insulating material, binding agent and adhesives. The entire investment shall be consist in the modernization and extension of the system, increase of the TDA (toluenodiamine – a basic raw material of the TDI synthesis) production capacities and increase in the capacity of brine electrolysis installation. The realization of the agreement, enabling to increase the TDI production from 60 thousand ton to 75 thousand ton annually The work completion deadline is estimated for the end of 2008. Investment value: PLN 80 million.
- The representatives of Ciech Group agreed with the American Air Products Group the final conditions of the amine (TDA) delivery for the ZACHEM S.A. subsidiary in Bydgoszcz. The agreement signed on 25 October 2007 ensures the delivery of the raw material at the level compliant with the needs of the company and the Ciech Group strategic plan until 2013; it also updates the provisions of the agreements concluded by ZACHEM S.A. in 2004 – before CIECH S.A. took over ZACHEM S.A. The annual delivery value shall be valued at PLN 200 million (approx. USD 77 million). CIECH S.A. granted guarantees to Air Products Group against payment obligations of ZACHEM S.A., accenting consequently the commitment in ensuring the steady development of that company. Amine (TDA) is the main component in the production of polyurethane foams used in the following industries: furniture (mattresses, furniture covers), automotive (seats, bumpers), insulating materials, threads and adhesives. ZACHEM S.A. is the sole TDI producer in Poland.
- Foam and Plastics Business Centres were formed within the framework of the Ciech Group structure, and sales structures were included therein.
- The realization of the agreement with, Hennecke concerning the delivery of a new PUR foaming head.
- The supply system of Zakład Syntezy [Synthesis Plant] and Zakład Epichlorohdrynny [Epichlorohdrin Plant] was centralized.
- The company accessed the biocide group operating in the framework of EURO-CHLOR in order to mutually register chloride and sodium hypochlorite, in compliance with the Biocidal Products Directive.
- The realization of the agreement with the Instytut Organizacji INORG Sp. z o.o. concerning the following projects:
 - ✓ the management system of the Foam and Plastics Business Centre,
 - ✓ staffing of the labour and non-labour positions in the Business Centres and Production Plants,
 - ✓ voluntary redundancies in ZACHEM S.A. and ZACHEM UCR Sp. z o.o.
- Signing of the agreement with HRK PARTNERS S.A. concerning the preparation of the principles of remunerating and motivating the employees in ZACHEM S.A.
- A new optical brightener called Heliofor 2P for the pulp and paper industry was implemented in the production its parameters were improved in comparison with the currently produced brighteners.
- Changes in the production process of ferrite yellow (the replacement of the ammonia solution with sodium hydroxide) were implemented, enabling the elimination of the discharge of the unwanted ammonium ion in the sewage.
- The sales of optic brightener (Heliofor P) significantly increased through Layster to Russia.
- The restoration of the vinyl chloride sales market, making a profit on sales in the Plastics Business Centre.
- The appointment of the team and the beginning of works on the implementation of the REACH regulations.

GZNF „FOSFORY” Sp. z o.o.

- On 22 August 2007 the resolution of the Management Board concerning the closure of the feed phosphate production installation.
- Under the decision of 26 September 2007, the Pomorskie Voivode granted an integrated permit for all installations, which were classified as those requiring an integrated permit and located in the premises of Gdańskie Zakłady Nawozów Fosforowych FOSFORY Sp. z o.o.

Z. Ch. Organika – Sarzyna S.A.

- In October 2007 a modernized installation for the epoxy resin production was launched.
- On 27 November 2007 Z. Ch. Organika-Sarzyna S.A. – a subsidiary of CIECH S.A. – sold 95,100 common bearer shares of CIECH S.A. for PLN 112.50 each as a result of a transaction concluded on the Warsaw Stock Exchange in Warsaw within the framework of a regular session. The transaction was completed in compliance with the resolutions of the Management Board and the Supervisory Board of Z.Ch. Organika-Sarzyna S.A. within the framework of correcting the capital situation of the companies included in the Ciech Group. Currently Z.Ch. Organika-Sarzyna S.A. does not hold shares in CIECH S.A.

CIECH POLFA Sp. z o.o.

- The Company recorded an increase in export sales of medicines to Russia and Vietnam. Furthermore, the sales of imported pharmaceutical substances increased.
- The Company signed the agreement for the deliveries of blood transfusion bags to Bulgaria.
- The introduction of Botulin Serum for re-sale on foreign markets.

3 Discussion of the Ciech Group’s financial results

The financial data for 2006 presented below allow for all adjustments arising out of the completion of the initial settlement provisionally determined in the case of the companies of Z.Ch. ZACHEM S.A., Z.Ch. Organika-Sarzyna S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. This means that the consolidated financial statement for 2006 was drawn up basing on the fair values of assets, liabilities and contingent liabilities of those companies as at 31 December 2006. Detailed data regarding that settlement is presented in para. 16. 2 of the additional information and explanations to the consolidated Financial Statement.

Furthermore, the data for the year 2006 also allow to adjust the error in GZNF FOSFORY Sp. z o.o. related to the creation of the provisions for the recultivation of the disposal ground in the amount of PLN 5,320 thousand. This amount, reduced by the created deferred tax assets in the amount of PLN 1,011 thousand, was included in the balance sheet retrospectively. The error stemmed from the inconsistencies in GZNF FOSFORY Sp. z o.o. statements from the previous periods. It was the result of a misleading interpretation of events related to the dump recultivation and in the opinion of the Management Board it could, in consideration of its significance, affect the economic decisions, which were made basing on the previously prepared financial statements. This issue was presented in detail in para. 39 of the additional information and explanations to the financial statement.

Financial data for 2007 presented below allow for estimated values of the Soda Deutschland Ciech Group acquired at the end of December 2007. In the case of this entity, the initial settlements established provisionally permitted by the IFRS 3 “Business Combination”. The Group was included in the consolidation as at 31 December 2007 on the basis of the estimated values of assets and liabilities. Upon the completion of the valuation to the fair value of certain identifiable components of the assets, liabilities and contingent liabilities of all companies included in the Soda Deutschland Ciech Group, all adjustments stemming from the completion of the initial provisional settlement shall be introduced to the consolidated financial statement as at the take over date and for the next balance sheet days.

In 2007 Ciech Group achieved the consolidated net profit in the amount of PLN 241,857 thousand, the balance sheet sum was PLN 4,234,262 thousand, and the change of the net cash status depicted a decline in cash by PLN 35,915 thousand. The balance sheet below presents the selected financial data with the basic financial ratios for four quarters of 2007 and 2006.

Selected financial data

<i>In thousand PLN</i>	2007	2006	Change 2007/2006
Net revenues from sales	3 414 979	2 174 330	57.1%
Cost of goods sold	2 606 272	1 677 063	55.4%
Gross profit on sales	808 707	497 267	62.6%
Selling costs	228 550	157 338	45.3%
General and administrative costs	270 144	160 414	68.4%
Other operating revenues	3 629	12 443	-
Profit on operating activity	313 642	191 958	63.4%
Revenues / financial expenses	(28 726)	3 546	-
Share in net profits of the subsidiaries valued by ownership rights	5 062	1 911	164.9%
Income tax	48 121	28 151	70.9%
Profit on sales regarding discontinued operations	-	26 809	-
Net profit	241 857	196 073	23.4%
Net profit of minor shareholders	1 671	325	414.2%
Net profit of the parent company's shareholders	240 186	195 748	22.7%
EBITDA	492 961	287 839	71.3%

<i>In thousand PLN</i>	31.12.2007	31.12.2006	Change 2007/2006
Asset value	4 234 262	2 859 320	48.1%
Fixed assets	2 651 448	1 755 260	51.1%
Revolving assets, including:	1 582 814	1 104 060	43.4%
- inventories	284 563	245 763	15.8%
- short-term liabilities	979 278	709 736	38.0%
-cash and cash equivalents	124 496	145 620	(14.5%)
-short-term investments	2 066	614	236.5%
Total equity	1 384 174	1 187 353	16.6%
Equity capital of the parent company's shareholders	1 339 276	1 137 345	17.8%
Minority shares	44 898	50 008	(10.2%)
Long-term liabilities	1 296 527	704 944	83.9%
Short-term liabilities	1 553 561	967 023	60.7%

<i>In thousand PLN</i>	2007	2006	Change 2007/2006
Net cash flows from operating activities	242 649	176 487	37.5%
Net cash flows from investment activities	(575 863)	(483 485)	19.1%
Net cash flows from financial activities	297 299	346 032	(14.1%)
Total net cash flows, including	(35 915)	39 034	-

	2007	2006	Change 2007/2006
Net profit / share	8.61	6.99	23.2%
Net yield	7.0%	9.0%	(21.9%)
EBIT %	9.2%	8.8%	4.0%
EBITDA %	14.4%	13.2%	9.0%
Current ratio	1.0	1.1	(9.1%)
Acid-test ratio	0.8	0.9	(11.1%)
Debt ratio	67.3%	58.5%	15.1%
Equity to assets ratio	32.7%	41.5%	(21.3%)

Source: CIECH S.A.

The principles of calculating ratios:

Net profit/ share– net profit/ moving average of common shares declared in the given period (in accordance with the IAS 33 „Profit per share” definition)

Net yield– net profit for a given period/ profits from net sales of the net products, services, goods and materials for a given period,

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

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

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

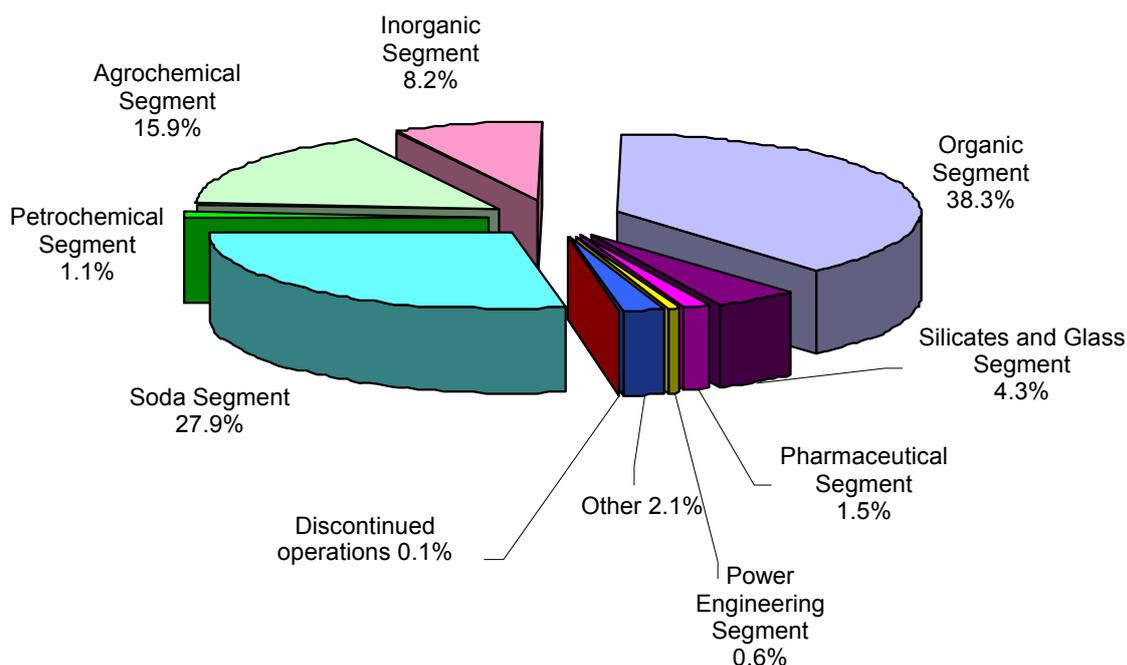
Equity to assets ratio – total equity as of the period-end/total assets as of the period-end

Sales revenues

Consolidated net sales revenues of the Group in 2007 were PLN 3,414,979 thousand. In relation to 2006 the revenues increased by PLN 1,240,649 thousand by 57%. The basic source of this increase was the sales generated by the companies acquired in the 4th quarter of 2006: Z.Ch. Organika-Sarzyna S.A., ZACHEM Group and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. Furthermore, a good business climate for the products of the Group and the growth of the price behaviour of the main organic products (mainly TDI) enabled the Organic Division to obtain considerably larger revenues than planned. Sales prices of the main products of the soda segment were higher than in the corresponding period in the previous year. Favourable pricing and demand related relations were also present on the markets of the agrochemical segment.

The figure below presents net sales revenues for 2007 divided into business segments.

Structure of revenues from sales



Source: CIECH S.A.

In 2007 the Ciech Group business has focused on four fundamental segments of activity: organic, soda, agrochemical and inorganic. These segments have generated over 90% of the Group's sales revenues. The structure of the Group's revenues was subject to change in relation to the change of the composition of the Group (the purchase of the following companies: Z.Ch. Organika Sarzyna SA., ZACHEM Group and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.). Currently, the organic segment plays a dominant role in comparison to the soda segment before.

Organic segment

The organic segment generated approx. 38.3% of the revenues from the Group's sales in 2007. ZACHEM Group, a producer of the main products of the segment, i.e. TDI and EPI played here a dominant part. The sales of those products are carried out by CIECH S.A. The organic segment also includes the products of Z.Ch. Organika-

Sarzyna S.A., mainly resins. The main products of this segment areas follows: TDI – 44% of the segment sales, plastics (including resins) – 40.1% and epichlorohydrin (EPI) – 7.1%. The revenues of the organic segment almost trebled in comparison with those cleared in 2006. The main reason for the increase was the recognition of profit from products sold by the companies acquired in the fourth quarter of 2006 in the Ciech Group's results.

Soda segment

In 2007 the soda segment generated approximately 28% of the Group's revenues from sales. The parent company, Ciech S.A., plays a key role in the sales operations, processing the total sales of the output produced by subsidiaries SODA MAŁY S.A. and JANIKOSODA S.A. The Group's companies are the sole soda manufacturers in Poland. The sales in the soda segment are also realised by S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – a 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 sales in this segment and light soda ash accounting for approx. 18% of the segment revenues. As compared to the corresponding period in 2006, sales revenues in the segment increased by 16%; this is almost entirely due to the recognition of the S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. sales in the consolidated income. Furthermore, the average sales prices of the key products were higher in 2007 than the ones in the corresponding period of the previous year. At the same time, a lower volume of calcium chloride sales from SODA MAŁY S.A. negatively affected the level of revenues (due to a mild winter customers are still storing the product and as a result collections are lower than in the corresponding previous years). In 2007 the prices for coke, one of the main raw materials in the segment, were unfavourable. A possible increase of manufacturing costs was curbed thanks to the application of anthracite in the production process, which compensated the increase of coke prices in full.

Agrochemical segment

The agrochemical segment generated approximately 16% of the revenues from the Group's sales in 2007. The following organisations operate within the agrochemical segment: the FOSFORY Group dealing with the production of fertilisers 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 the sales of the Z.Ch. Organika-Sarzyna S.A. products and of other domestic manufacturers and finally importing raw materials intended for fertiliser production. Fertilisers (58.1%) and plant protection agents (31%) are the main drivers of generating the segment's income. In the relation to the previous year, the segment's revenues increased by 60%, mainly due to the consolidation of revenues of Z.Ch. Organika-Sarzyna S.A.

Inorganic segment

The inorganic segment generated over 8% of the Group's sales revenues in 2007. The subsidiary Alwernia S.A., which manufactures phosphorus compounds (22.3% of segment revenues), sodium tripolyphosphorus (20.7% of segment sales) and sodium hydroxide (14.8% of segment revenues). The company imports raw materials and exports some of its products through CIECH S.A. – its sales agent. The segment comprises such products as chromium compounds (6% of segment sales) and hydrochloric acid (8%), the suppliers of which are ZACHEM S.A. and the companies from outside the Group. These products are sold by CIECH S.A. and other commercial companies of Ciech Group. Sulphur, accounting for 12% of the segment income, is sold by CIECH SA on a consignment basis. The segment revenues increased in 2007 by 12.6% in relation to the corresponding period of 2006. This was mainly an effect of the recognition of the sales of the ZACHEM S.A. inorganic products in the consolidated income results. Additionally, the higher demand for the products of Alwernia S.A. (especially in the first quarter) and larger sales of sulphur slightly affected the level of revenues in this segment.

Silicates and glass segment

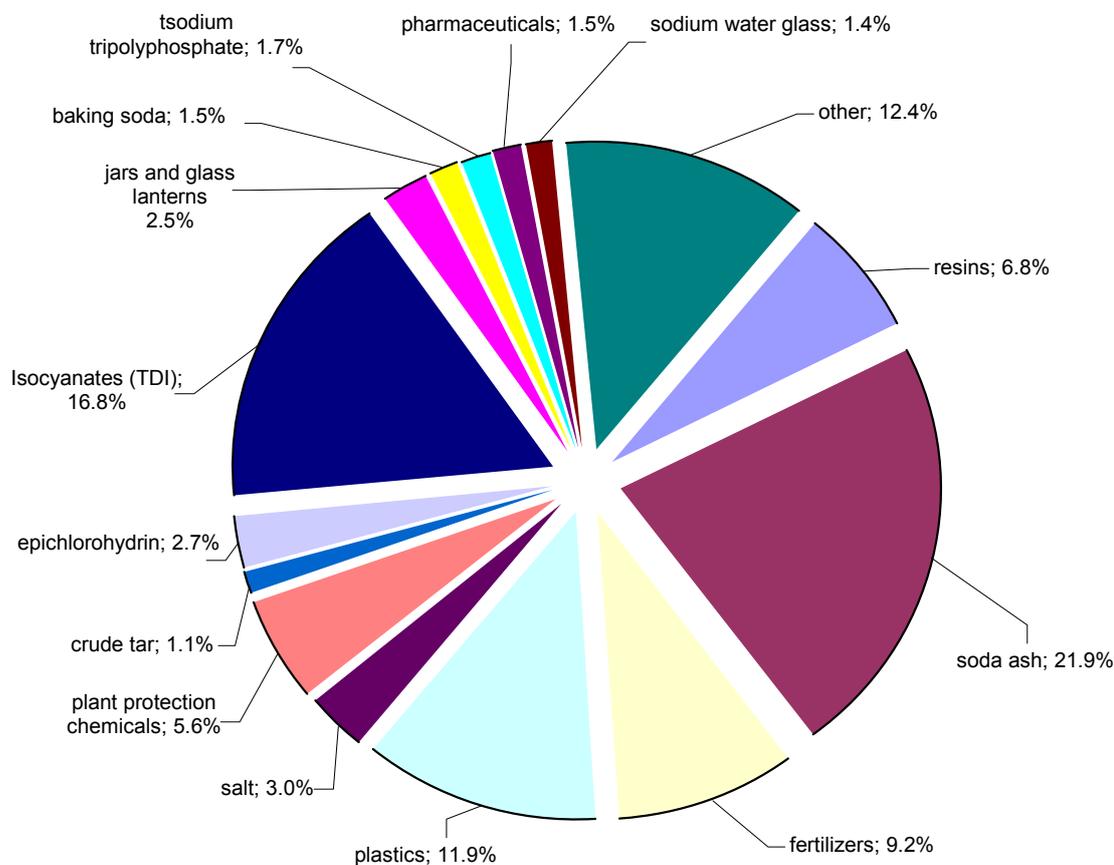
The share of silicates and glass segment products segment in the income from the Group's sales amounted to more than 4%. The subsidiary VITROSILICON S.A., which manufactures silicates, glass blocks and glass lanterns is the main manufacturer. VITROSILICON S.A. is the sole manufacturer of glass blocks in Poland. Glass blocks and lanterns accounted for 55% of the segment revenues, soda glaze (30% of the segment income) and sodium water glass (10% of the segment revenues) contributed the most to the segment's revenue. 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 productive property investment carried out by VITROSILICON S.A. since 2006 and from market growth and higher demand.

Other segments

Having sold the Petrochemia Blachownia S.A. shares in 2006 and having completed the Group's strategy of withdrawal from production in the petrochemical segment, its participation in the Group's sales remains irrelevant (it accounts for 1% of the income). Currently, the petrochemical segment consists of commercial agency transactions handled by CIECH SA and by CHEMAN S.A. The Pharmaceutical Segment also covers the commercial activities of POLFA Sp. z o.o. EC KUJAWY Sp. z o.o. operates within the power generation segment handling the production and distribution of electricity for the purposes of SODA MAŁY S.A. and JANIKOSODA S.A. and third parties.

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

Sales income distribution by leading product shares



Source: CIECH S.A.

Gross sales profit

The consolidated gross sales profit in 2007 was PLN 808,707 thousand. Profit increased by PLN 311,440 thousand as compared to the previous year. The large growth was possible mainly due to the consolidation of the results of the Polish companies acquired in the fourth quarter of 2006: Z.Ch. Organika-Sarzyna S.A. and ZACHEM S.A. and the increase of the sales result of the products of these companies in CIECH S.A. A significant improvement of the result was also recorded by FOSFOR Y Group (the increase in demand and sales prices of the main products of GZNF FOSFOR Y Sp. z o.o. in 2007).

Operating profit (EBIT)

In 2007 the revenue from operating activities was equal to PLN 313,642 thousand (in 2006 it was PLN 191,958). The dynamic growth of the organic segment and the increase in demand and sales prices of the agrochemical products was the main source of profit in 2007. At the same time, the following factors positively affected the operating result: (a) the increase in the main product prices of the soda segment, (b) the increase in the profit of CIECH S.A. from trading organic products (mainly TDI). The negative EBIT generated in 2007 by S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. had an adverse effect on the level of the operating result. It should be noted that the profit on operating activity generated in 2006 includes single adjustments related to the recognition of the surplus of the taken over net assets over the cost of merger and write off the goodwill stemming from the settlement of the merger of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. The total balance of these adjustments was PLN 44,717 thousand.

The EBIT margin rate amounted to 9.2% in 2007 (8.8% the year before). The increase in return on operating activity for the most part was caused by the consolidation of the results of Z.Ch. Organika-Sarzyna S.A. and ZACHEM S.A., whose EBIT margin rate in 2007 was higher than the ones recorded by the other companies of the Group.

Net result

The consolidated net profit for two quarters of 2007 was PLN 241,857 thousand, out of which PLN 240,186 thousand accounted for the net profit for the shareholders in the parent company. The net profitability reached a level of 7% (9% the year before). The Group recorded an increase in the net result by PLN 45,784 thousand in relation to the corresponding period previous year. It is attributed almost entirely to an increase in the operating profit (by PLN 121,684 thousand). Balance from financial activity, which decreased in comparison to the previous year by PLN 32,272 thousand had a negative impact on net profit. Negative balance from the financial activity of Ciech Group is an effect of an intensified use of bank credits by the Group to finance growth investments (the cost of PLN 28,499 thousand). A positive balance of the realised foreign exchange differences had a favourable influence on the results recorded by the Group. A considerable part of the foreign transactions was hedged in 2007, which eliminated potential losses due to realised exchange differences.

Financial performance by type of business operations (thousand PLN)

<i>In thousand PLN</i>	2007	2006	Change 2007/2006
1. Operating profit	313 642	191 958	63.4%
2. Net finance income (costs)	(28 726)	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	48 121	28 151	70.9%
5. Sales profit relative to discontinued operations	-	26 809	-
6. Net profit (1+2+3-4+5)	241 857	196 073	23.4%
7. Profit attributable to minority interests	1 671	325	414.2%
8. Profit for the shareholders in the parent company (6-7)	240 186	195 748	22.7%

Source: CIECH S.A.

Balance Sheet**Equity**

The consolidated equity of the Group as at 31 December 2007 was PLN 1,384,174 thousand (including the equity of the parent company of PLN 1,339,276 thousand) and was higher than the equity of the previous year by the amount of PLN 196,821 thousand. The equity growth was mainly thanks to working out the net profit for 2007 in the amount of PLN 241,857 thousand and decrease by dividend payout in the amount of nearly PLN 59 million.

Fixed assets

At the end of 2007 the Group's fixed assets were equal to PLN 2,651,448 thousand. In comparison to the state as at 31 December 2006, the value of fixed assets increased significantly (i.e. by PLN 896,188 thousand). The growth resulted mainly from the acquisition of Soda Deutschland Ciech Group carried out in the fourth quarter of 2007; thus, fixed assets increased by PLN 807,529 thousand. At the same time in 2007, Ciech Group incurred investments for productive assets in order to sustain the current development pace. In particular it referred to the following companies: JANIKOSODA S.A., SODA MAŁY Group, GZNF FOSFOR Sp. z o.o. and VITROSILICON S.A. The share of fixed assets in total assets accounted for 63% (more than 61.4% the year before).

Current assets

The Group's current assets amounted to PLN 1,582,814 thousand as at 31 December 2007. In the current asset structure the following elements were dominant: (a) trade and other receivables – approx. 62% of current assets, (b) inventories – 18% and (c) cash and cash equivalents – 8%. In comparison to the status as at the end of 2006, current assets increased by more than 43.4% i.e. by PLN 478,754 thousand. In a major part it resulted from the recognition of assets of Soda Deutschland Ciech Group (increase by PLN 475,611 thousand) in the consolidated balance sheet.

Consolidated liabilities

The total short-term and long-term debt of the Ciech Group at 31 December 2007 amounted to PLN 2,850,088 thousand, which means the increase by PLN 1,178,121 thousand in the comparison with the state at the end of 2006. The long-term liabilities were worth PLN 1,296,527 thousand and larger than the year before by PLN 591,583 thousand. The increase was mainly the effect of the increase in: (a) liabilities due to long-term credits and loans and other financial instruments by PLN 449,196 thousand, (b) other long-term liabilities by PLN 188,946 thousand. The increase in debt stems mainly from the issuance of long-term bonds in CIECH S.A. and the purchase of Soda Deutschland Ciech Group in the fourth quarter. Short-term liabilities were PLN 1,553,561 thousand, meaning the increase by PLN 586,538 thousand, compared to the state at 31 December 2006. The largest increase was recorded in commercial liabilities and other (larger by PLN 334,512 thousand) which is due to the consolidation of Soda Deutschland Ciech Group. Liabilities due to long-term credits and loans increased by PLN 136,675 thousand. This growth is mainly due to the increase in the use of credit limits by the companies of the Group in order to finance the realised investments.

Consolidated debt

Net debt at the end of 2007 (calculated as liabilities due to credits and loans and other short and long-term debt instruments decreased by cash) amounted to PLN 1,123,945 thousand (PLN 502,373 thousand the year before). The increase in net debt was affected mainly by the issuance of corporate bonds by CIECH S.A. in the amount of PLN 300 million. Debt ratio of the Group (calculated as the ratio of net debt to the total assets) increased in comparison with the status at 31 December 2006 from 17.6% to 26.5%. The financial leverage (net debt to the sum of net debt and total equity) at the end of 2007 was equal to 45%. The year before this ratio was 30%.

The Ciech Group has the full capacity to repay all its debt. The current ratio, calculated as the ratio of total current assets to short-term debt, amounted to 1 at 31 December 2007, while the increased current ratio was equal to 0.8. The year before the value of those ratios was higher, and the decrease of the ratios is the effect of the acquisitions carried out by the Group and the growth of short-term credit use. Additionally, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. is characterized by the liquidity level lower than the one recorded in the Ciech Group before acquisitions. The improvement of the liquidity is one of the key restructuring assumptions of the Company. The effects of the actions undertaken in this area are already visible in the Company.

At 31 December 2007, the equity to fixed assets ratio (total equity, long-term liabilities and provisions) amounted to 101%.

At the end of 2007, the net debt/equity ratio was 81% (42% the year before).

At the end of 2007, Ciech Group was characterized by debt level still considered as safe. The total liabilities financed the assets in over 67%. The increase in the ratio from the level of 58% (according to the state at 31 Dec. 2006) gives evidence of the forecast in the strategic plans use of the potential in financing the acquisitions from external sources, which the Group achieved upon the Initial Public Offering in 2005.

Cash flows

In 2007, Ciech Group carried out a range of development and restructuring investments, bearing significant investment outlays. The majority of net cash flows in 2007 were negative and amounted to PLN – 35,915 thousand, which was in total the effect of the investment activity. In the analogical period of the previous year the Group generated a positive cash flow in the amount of PLN 39,034 thousand, whereat in 2006 the sale of the shares in Petrochemia Blachownia S.A. was conducted (the proceeds from the transaction decreased by the sold cash assets of PLN 98,945 thousand). The net cash assets on operating activity amounted to PLN 242,649 thousand and were larger than those generated in 2006 by PLN 66,162 thousand. The main source of cash assets on operating activity in 2007 was the result on basic activity (gross sales profit decreased by the sales costs and general administrative costs) increased by depreciation. The change of working capital was negative and amounted to PLN –137,385 thousand, which stemmed mainly from the larger growth of trade receivables than liabilities in the agrochemical segment – the deferred payments from the buyers dealing with the agricultural production are characteristic for the second and third quarter of the year. Cash flows from operating activities and the dynamics against 2006 were negatively affected by: (a) paid up interest (mainly from credits – Ciech Group in 2007 increased the level of the use of bank's funding sources compared to the analogical period in the previous year) and (b) paid-up income tax (higher than the previous year due to more profitable financial results of the Group's companies).

Cash flow balance from investment activities in 2007 was negative and amounted to PLN 575,863 thousand. The main expenditures were as follows: (a) investment outlays on the productive assets within the framework of the projects concerning development and modernization (nearly all the companies of the Group realised this kind of initiatives, whereat the largest expenditures were borne by the Polish soda companies – approx. PLN 95,891 thousand) and the companies acquired in the fourth quarter of 2006: Z.Ch. Organika-Sarzyna S.A. (PLN 47,643 thousand) ZACHEM S.A. (PLN 29,609 thousand) and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.

(PLN 33,685 thousand), (b) loan in the amount of PLN 351,081 thousand granted by Ciech to Soda Deutschland Ciech Group prior to the assumption of the entity by the consolidation (for the comparison, in 2006 the loans granted to the newly acquired companies prior to the assumption by consolidation (ZACHEM S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.) for the total amount of PLN 126,694 thousand). The main source of income from the investment activities was the sale of the tangible fixed assets by ZACHEM S.A. (PLN 21,860 thousand – the company is realizing its programme of restructuring in the area of eliminating the redundant assets).

Net cash assets generated on the financial activity amounted to PLN 297,299 thousand. The additional source of cash flow were mainly the proceeds from the issuance of common bonds by CIECH S.A. in the amount of PLN 299,825 thousand and the surplus of credits and loans borrowed over the paid-up ones, which amounted to PLN 43,171 thousand. The acquired funds were appropriated for the realization of the investment projects carried out in the manufacturing companies of CIECH Group, including mainly S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., JANIKOSODA S.A. and VITROSILICON S.A. At the same time, Ciech S.A. paid out the dividend to the shareholders in the amount of PLN 58,600 thousand.

Cash flow as disclosed in the cash flow statement as at the end of 2007 amounted to PLN 95,608 thousand.

4 Explanations concerning the seasonality and cyclicity of the operations of Ciech Group

The level of revenues and financial results that the Ciech Group achieved to a large extent depends on the general business climate of the economy. Cyclic fluctuations in revenues and results are especially noticeable in the organic segment, which is marked by business cycles lasting several years. Since more than 38% of the Group's revenues are generated by the sales of organic chemical products with markets characterised by significant cyclicity related to the fluctuations in the world economy, the fluctuations in revenues and results of the Group may be relatively large. The fundamental products sold in the organic segment are TDI, EPI and epoxy resins. The market prices of the above products reached record-breaking levels in 2007. This was affected by different factors.

- Since these products are based on petrochemical raw materials (mainly: toluene, propylene), they are related to the prices of oil, which are currently high. High prices of raw materials influence the prices of TDI, EPI and epoxy resins. Oil price is largely affected by the political situation in the region of Middle East. On the one hand, the fast developing economy and uncertain political situation of the main oil manufacturers gives evidence that the high prices are going to remain at this level. On the other hand, the high oil prices caused the growth of interest in the alternative sources of energy and the implemented programmes of savings in oil consumption. It should be assumed that in a long-term perspective the oil prices are going to fall in the short-term perspective, the prices are going to remain high.
- The high prices of the chemical products are also affected by a high gas price, which is a fundamental raw material in the petrochemical industry.
- A recently recorded fast development of the global economy is related to a certain degree to the dynamic (over 10 %) growth of the Chinese economy. Despite the periodic actions of the Chinese government, consisting in the attempts to cool down the economy, the growth rate still remains very high. The fast development of the global economy causes a large demand for raw materials, including TDI, EPI and epoxy resins. This large demand causes problems with the acquisition of those products, and in the effect the growth of prices. Additionally, when it comes to TDI, several major system failures and technical problems related to the commissioning of new ones, caused periodic shortages on the market and the growth of prices.
- The forecasts for the coming years anticipate certain weakness in the global economy's growth rate, while the production of the chemical industry is to grow above the level of GDP; the prices of petrochemical products may, however, remain high, but it should not be as high as the record levels of 2007.
- The forecasts regarding three fundamental products of the organic segment assume the decline in their prices in the nearest period. Due to their high prices, new systems are planned which shall cause the overproduction [of these products] in several years. Furthermore, the high prices cause the buyers start finding interest in their substitutes, which in the longer perspective may turn into the decrease in demand.
- However, the cyclicity of the prices for fundamental organic goods cannot be univocally determined and calculated. The cyclicity has been historically observed every several years. High prices and large demand cause that the decisions concerning the commissioning new installations are made. Afterwards, the growth of production takes places, and in turn the market saturation and decline in prices. In the case of slump in the market, the inefficient systems are shut down, while the demand increases, all the more so that the prices of goods are low, and the shortages on the market and the increase in prices reappear.

The marketing outlets of other segments of the Ciech Group activity (soda and inorganic segments) are characterized by a large stability, therefore the fluctuations of incomes and results are relatively low.

The seasonality related to the periodic demand and supply fluctuations have certain significance on the Ciech Group's general sales trends. Goods identified as especially prone to seasonality are strongly connected with agriculture, i.e.:

- artificial fertilizers,
- raw materials for manufacture of fertilisers,
- plant protection chemicals.

The concentration of sales of fertilizers takes place in the 3rd quarter of the year. This results from increased use of fertilizers for field fertilisation in autumn. Similarly, the majority of plant protection chemicals are used in the 1st quarter of the year, during the period of intense plant growth when approximately 90% of total sales of these products take place.

Seasonality of sales is recorded in the two key product ranges of the glass products segment: glass blocks and glass lanterns. The highest sales for those product ranges are recorded between May and October (blocks) and June and November (lanterns). Measures were taken in the 1st quarter to reduce the impact of seasonality by introducing a sales system with longer payment deadlines and factoring settlements.

In the case of other products the level of revenues and financial results of the Group in the financial year is not subject to significant seasonal fluctuations. Therefore, the influence of seasonality on the amount of the Group's total sales is relatively low.

5 Explanation of differences between the financial results and previously published forecasts of the results.

By virtue of the current report no. 33/2007 of 10 May 2007 the Management Board of CIECH S.A. published the updated forecast of the consolidated results of the Ciech Group for 2007. The forecast assumed the achievement of the consolidated revenues from sales at the level of PLN 3 500 million, and consolidated net profit of the Ciech Group in the amount of PLN 220 million. Upon the analysis of the financial results of the key companies of the Ciech Group for the period of 6 months of 2007 and basing on the prepared estimations of the financial forecasts of the Ciech Group (6+6) 2007, the Management Board of CIECH S.A. decided to update the forecast of the Group's consolidated financial net result for 2007 to the level of PLN 251 million. The update of the forecast was published in the form of the current report no. 57/2007 of 9 August 2007.

The net sales revenues for 2007 amounted to PLN 3,414,979 thousand, which means they were lower than planned by more than 2%. Net profit for the financial year 2007 cleared by the Ciech Group amounted to PLN 241,857 thousand. The difference by approx. 4% between the forecast profit and the net result cleared by the Group is the result of mainly (a) the growth of the depreciation of the assets identified and valued to the fair value in the following companies - ZACHEM S.A., Zech. Organika-Sarzyna S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., these companies were taken up by the provisional settlement at 31 December 2006, (b) higher costs of the merger of the soda companies and (c) higher than planned loss in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.

6 Factors affecting the financial results of the Ciech Group

Positive factors

- Maintaining a relatively high growth pace of the domestic sales of the chemical products (in the range of 7-8%; according to the data for 12 months of 2007), which is slightly lower than the dynamics of the entire Polish industry.
- High over-ten-per cent growth of the sales of building production (for which the chemical industry manufactures a number of raw materials and semi products).
- Good business climate in the European glass industry, of the main buyer of soda ash, resulting in the high level of prices of this type of soda.
- Good business climate on the agrochemicals market confirmed by the large domestic growth of the production of artificial fertilizers and pesticides (over 9% and 12% respectively in relation to the entire previous year; according to the data for 12 months of 2007).
- Maintaining high prices of phosphatic and compound fertilizers on the global markets (approx. as compared to the previous year) triggered by a growing demand – especially of the developing countries.

Negative factors

- Fast growth of oil prices triggering the growth of raw material prices for the organic industry.
- The price growth of particular raw materials (coke used in the production of soda ash and phosphorites used for the production of sodium tripolyphosphate [STPP]).
- Unchanged high rate of the Polish currency (against EUR and USD), which was uncongenial to the Ciech Group's export profitability.
- Due to the realization of the purchase price allocation of the shares of ZACHEM S.A., Z. Ch. Organika-Sarzyna S.A. and S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. the valuation of net assets to the fair value was carried out, which significantly increased the depreciation value in 2007 and for the future.

7 Description of the use of proceeds from issuance by the Issuer

The issue prospectus of CIECH S.A. was made publicly available on 6 January 2005, and on 10 February 2005 the shares of CIECH S.A. had their debut on the Warsaw Stock Exchange. The Issuer defined in the prospectus the investment programme covering a range of projects of the total value of outlays in the amount of PLN 500-600 million realised in 2005-2006. To finance the investment plan, CIECH S.A. used all the funds generated from the issuance as well as the internal and external funds in the form of long-term investment credits. The funds from issuance were not used any more in 2007.

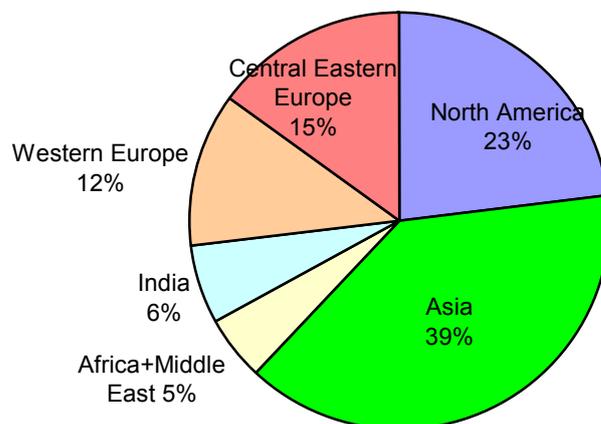
8 Information on the fundamental products, goods and services

Characteristics of the main branches and markets of the Ciech Group activity.

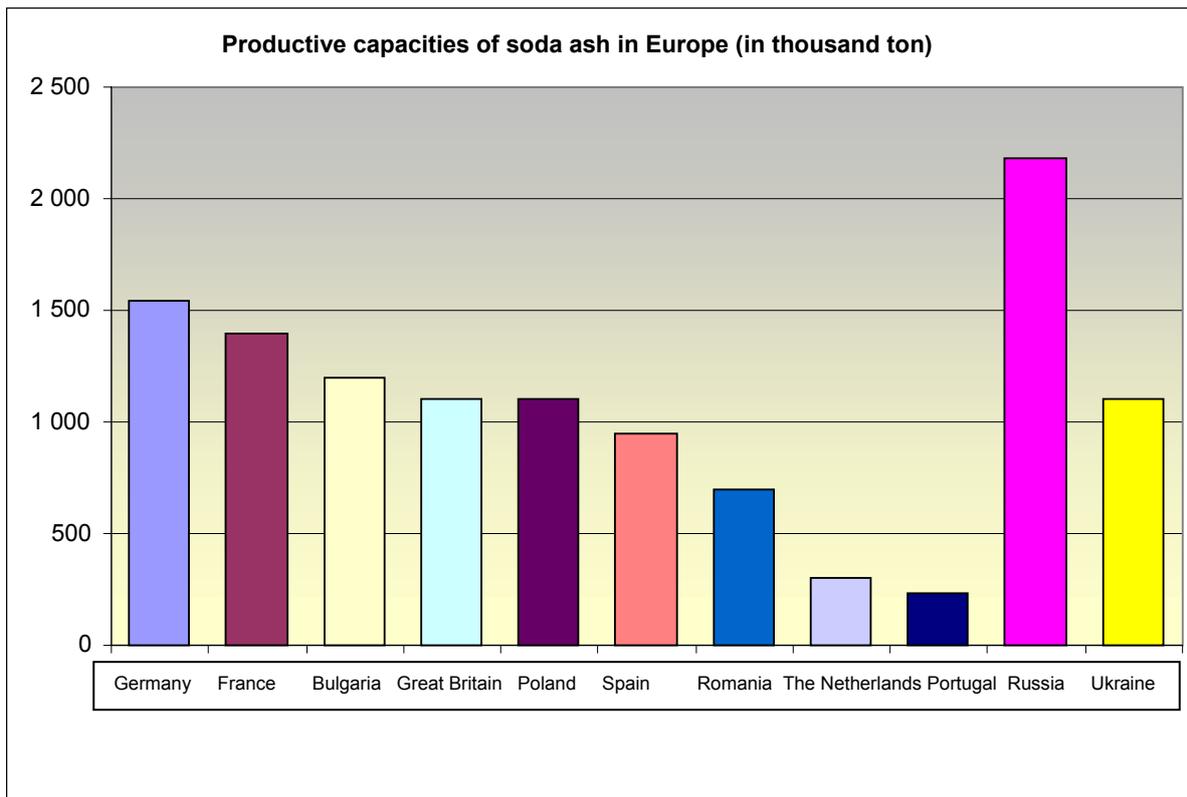
Soda ash

World production capacity within the range of soda ash is estimated at approx. 55 million ton annually, therefrom 45% falls on Asia (in which India-6%), North America - 23%. 12% of world production capacity is located in Western Europe, while 15% of it is located in Central-Eastern Europe.

Global productive capacities of soda ash (2007 - 55 million ton)



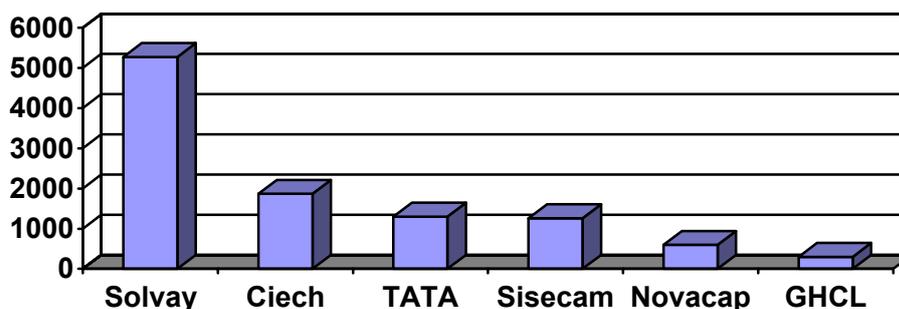
Poland belongs to the leading European soda ash producers with the production capacities at the level of 1.1 million ton annually. Only in Germany, France, Bulgaria and Great Britain are the capacities larger than Polish.



The European soda ash market belongs to several producers. Solvay is the leading producer of soda in Europe with the capacities at the level of 5.3 million ton annually. Ciech Group is on the second place with the annual capacities of 1.9 million ton located in Poland (two factories), Romania and Germany. The third manufacturer in this ranking - TATA (India) owns production capacities of 1.3 million ton of soda ash in Europe.

Productive capacities of the largest European soda ash producers

thousand ton



The demand for soda ash mainly depends on the demand for flat and packaging glass. Different buyers from the chemical branch, including quite significant – detergent producers are of slightly less importance in the soda reception.

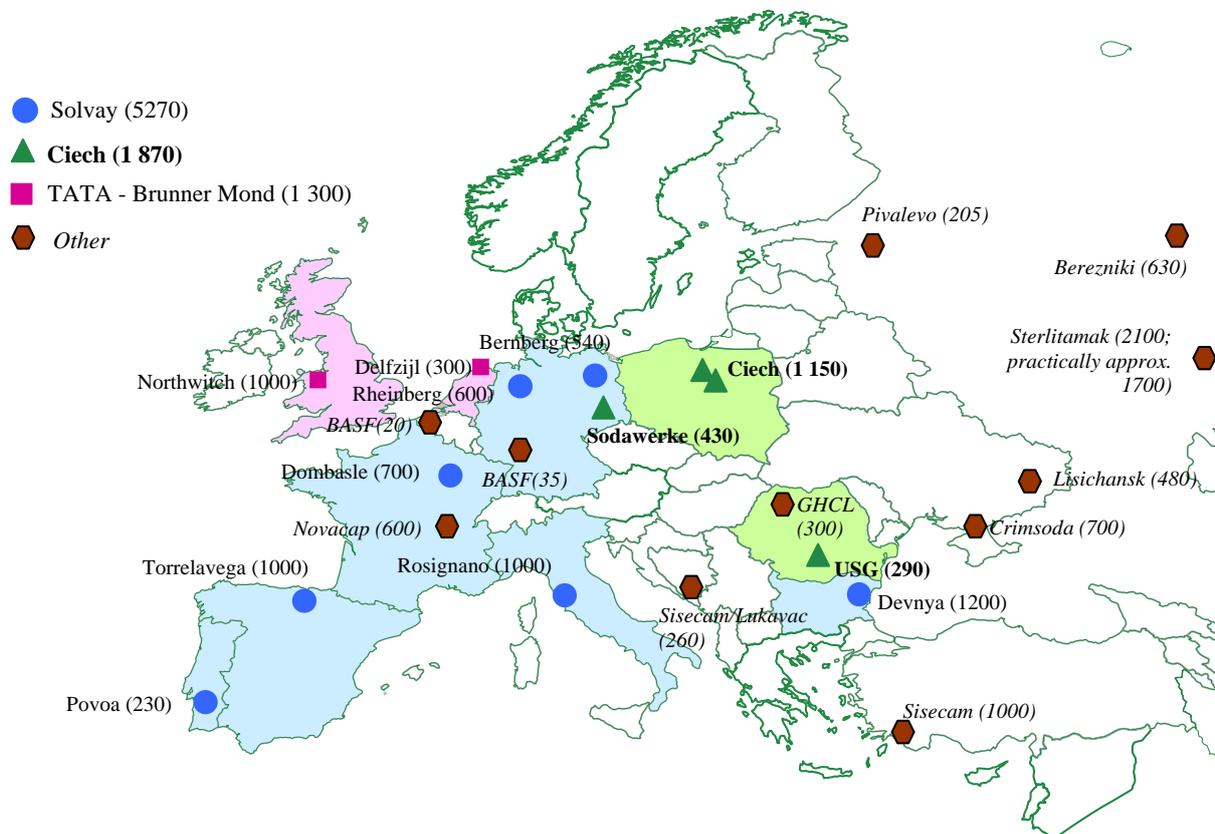
For some time now, a high dynamics of the demand on the part of those branches has been determining the large demand for soda ash. The situation was similar in 2007. The motivating powers of the demand growth were caused by the developing countries: China, India and some countries of Latin America. In Central-Eastern Europe, thank to good business climate in the construction sector, the demand for soda ash has also dynamically grown. The effect of the growing demand for soda ash was observed in prices: a few per cent on the turn of 2006/2007 and further more than ten per cent on the turn of 2007/2008.

It may be expected that the current global situation of the advantage of demand over supply on the soda ash market in the nearest time will not significantly change. The extension of factories planned in some European or

Asian countries will not manage to fully satisfy the demand, especially in the regions characterized by the largest potential of the consumption growth.

The experts predict the increase in the global demand at the level of 4% annually, whereat the majority of this increase shall be falling on China (up to 8% annually). A strong demand is also recorded on the markets of Central Europe and Middle East.

European soda ash producers /productive capacities (data in thousand ton)



Mineral fertilizers

For many seasons the decline in the general consumption of mineral fertilizers has been observed in the countries of European Union. Within five seasons (2000/2001 – 2005/2006) this decline amounted to 10.5%. In the EU-15 countries, where 80% of the fertilizers of the entire EU-25 are used, this decline exceeded 14%. It was caused by the pro-ecological politics, promoting ecological farming and extending the land use. The crop overproduction and high costs of fertilizer production became additional factors triggering the decline of fertilizer consumption.

Different tendencies have been observed in the new member states of EU, where the fertilization level largely deviates from the level of EU-15. In these countries, the tendency is to increase the fertilizer consumption (in 2000-2006 the demand for mineral fertilizers increased by 11%). The largest dynamics was observed in Poland and Hungary (14%) and in Czech Republic (27%).

Globally, the fertilizer consumption increased by 14%, the largest in the developing countries by more than 27%, and in the developed countries the consumption fell by 9%.

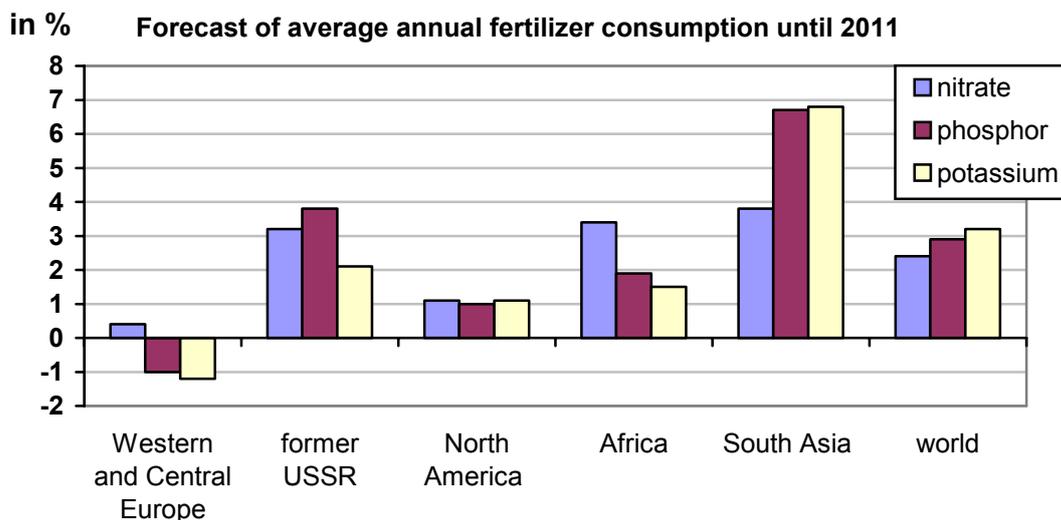
Source: IERiGŻ, data regarding the 2004/05 season

In Poland and other countries of EU-10 the fertilizer consumption per 1 ha of agricultural lands (UR) is lower than in the EU-15 countries and on the average for EU-10 it is 85 kg/ha UR. In Poland this ratio is 102 kg/ha UR and is close to the average level of EU-15, but it is considerably lower than in the Netherlands (200), Germany (151) or France (132). According to the GUS [Central Statistical Office] data, in the last season 2006/2007 the fertilizer consumption in Poland was on the average 121.8 kg/ha UR, which means that within two years it increased by 19%. The structure of fertilization in the Union is diversified. The largest part in fertilization: nitrogen – 61.2%, phosphor – 18.2%, potassium – 20.5%. In Poland respectively: 53.6%; 20.9% and 25.5%.

2007 was the period of a clear boom on the fertilizer market in Europe and in the world. The favourable climate conditions in Europe in the first quarter of 2007 caused the earlier beginning of the spring season, thus contributed to the faster start of the mineral fertilizer sales. The low crop stocks in the USA and the growing demand on the part of the biofuel manufacturers for raw vegetable materials for the production of bio components

led to a sudden growth of the prices of corn growing. Consequently, the growth of the demand for crop caused an increased demand for fertilizers appropriated for their growing. The situation in the USA also affected other countries. In the effect the markets in Brazil, Argentine, and even in India boomed.

A large growth of the demand for all types of fertilizers was recorded, which led in a short time to a clear increase in their prices, even by tens of per cent. The Polish producers also benefited from the good business climate on the fertilizer markets. Their production grew considerably as compared with the previous year. The largest growth was recorded in potassium fertilizers (by 26% per a pure component – i.e. 328 thousand ton K₂O). The production of phosphoric fertilizers increased by more than 10% (650 thousand ton P₂O₅), and by more than 6% of nitrogen fertilizers (1,818 thousand ton N).



Source: IFA

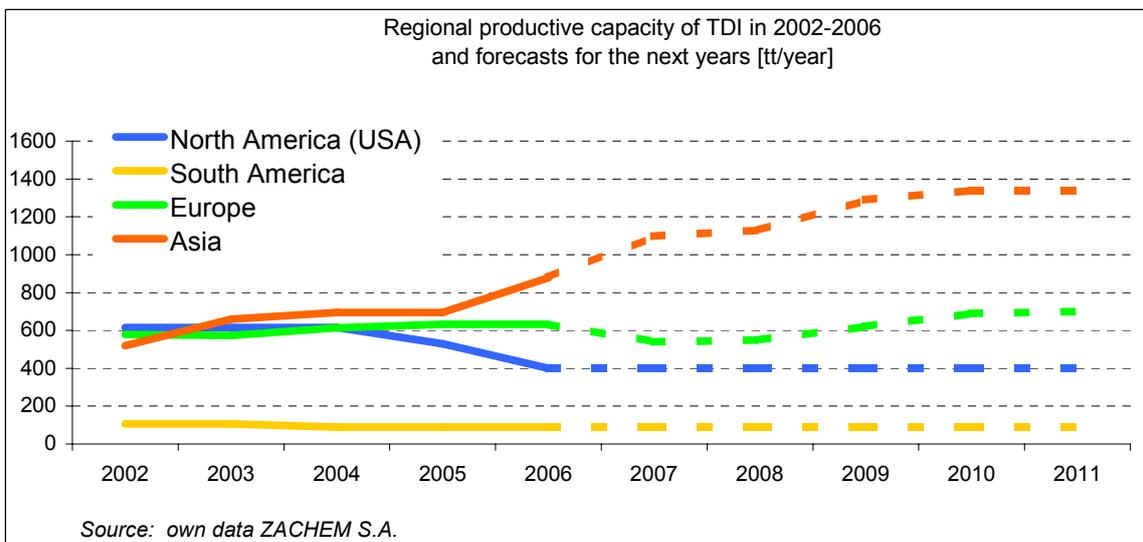
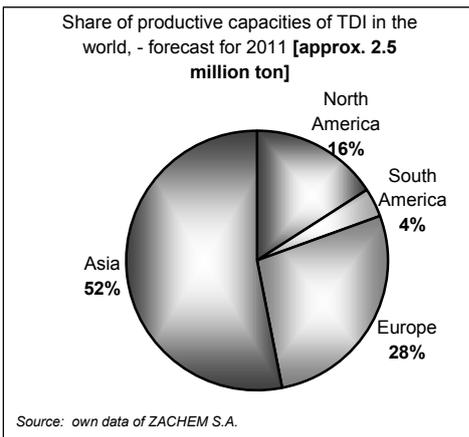
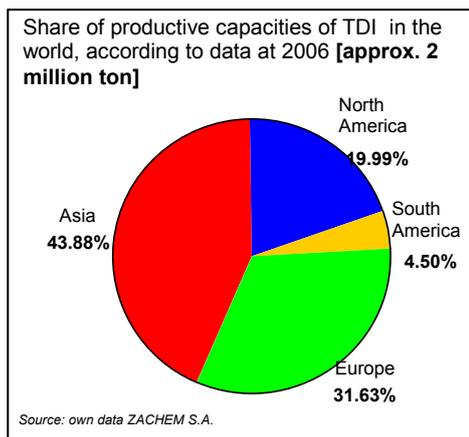
The experts in the fertilizer branch predict a good business climate for the nearest years. The development of the biofuel market and the lack of balance on the food market on a global scale will be conducive in the long-term perspective to the growth of demand for mineral fertilizers. International Fertilizer Industry Association (IFA) predicts the growth of demand for all types of fertilizers on a global scale until 2011. The largest growth of the consumption is predicted for the fertilizers containing potassium (on the average 3.2% annually), and lower for phosphoric ones (2.9%). The lowest growth is predicted for nitrogen fertilizers (2.4%).

However, the significant differentiation of forecasts is visible depending on the region. The largest growth prospects are anticipated for the countries of the former Soviet Union, South Asia and Africa, where the consumption growth is likely to reach several per cent annually depending on the type of fertilizers. A decreasing demand is predicted for Western Europe, which shall be a continuation of the trend observed in this region for several years. The countries of Central Europe contrary to the Western European ones are going to consume more and more quantities of fertilizers throughout the nearest years.

Toluene diisocyanate (TDI)

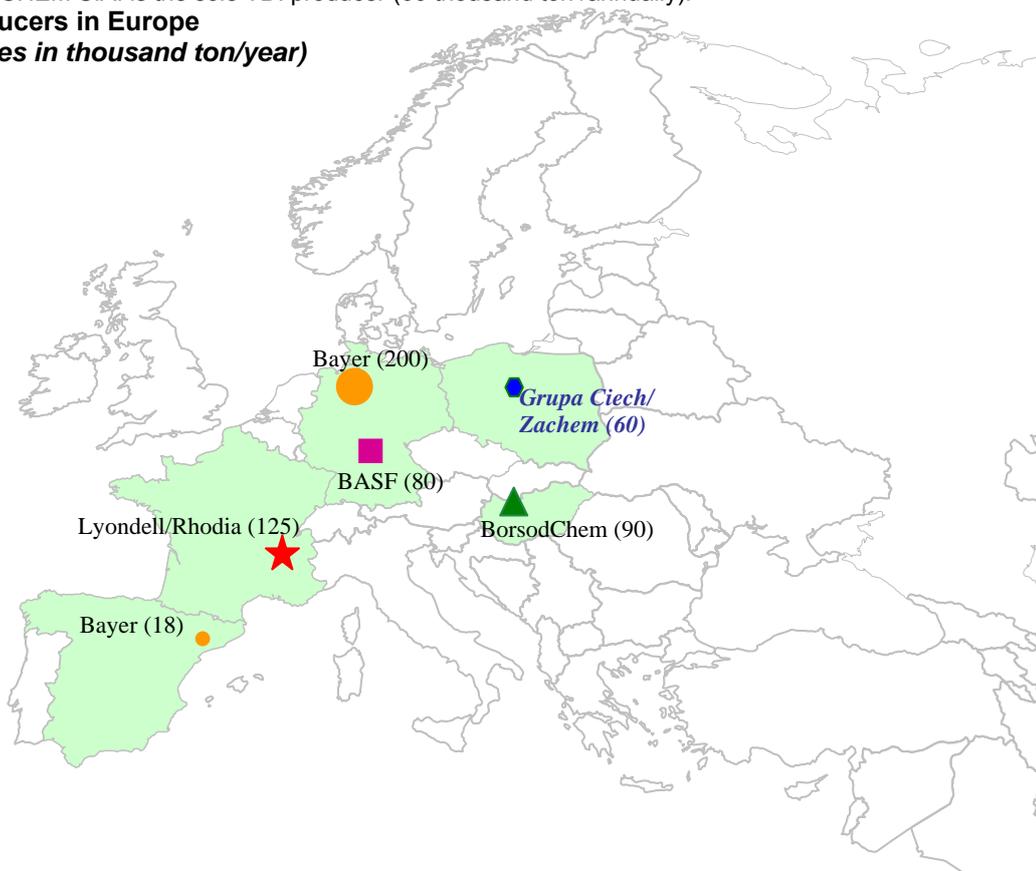
Globally, nearly 90% of TDI is used for the production of soft polyurethane foams (used mainly in the production of furniture and automotive). Other TDI volumes are appropriated for the production of paints and varnishes and other chemicals for various applications.

It is estimated that the current global production capacities of TDI are approx. 2.1 million ton, the majority of which are located in the Asian countries – mainly in China. Until 2011 the production capacities should increase to the level of 2.5 million ton.



The world leaders, whose total production capacities reach 2/3 of the global capacities, are as follows: *BASF* – 560 thousand ton/annually. (China, the USA, Korea, Germany), *Bayer* – 418 thousand ton (the USA, Germany, Spain), *MITSUI* - 250 thousand ton/annually. (Japan), *DOW Chemical* - 170 thousand ton/annually. (the USA, Brazil). *ZACHEM S.A.* is the sole TDI producer (60 thousand ton /annually).

TDI producers in Europe
(capacities in thousand ton/year)



It is estimated that the TDI demand on the world market accounts for 90% of the existing production capacities and reach the level of approx. 1.85 million ton. The domestic market of TDI amounts to 30 thousand ton, out of which the share of the Ciech Group accounts for 50%. Other volumes are imported, mainly from Hungary – Borsodchem product.

The average annual dynamics of the change in demand for TDI

	5 previous years	Forecast for the next 5 years
World	4.5%	3 – 4%
Europe	4%	2.5 – 3%
Poland	3%	3%

Epichlorohydrin (EPI)

The demand for epichlorohydrin strictly correlates with the development of the epoxy resin market, especially the resins characterized by higher properties and new applications. It is estimated that the global demand for epoxy resins is going to increase in the nearest years on the average by approx. 3% annually. Therefore it should be assumed that the EPI market is going to develop in the same pace. Especially favourable outlook on the growth of demand in this field is predicted on the Asian and Central and Eastern Europe, which record the largest (approx. 5 %) annual dynamics.

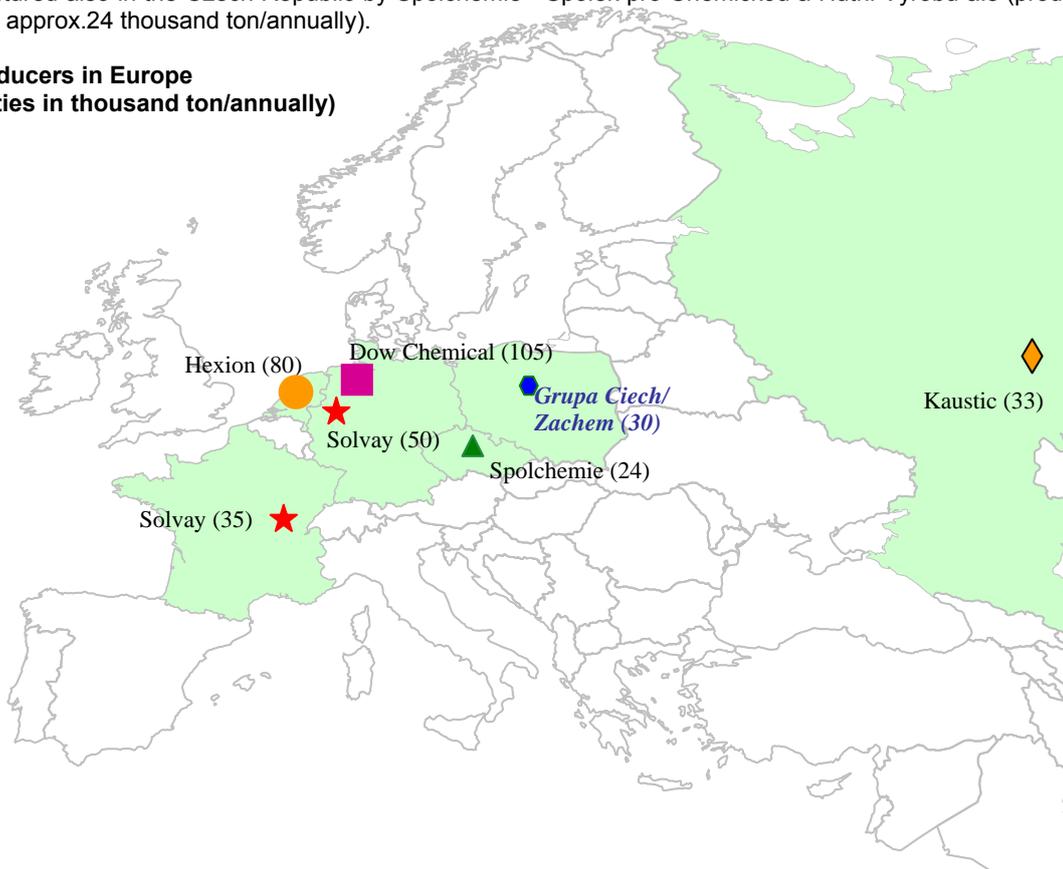
The average annual dynamics of the change in demand for EPI

	5 previous years	Forecast for the next 5 years
World	2 - 3%	approx. 3%
Europe	1 - 2%	approx. 2%
Poland	1 - 2%	2 - 3%

It is estimated that the global production capacities of epichlorohydrin are currently approx. 1.3 million ton and in the next years they are going to grow at the rate of approx. 2.3% annually. Approximately 400 thousand ton of resins are produced In Western Europe. The sole producer of epichlorohydrin in Poland is ZACHEM S.A. (production capacities 30 thousand ton/annually). The share of Ciech Group on the domestic market reaches 80%.

The Ciech Group is present on the world market of this product, where its competitors are the global consortiums (DOW Chemical, Solvay and Hexion) and smaller companies with the production capacities of less than 50 thousand ton annually, located mainly in the countries of Europe and Asia. In Central Europe, EPI is manufactured also in the Czech Republic by Spolchemie - Spolek pro Chemickou a Hutni Vyrobu a.s (production capacity approx.24 thousand ton/annually).

**EPI producers in Europe
(capacities in thousand ton/annually)**

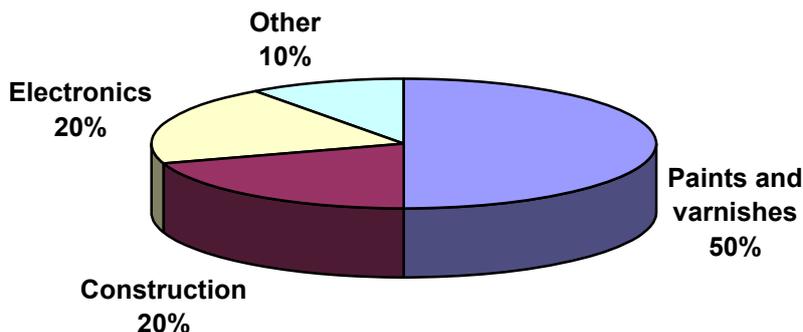


Epoxy resins

It is estimated that approximately:

- 50% of the manufactured epoxy resins find use in the production of paints and varnishes (chemo resistant, insulating, electro insulating), adhesives (for metals, glass, ceramics, thermosetting plastics, including cold and hot set),
- 20% of epoxy resins find use in the construction business (in the form of floor levelling compounds, cements, putties, binding agents, protective coatings, linings of the walls in rooms exposed to the activity of chemically aggressive media),
- 20% of epoxy resins are applied in electronics (for the production of insulators).

Epoxy resin market by application



The value of the global production of epoxy resin reaches USD 15 billion. It is estimated that worldwide there are approximately 50-100 producers of the fundamental products in the form of epoxy resins and hardening agents. On the global market over 70% of resins are manufactured by four largest consortiums. These are: Hexion, Dow Chemical Company, Huntsman Advanced Material and NanYa. These companies own plants producing epoxy resins in the basic form (Unmodified), and converted resin forms.

Spolchemie - a Czech company is the largest epoxy resin producer in Central Europe.

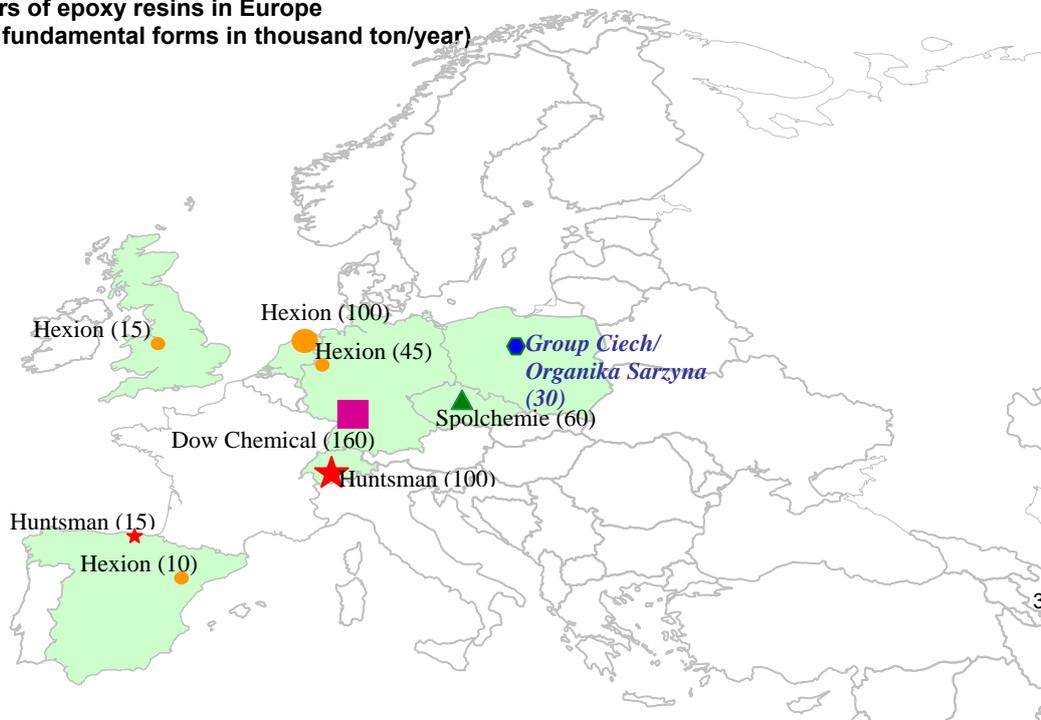
Depending on a survey agency, the epoxy resin world market is valued at approx. 1.2 – 1.5 million ton. Approximately 600 thousand ton of the consumption falls on Europe. In Poland the demand reaches more than ten thousand ton of those resins per annum.

The average annual dynamics of the change in demand for epoxy resins

	5 previous years	Forecast for the next 5 years
World	17.3%	4.6%
Europe	6.4%	3.3%

The sole producer of epoxy resin in Poland is ZACHEM S.A. (production capacities 30 thousand ton/annually). The share of Ciech Group on the domestic market reaches 30%.

Main producers of epoxy resins in Europe (capacities of fundamental forms in thousand ton/year)



Plant protection chemicals

European market

The value of the Western European market of plant protection chemicals exceeds EUR 6.5 billion, accounting for 30% of the world market. The share of the countries of North America and the Asian region amounts to approx. 24% each. 21% of the world consumption of plant protection chemicals falls on other regions of the world.

6 major international producers dominate the plant protection chemicals market, i.e.: Bayer, Syngenta, BASF, Dow, Monsanto and DuPont. These companies are the main players on the market who shape the image of plant protection chemicals among farmers and who have a considerable influence on the development of new technologies, legislature in the world and development directions. The share of 6 largest producers in the total world sales is estimated at approx. 80%.

The value of the plant protection chemicals market in Europe* in 2005-2006 according to groups

Group of chemicals	Value in million EUR		% 2006/2005	Structure in % 2006
	2005	2006		
Herbicides	2 842	2 865	+0.8	44
Insecticides	979	944	-3.6	14
Fungicides	2 592	2 472	-4.6	38
Other	275	297	+8.0	4
In total	6 689	6 578	-1.7	100

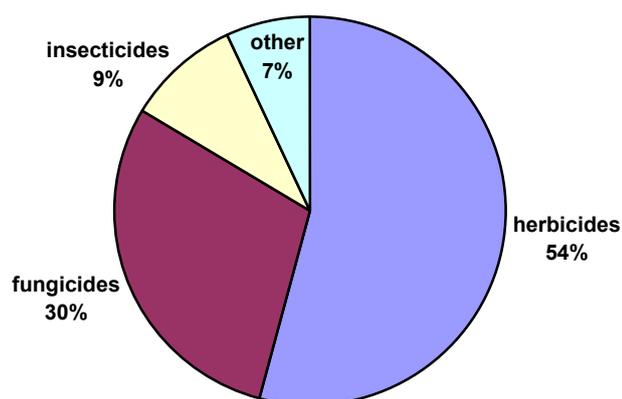
Source: ECPA, own calculations; * regarding EU-25 +EFTA

Herbicidal chemicals – herbicides (44%) and fungicidal chemicals - fungicides (38%) dominate in the structure of the European consumption of plant protection chemicals. 18% of the consumption in total falls on other groups. The largest share in the sales falls on preparations for crop protection (more than 30%). Corn (9%), grapevine (10%), potato (5%) or apple and pear (4%) growing are of less significance. Recently, the significance of the protection of rape (8%) and sugar beet (5%) growing has increased.

Market in Poland

Over a half of plant protection chemicals used in Poland are herbicides due to a large share of crop in the arable lands. Almost 30% of the consumption falls on fungicides, and 9% on insecticides.

Structure of plant protection chemical consumption in Poland



The supply of plant protection chemicals in 2007 according to the initial estimates (IERiGŻ) was 17.5-17.6 thousand ton of active substance and was higher by 2-3% than the year before. The consumption was 1.4 kg of active substance, against 1.3 kg the year before per 1 ha of arable lands and orchards.

The imported preparations accounted for over 60% of the offer. This share has remained on a high level for many years and from year to year it has been growing at a pace of several per cent.

The supply of plant protection chemicals in Poland in 2005-2007 in tons of active substance

	2005	2006	2007	%2007/2006
Supply in total	16039	17102	17500-17600	+2.3 to +2.9
including:				
Domestic production	6116	6190	N/a	
Import	9923	10912	N/a	
Consumption in kg/ha	1.3	1.3	1.4	

Source: IERiGŻ

In 2007, 756 preparations were admitted to trade on the Polish market.

Based on the directive of the European Union, the process of reviewing all plant protection chemicals used in Poland and the countries of the Union has been taking place. In the effect of these works the number of preparations admitted to trade in the EU has decreased. Since 2004 the number of the preparations sold in Poland has decreased by approx. 1/3.

The expert predictions assume that in the nearest years a slight upward trend in the sales of plant protection chemicals in Poland will continue, supported, *inter alia*, by: the growth of subsidies from the EU, growing number of large farmsteads and the development of the biofuel market.

Average annual dynamics of the change in the demand for plant protection chemicals

	5 previous years	Forecast for 2008
World	3.2%	0.9%
Europe	6.4%	0.9%
Poland	3-5%	3-4%

Other information is presented in Appendix No. 1.

9 Information on the changes of trade area

Information is presented in Appendix No. 2.

10 Information on the changes of sources of the supply in the materials for production, goods and services

Information is presented in Appendix No. 3.

11 Information on the concluded agreements significant for the activity of Ciech Group (including those concluded between the shareholders and insurance and cooperation agreements)

Significant agreements are described in point 2 of this Activity Statement of Ciech Group activity for the 2007.

12 Description of transaction with affiliates

The description of transactions concluded between the affiliates is in point 31.5 of the additional information and explanations to the consolidated statement of Ciech Group.

13 Information on credits borrowed, agreements for loans, and guarantees and sureties.

Information is in points 24,27 and 28.3 of the additional information and explanations to the consolidated statement of Ciech Group

14 Information on the relevant off-balance sheet items

Information is in points 28 of the additional information and explanations to the consolidated statement of Ciech Group

15 Information on employment

The employment level in Ciech Group (parent company of CIECH S.A. and subsidiaries consolidated by full method) in 2007 was 7,420 personnel. In the comparable period, i.e. in 2006 the employment level was 7,024.

A considerable increase in the employment level in Ciech Group at the end of 2007 in the comparison with the analogical period in the previous year is the effect of the accession of new companies of Soda Deutschland Ciech Group into the Group. The total employment level in the newly acquired Group at the end of 2007 was 404 people.

16 Significant achievements in the area of research and development of Ciech Group

The development of innovation and development activities constitutes one of the crucial areas of the currently implemented strategy of Ciech Group for 2007 – 2012. In 2007 the Management Board of CIECH S.A. undertook the actions heading for the separation of the organizational structure, responsible for the research and development area.

INNOVATION AND RESEARCH AND DEVELOPMENT ACTIVITIES IN CIECH GROUP

The Research and Development Office was appointed to improve the coordination of the works related to the research and development activity and innovative projects. The organizational assumptions concerning the functioning of the R&D structure in the Group were developed.

COUNCIL OF EXPERTS

In the second half of the year 2007 the Council of Experts with the President of CIECH S.A. was appointed. The Council of Experts is an advisory and consultative body offering its professional knowledge to the Management Board of CIECH S.A. in the area of:

- innovation and development policies of the Ciech Chemical Group resulting from the strategy approved for implementation,
- innovation projects within the domain of new/improved products and processes planned for implementation by the Ciech Chemical Group companies and divisions,
- innovation and development projects for the existing systems as far as their modernization and technological and power optimisation is concerned, including the requirements of the best available techniques (BAT), policies for implementation of the REACH system and the Environmental Protection Rights,
- organization of partnership between companies and divisions of the Ciech Chemical Group, and science and research institutions (Higher Education Departments, Research and Development Units, Institutions of the Polish Academy of Sciences (PAN)).

The most renown Polish scientists support the activity of CIECH S.A. in the area of innovation and development. The Chairman of the Council of Experts is Professor Henryk Górecki at the Wrocław University of Technology who is also a Vice-Chairman of the Council for Science with the Ministry of Science and Higher Education.

The inaugural meeting of the Council of Experts during which the draft of the activity and cooperation programme in the innovation field was established, was attended by numerous eminent figures in the world of science were present. Among the participants were presidents of schools, deans of chemical departments, directors of research and development units.

COOPERATION WITH RESEARCH AND DEVELOPMENT UNITS

The Research and Development Office undertook actions aiming at tightening and extending the cooperation with research units. In 2007 the first framework agreements with Research and Development Units operating in the branch area concurrent with the production profile of the companies of Ciech Group were signed. Next agreements are currently under negotiations.

COFINANCING OF RESEARCH AND DEVELOPMENT PROJECTS WITH THE USE OF AID FUNDS

The Council of Experts undertook actions aiming at extending the cooperation with Research and Development Units and schools. Its initiatives resulted in selecting 17 development projects standing a chance of obtaining the supplementary financing within the programmes carried out by the Ministry of Science and Higher Education. The Ciech Group undertook the cooperation with the consulting companies to identify the possibilities of obtaining supplementary financing from the programmes of the European Union.

KEY INNOVATION AND RESEARCH AND DEVELOPMENT PROJECTS

In 2007 the companies of Ciech Group appropriated considerable funds for innovation and development investments, the most important of which are as follows:

- **System to produce dense "monohydrate" soda**
In the first part of 2007 a new system to produce dense "monohydrate" soda was launched. The modified product is characterized by a range of features facilitating its further processing.
- **New products within the framework of salt project.**
The investment enabled to extend the assortment of vacuum salt for new market products– salt tablets.
- **Modernization and extension of the epoxy resin production.**
In the second part of 2007 a modernized system to produce epoxy resins was launched. Apart from increasing the production capacities by 15 thousand ton, the technological solutions applied enabled to significantly reduce the process duration, which translates into savings of the energetic factors.
- **Modernization and extension of the PUR foam systems.**
A new PUR foaming head was launched in the second half of 2007. The technological solutions applied shall enable to implement a new assortment for the production.
- **System to produce granulated NPK fertilizers based on waste products**
In 2007 Z.Ch. Alwernia obtained an integrated permit, which enabled the operation of the system to produce granulated NPK fertilizers, based on waste products. The increase of assortment with new products using dolomite and other collateral substances is planned for the nearest years.

Additionally, 2007 the companies of Ciech Group carried out the research works regarding:

- optimisation and intensification of the soda ash production,
- development of the new technology of epichlorohydrin production,
- development of the new technology to produce TDI,
- development/improvement of the methods plant protection chemicals production,
- extension and improvement of the company product assortment.

Achievements in Research and Development in the area of the production potential of the Ciech Group companies

SODA MATWY S.A. - in the area of the Company's production potential the projects were realised in the following areas of the activities:

- Developed concept of the improvement of production capacities of soda ash system.
- Completion of research and implementation of the production process of a new product for mining – Anti-pyrogens C – with the EMES – MINING Service – Katowice cooperation.

JANIKOSODA S.A. - in the area of the Company's production potential the projects were realised in the following areas of activities:

- Completion of the development of Feasibility Study of the power engineering Company optimisation – Heat and Power Plant Modernization– based on the latest technical solutions of boilers in compliance with the co-generation of energy production.

Alwernia S.A. - In the area of the Company's production potential the projects were realised in the following areas of activities:

- Completion of research in the area of the improvement of sodium tripolyphosphate [STPP], food grade.
- Initial evaluation of A4 zeolite production capabilities within of the existing systems to produce phosphate salts (outlay estimation and calculation). Intensive research concerning the extraction of A4 zeolite is carried out.

GZNF FOSFORO Sp. z o.o. – in the area of research and development of the Company's production potential the main projects include:

- Completion of research carried out in the Company and marketing of the Amofoska - NPKMg+B compound fertilizer manufactured in the complex non-waste technology.

ZACHEM S.A. - in the area of the research and development of the Company's production potential the projects were realised in the following areas of activities:

- Completion of the pre-project studies for the construction of the new system of the DNT/TDA sub-complex which are the semi-products for the TDI production, the key system parameters were determined.
- Completion of the pre-project studies for the construction of the new system to produce chlorine according to the technology compliant with the requirements of BAT (Best Available Techniques).

Z.Ch. Organika – Sarzyna S.A. - in the area of the research and development of the Company's production potential the projects were realised in the following areas of activities:

- Completion of the investment concerning the intensification of the epoxy resin production. Introduction of technological and technical changes enabled to increase the system production capacities up to 35 thousand ton/year. New solutions reducing oppressive working conditions and the system's environmental impact.
- The modernization and extension of production capabilities of polyester resin systems concept was developed – meeting the growing demand for these products and the optimisation of the technological processes.

In 2007 the companies of Ciech Group appropriated PLN 87.4 million for innovation and research investments, accounting for 2.5 % of the Group's revenue.

Other achievements in Research and Development

CIECH S.A.

On 22 and 23 March 2007, CIECH S.A. was audited by KEMA Quality Polska Sp. z o.o. – a certification company. The audit approved a full compliance of the Quality Management System in CIECH S.A. with the requirements of ISO 9001:2000 norms in the following area: "Commercial activity on the domestic and foreign markets in the area chemicals, chemical raw materials and related products".

In the effect of the works of Risk Committee of the Ciech Group regarding the adoption of the optimum strategy in information security risk management, the Management Board of CIECH S.A. approved the motion concerning the implementation of information security risk management, in compliance with the PN-ISO/IEC 27001-2007 norm and its integration with the existing Quality Management System, in compliance with the ISO 9001:2000 norm. In the effect of the adopted decision the Task Force for the implementation of the Information Security System in CIECH S.A. was appointed.

The adoption of a new strategy for the Ciech Group was accompanied by the works related to the change of the organizational structure, covering the area of research and development. The Research and Development Office was appointed on 1 July 2007. The key objective of the unit is:

- optimum use of the funds appropriated for the realization of the Group's strategic projects, in the effect of which new technologies are going to be formed or the existing ones are going to undergo major modifications,
- initiation and conducting projects which aim at the introduction of new products and the rationalization of costs in all areas of economic activity,
- coordination of research activity, carried out in the Ciech group and
- continuous cooperation with eminent experts in chemistry and technology, the so-called Council of Experts, constituting the advisory and consultative body of the Management Board of CIECH S.A. in the Ciech Group's action areas related to the research and development activities.

Works on adjusting the organizational structure to the assumptions of the new strategy were continued in order to realise the Company's strategic business and development objectives, management centralization and optimisation of all operations related with the agricultural sector and glass industry. Two new business Divisions were formed: Agro Division and Silicates and Glass Division.

In relation to the expiration of the validity of the certificate, in October 2007 CIECH S.A. underwent the Recertification Audit by KEMA Quality Polska Sp. z o.o. concerning the compliance of the management system with the requirements of the ISO 9001:2000 norm. In the effect of the successfully completed audit CIECH S.A. obtained the quality certificate valid until 1 November 2010.

Also in October, the first audit in the Soda Division was carried out by SGS Polska Sp. z o.o. concerning the compliance of the Quality Assurance System with the GMP B2 standard regarding the trade of fodder materials (sodium bicarbonate and soda ash). No system incongruity was disclosed in the effect of the audit.

17 Information regarding the issues of natural environment protection

In 2007 the production companies of the Ciech Group continued their production activity according to the administrative decisions in force and the majority of them (GZNF FOSFORNY Sp. z o.o. does not have ISO 14001) in accordance with the owned and maintained environmental management system according to the ISO 14001 norm or the integrated management system according to the ISO 9001, ISO 18001, ISO 14001 norms (ZACHEM S.A. and Z.Ch. Organika – Sarzyna S.A.).

As regards the integrated permits significant progress was recorded:

SODA MAŁY Group

- Soda Polska Ciech Sp. z o.o. formed in November 2007 by the fusion of two Companies: SODA MAŁY S.A. and JANIKOSODA S.A., as well as the previously separately functioning production plants conducted operation based on the important administrative decisions; the most important of them are integrated permits, water permits and decisions regarding waste management. In the appropriate decisions the Kujawsko-Pomorski Voivode transferred the rights and responsibilities arising from the permits issued to the both soda Companies to the newly formed Soda Polska Ciech company. In accordance with the requirements of the integrated permit the Kujawsko-Pomorski Urząd Wojewódzki [Voivodeship Office] in Bydgoszcz was handed over the information concerning:
 - market survey in the area of the full management of post-soda lime manufactured in the system for the production of post-soda lime and the actions to improve the quality parameters of calcium fertilizer,
 - actions to reduce the noise emission from the plant.

VITROSILICON S.A.

- All production plants belonging to the Company (in Iłowa, Żary and Pobiedziska) hold up-to-date integrated permits issued for 10 years.

Alwernia S.A.

- The plants hold the permits required by the law to use the environment. In 2007 the Company obtained the further integrated permits for newly built system for the production of NPK fertilizers and for the exploited landfill. The landfill exploited by the Plant holds an up-to-date instruction of exploitation approved by the Voivode's decision. The plant also holds up-to-date water permit for the treated sewage discharge to Regulanka stream.

GZNF FOSFORNY Sp. z o.o.

- In the Company obtained the integrated permit for the system for the production of sulphuric acid, and mineral fertilizers. With relation to the appeal filed by the Wrzeszczańskie Komitety Obywatelskie, in 2007 the Minister of Environment derogated the abovementioned permit and transferred the case to a be reinvestigated by the Pomorskie Voivode. Upon the submission of the suitable explanations and supplements, in September 2007 the Company obtained the integrated permit for the abovementioned systems valid until 25 December 2016.
- On granting the integrated permit for the production systems, in consideration of the conducted procedure of closing a phosphogypsum landfill, lack of other locations for this kind of facility and in consideration of the production capacities of the system the Pomorskie Voivode reduced the possibility to manufacture waste phosphogypsum to the volume of 250,000 ton/year and obliged the Company to withhold the exploitation of the system for the production of phosphoric acid, unless there is no other way to manage the manufactured phosphogypsum in the manner other than by storing in the Wiślinka landfill. In March 2007 the Pomorskie Voivode 2007 took actions to close down the Wiślinka landfill. The project of the phosphogypsum dump closure and recultivation assumes the entire closure of the dump by the end of 2009 with the use of fresh phosphogypsum for that purpose. In June 2007 Pomorskie Voivode issued a decision permitting for the recovery of phosphogypsum type waste in the process of closing down the Wiślinka landfill. The decision was valid until 31 December 2007.
In February 2008 the governor of the Pomorskie Voivodeship, with regard to the Wiślinka phosphogypsum landfill, submitted the decisions:
 - declaring the obligation to close down the landfill by 31 December 2009,
 - granting permit for the recovery by recultivation of the phosphogypsum landfill and stabilized municipal sewage sludge.

Z.Ch. Organika- Sarzyna S.A.

- In October 2006 the Podkarpackie Voivode granted an integrated permit for 12 systems executed by the IPPC Company.

In 2007 formal-legal arrangements were carried out for the investment enterprises consisting in the extension of epoxy resin systems and unsaturated polyester resin systems. The epoxy resin system was extended and commissioned for the technological start-up in the fourth quarter of 2007. The extension of unsaturated polyester resin systems is planned for the turn of July and August 2008 resulting in the necessity of further change of the integrated permit (first part of 2008).

Apart from the integrated permit the Company holds all necessary sector permits concerning the air pollution emission, sewage and waste management.

Furthermore, the Company was classified as the plant with a high risk of industrial failure and therefore it was reported to the Podkarpackie Voivodeship Marshall of the State Fire Service in Rzeszów. According to the requirements of the Environment Protection Law, the Company prepared the Safety Report, Failure Prevention Programme and the Internal Operating-Rescue Plan. Those documents were submitted to the Podkarpackie Voivodeship Marshall of the State Fire Service in Rzeszów (PSP) and the Podkarpacki Voivodeship Environmental Protection Inspector in Rzeszów. The Safety Report was approved by the Voivodeship Marshall of the State Fire Service.

In 2007 the Plant was obliged by the decision of the Podkarpackie Voivode to conduct ecological inspection in the area of land and water environment by 30 November 2007. The ecological inspection was carried out and submitted to the Podkarpackie Voivode on the date set by the decision. The document determines the size of land and water environment pollution, directions and manners of recultivation and the scope of subsurface waters and soil monitoring in the Plant's surroundings. The inspection also comprises "The schedule of recultivation works of the land and water environment and their cost in 2007-2015". It is assumed that the consideration of the land and water inspection will take place in the first half of 2008 by the Governor of the Podkarpackie Voivodeship (according to the current competencies in force since 01 January 2008).

ZACHEM S.A.

- The Company holds the integrated permit for the exploitation of the following systems: brine electrolysis, phosgen production, dinitrotoluen DNT production, toluendamin TDA production, toluene diisocyanate TDI, epichlorohydrin EPI production, PUR foams production, 2 plant landfills. Permit is valid until 31 December 2016.

The significant sector permits comprise:

- permit for the exploitation of the PVC processing systems and auxiliary systems,
- water permit for the inflow of sewage containing particularly hazardous to water environment into the sewage systems of the "KAPUŚCISKA" water law company,
- water permit for the intake of water from the environment (from the plant intakes),
- decisions approving the instructions of active landfills exploitations,
- the decision agreeing the conditions of conducting the remedial actions of the land and water environment on the plant premises,
- the decision regarding the monitoring of subsurface waters and hydrogeological surveys.

Furthermore, the "Zachem" Industrial Zone in Bydgoszcz was formed under the regulation of the Kujawsko-Pomorskie Voivode.

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

- The Company holds integrated permit issued by the Regional Environmental Protection Agency valid until 31 October 2010. The adjustment programme is an integral part of the permit; it covers a list of ecological tasks with deadlines for their realization. Furthermore, the Company holds the water permit from 2007, determining the permissible conditions of water use. This permit is accompanied by the derogation issued by the Minister of Environment and Sustainable Development valid until 31 December 2007 concerning the use of national and EU regulations regarding the permissible concentrations of contamination in the sewage taken off from Govora. Within the framework of this derogation the Company had the responsibility to perform the analysis of the impact of sewage on the waters of the receiver-the river Olt. With the relation to that, the Company took up the cooperation with two scientific institutions, which carried out this evaluation and reanalysed the available technologies and solutions enabling the improvement of the quality of post-soda sewage. In December 2007 the prepared documentation was submitted to the competent environment protection organs in order to obtain a new derogation and establish the permissible parameters in the sewage after 2007. Next, the Company was obliged to prepare the action schedule in order to reduce the load of contamination in the discharged sewage. Currently the schedule is being analysed by the competent environment protection organs.

Furthermore, the Company holds 3 sector permits for the use of the environment.

Impact on the environment

In consideration of the Company's activity, the following aspects affect the environment:

- waste manufacturing and storing,
- intake of surface and subsurface waters,
- sewage discharge into surface waters,
- gas and dust emission into air,
- noise emission into the environment.

SODA MAŁY Group

- The emission of the pollution into air, the volume of sewage discharged and the water intake are strictly related to the production volume. In 2007 a minor growth of the intake of surface water, sewage volume and contamination load in sewage was recorded, which was caused by the larger soda production. In the comparison with 2006, in 2007 the amount of the contamination emitted was approximate. Only the increase in the unorganised emission of ammonia was recorded due to the change of balancing method, which had an influence on the increase in the amount of charges. The responsibility of recovery and recycling of the package waste is realised by the recovery organization. The costs of fulfilling the obligation of the appropriate management of that waste change depending on the statutorily valid recovery and recycling level and the package structure. Recultivation of the closed down post-soda landfills is carried out in both production plants. In the Janikosoda plant the recultivation works were continued in the closed down landfills with the area of 11.5 ha. From 2000 to 2007, the total of approx. 96 ha of landfill areas were recultivated. In the Soda Mały plant the total of approx. 8 ha was recultivated, whereat the pace of works is slower than the assumed due to a very good sale of agricultural limestone, which is one of the substrates in the recultivation operations.

Z.Ch. Organika- Sarzyna S.A.

- The monitoring of the emission into the environment, as well as the condition of the environment in the plant surroundings carried out since 2007 revealed that the amounts of permissible emissions determined in the permits, as well the reference amounts and environmental standards in force outside the areas, which the Company holds the legal title to, were complied with. In relation to the previous years, the deterioration of Plant's effects on the environment was not recorded. The Company takes in surface and subsurface waters for the industrial and consumption purposes. The waters taken in are used for the own needs and sold to sub-buyers (including the Elektrociepłownia Nowa Sarzyna Sp. z o.o. [Heat and power plant]).

The Company produces sanitary and industrial waste, cooling waters and storm sewage and snowmelt. In 2007 the Company took off sanitary and industrial sewage to the sewage systems of the Komunalna Biologiczna Oczyszczalnia Ścieków Sp. z o.o. [the Municipal Biological Sewage Treatment Plant], on the basis of the Podkarpackie Voivode decision and the agreement concluded with the Sewage Treatment Plant. The amount of sewage discharged from the plant did not exceed the conditions set forth in the above water permit.

Areas of land and water environment contaminated in the past by chemical substances are present in the surroundings of the Plant. In relation to the contaminated parts of subsurface waters within last 10 years the recultivation works consisting in pumping of purifying waters are realised.

The Company also carries out the recultivation of the area after the plant's sewage storage reservoir, located upon the San river. The recultivation is carried out with the use of sewage sludge from the Komunalna Biologiczna Oczyszczalnia Ścieków Sp. z o.o. [the Municipal Biological Sewage Treatment Plant].

ZACHEM S.A.

- In 2007 a considerable increase in the emission of air pollution was recorded due to the growth of production. The results of own measurements confirmed the fulfilment of the emission norms set forth in the permits of the Kujawsko-Pomorskie Voivode. In 2007 the permissible imission compressions of air pollution was not exceeded. The industrial waste (post-production and sanitary) from own system and taken in from outside companies on the basis of bilateral agreements, in the majority (approx. 90%) partly cleaned in the Centralna Stacja Neutralizacji (CSN) [Central Neutralization Station] was discharged to the Biological Sewage Treatment Plant of the "KAPUŚCISKA" water law company.

To increase the efficiency of sewage treatment in the Biological Sewage Treatment Plant, Spółka Wodna [the Water Law Company] elected by tender companies to prepare the concept concerning the modernization of the biological sewage treatment plant in compliance of the necessary subsidiary sewage treatment plants of industrial sewage streams (technological) at the source of origin.

The fundamental conditions set forth in the ecological permits were complied with in the scope of waste management. Similarly to the previous years, the produced waste was transferred for recovery or neutralization to outside companies. In comparison to 2006, the increase of the waste mass was caused by the growth of semi-product and product manufacture. In 2007 the disposal of sewage sludge from the Izolowane Składowisko Osadów [Isolated Landfill] was intensified.

In 2007 the hydro-geological survey was carried out to establish the level and the scope of land and subsurface waters contamination. Based on the results of the conducted survey the documentation concerning the recultivation of the contaminated areas belonging to Zachem (recovery actions for the land and water environment) was prepared and the conditions of its procedure were arranged with the Kujawsko-Pomorskie Voivode.

ZACHEM S.A. is classified as a high risk of industrial failure plant. The Company holds all systems required by the provisions of the law and implemented, necessary for risk assessment and operating-rescue actions.

In order to properly prevent and take immediate operating-rescue actions, ZACHEM S.A. maintains its own Chemical Rescue Station cooperating with the appointed chemical rescue teams and the State Fire Service.

Alwernia S.A.

- In 2007 the restructuring changes having a considerable influence on the type and the amount of the produced waste were continued. Until June 2007 the majority of the technological waste manufactured in the plant was used by the system for the production of calcium phosphates for feed and to prepare fertilizer mixtures for the fertilization of green areas of the plant. Since the half of 2007 this waste has also been directed to the production of NPK fertilizers. The implemented technology of NPK fertilizer production is going to allow for the entire use of the waste accumulated by the production of fertilizer magnesium sulphate, nitrate salts from the treatment of extraction phosphatic acid due to their fertilization and soil-making properties.

A new sludge disposed at the plant's landfill was created in the exploited chemical sewage treatment plant. The rest of waste related to the exploitation of the system and appliances and plant traffic maintenance was neutralized or recovered outside the plant by the companies holding appropriate permits. The Plant also carries out the recovery of waste delivered from other waste manufacturers. This waste was used in production systems replacing certain raw materials.

Due to a minor amount of waste disposed at the landfill in 2007, new slopes of the landfill were not recultivated; the works were focused on the protection and maintenance of green areas on recultivated slopes in the previous years.

The responsibility of recovery and recycling of the package waste is realised by the Company through the recovery organization.

In 2007 the intake of subsurface water and surface waters was estimated at the level of 2006; the Company has been exploiting the chemical sewage treatment plant, in which the waters from the landfill guard barriers and drainage arranged at the plant's premises are treated. In 2007 Z.Ch. Alwernia S.A. discharged to the Regulanka stream the amount of treated sewage similar to the one as of 2006.

GZNF FOSFORO Sp. z o.o.

- The largest changes in the air pollution emission in 2007 regard the emission of sulphur dioxide from the fertilizer works emitter, which in 2007 decreased by 43 % as compared to 2006. The reduction of sulphur dioxide emission stemmed from the replacement of fuel oil containing 3% of sulphur in 2007 with fuel oil containing less than 1% of sulphur.

In 2007 a 40% decrease in the emission of coal-mining plant dust was recorded, in the effect of the conducted modernization of dust extractors on the phosphate rock grinding system.

GZNF FOSFORO Sp. z o.o. takes in surface waters from the Kaszubski Canal and subsurface waters from abyssal intakes. In the recent years no significant changes in the amount of surface and subsurface water taken in by the Company has been observed.

The Company produces dozens of types of waste, among which phosphogypsum currently used in the process of closing down the Wiślinka landfill has the largest share. The recultivation of the closed down part in Wiślinka is carried out with the use of steady municipal sewage sludge.

VITROSILICON S.A.

- The size of impact on the environment is maintained at the stable level despite the Company's continuous development and investing in the increase of production capacities.

Carbon dioxide emission rights trade

Under the Act of 22 December 2004 regarding the trade of rights to emit greenhouse gases into the air and other substances the following companies: Elektrociepłownie Kujawskie Sp. z o.o., JANIKOSODA S.A. and SODA MAŁY S.A. (currently acting within the framework of Soda Polska), VITROSILICON S.A., Alwernia S.A. were subject to the system of trade with greenhouse gas emission rights (CO₂) in the first settlement period (2005-2007). Significant information from the companies:

SODA MAŁY Group

- In 2007 the finalization of participation in the Environment -Emission Trading Scheme. Emissions from the systems of lime-kilns amounted in total to less than 50 % of the number of granted rights. The Company sold the surplus of rights in 2007. The Company has not been participating in the second period of trading commencing in 2008.

Alwernia S.A.

- The heat and power plant of Z.Ch. Alwernia S. A. owns the permit to participate in the community Environment-Emission Trading Scheme. The Company sold the surplus of the CO₂ emission rights from the 2005-2007 settlement period. For the next settlement period (2008-2012), according to the rights distribution project of 18 April 2008 the number of CO₂ emission rights appropriated for the system of Z. Ch. Alwernia S.A. was insufficient for the needs of the planned production volume. The Company addressed the Minister of Environment with an application for the increase of the limits of CO₂ emission in the second settlement period; the Company's application was not considered.

VITROSILICON S.A.

- All systems for glass melting belonging to the Company in Iłowa, Żary and Pobiedziska, participate in the Emission Trading Scheme. The actual carbon dioxide emission from those systems in 2007 amounted to 82% of the annual allocation of CO₂ emission rights. The Company sold the surplus of rights from the first settlement period (2005-2007) in 2006. According to the KPRU II project of 18 April 2008 the total allocation of CO₂ emission rights is sufficient to cover the actual emission of that gas.

REACH – Registration, Evaluation, Authorization of Chemical

In June 2007 the regulations of the REACH (**R**egistration, **E**valuation, **A**uthorization of **C**hemicals) came into force. Due to the profile of the conducted activity, Ciech Group was subject to the requirements of the REACH regulation, which enforces the producers and importers introducing substances in the volumes of over 1 ton annually to into the EU market the obligation of their registration- only those substances may be present in trading.

Pursuant to the Resolution of 16 January 2007, the management Board of CIECH S.A. appointed the REACH Task Force, the aim of which is to supervise the preparation of CIECH S.A. and the Ciech Group's Companies to implement the system and minimise the risk related with the new legal requirements.

The process of assuming the chemicals by the by-laws of the REACH regulation will affect the increase of manufacturing costs in the Ciech Group (registration fees, research and test costs, in the certain cases the purchase of authorisation, as well as the raw-material price increase). In 2007, with the participation of the Instytut Chemii Przemysłowej [Industrial Chemistry Institute], a thorough analysis of the effects of implementing the REACH system in the Group was carried out, which shall largely facilitate in the planning of the expenditures for that purpose in the nearest years.

Currently, the Companies' actions are focused on the preparation for the initial registration of the substances produced and imported, which shall commence in June 2008 and shall last until the end of November 2008. The initial registration of substances shall enable the Companies to benefit from transition period and carrying out the suitable registration later, i.e. 2010, 2013 and 2018. Some Companies established cooperation with the future registerers within the framework of the associations of the producers operating in the European Union, forming consortiums for the needs of mutual registration of substance (Zachem shows the largest engagement of actions in this area).

All Companies are planning the actions in order to minimise the costs of REACH: share in consortiums formed for the needs of mutual registration of substance, resignation from the purchase of substance from the outside the European Union, resignation from the sale of unprofitable substances due to the costs of REACH.

18 Investment activity

Investments realised in 2007

The total investment outlays in the CIECH Group in 2007 amounted to **PLN 233,134 thousand**.

The total investment expenditures incurred by **Alwernia S.A.** in 2007 amounted to PLN 4,363 thousand.

The following tasks were realised:

- adaptation and extension of closed down system for the production of fertilizers on the basis of by-products,
- introduction of extraction phosphatic acid into the production of foodstuff phosphatic salts,
- intensification of the nitrate salt production – flaker,
- modernization in the Power Engineering Department,
- modernization in the Wytwórnia Związków Fosforowych,
- purchase of appliances and modernization of laboratory equipment,
- modernization of production buildings,
- modernization of computer equipment and licences.

Total investment expenditures incurred by **FOSFORY Group** in 2007 amounted to PLN 12,103 thousand.

The following tasks were realised:

- modernization of Nabrzeże Chemików,
- modernization of sulphuric acid system,
- replacement of the dewatering device at the “X” sequence,
- construction of the palletization device,
- modernization of production assets of the following companies: AGROCHEM Sp. z o.o. in Człuchow and AGROCHEM Sp. z o.o. in Dobre Miasto,
- purchase of ready goods,
- extension of information system,
- expansion of the regional distribution centre networks.

Total investment expenditures incurred by **JANIKOSODA S.A.** in 2007 amounted to PLN 31,011 thousand.

The following tasks were realised:

- extension of tableting system,
- construction of soda palletization line,
- construction of limestone screening system,
- modernization of computer network and wireless communication system,
- modernization of carbonating column,
- purchase of salt evaporator’s steam circulating pump,
- modernization of turbo generator no. 5,
- modernization of steam boilers op-140 – boilers no. 4 and no. 5.

Total investment expenditures incurred by **SODA MAŁY Group** in 2007 amounted to PLN 48,909 thousand.

The following tasks were realised:

- production of “monohydrate” type soda ,
- start-up of the baking soda crushing system,
- construction of baking soda despatch system,
- extension of salt tableting system,
- extension and modernization of salt co-packing system,
- extension of salt palletization line,
- construction of limestone screening system,
- extension of soda sash silo,
- purchase and replacement of switchgears for the production systems,
- automation and modernization of boiler room,
- modernization of the plant’s cable and electrical power engineering network,
- modernization of the installations of the Oddział Produktów Sodopochodnych [Division of Soda-derivative products],
- modernization of bicarbonate filtration device,
- modernization of TBS turbochargers,
- modernization of lime kilns,
- modernization of boilers,
- purchase of 408S pressure cars,
- modernization of diesel locomotive, cars and fines unloader,
- modernization of computer network.

Total investment expenditures incurred by **VITROSILICON S.A.** in 2007 amounted to PLN 13,752 thousand.

The following tasks were realised:

- extension of warehouse base,
- extension of the soda water glass production department.
- modernization of mixing room, furnace and buildings in the Pobiedziska Plant.

Total investment expenditures incurred by **CIECH POLFA Sp. z o.o.** in 2007 amounted to PLN 558 thousand and were related to:

- modernization of the warehouse base in Ciechanów,
- purchase of a new informatics infrastructure in the company's new registered office,
- purchase of new fixed assets related to the asset reconstruction.

Total investment expenditures incurred by **Przedsiębiorstwo Transportowo – Usługowe TRASCLEAN Sp. z o.o.** in 2007 amounted to PLN 2,372 thousand.

The following tasks were realised:

- extension of the administrative building and modernization of parking,
- modernization of transport facilities,
- purchase of computer equipment.

The total investment expenditures deferred by **Z.Ch. Organika-Sarzyna S.A.** in 2007 amounted to PLN 48,390 thousand.

The following tasks were realised:

- extension of systems for the epoxy resin production,
- start of works on the construction of the new system for the unsaturated polyester resin production,
- extension of the system for brine sewage treatment,
- modernization of fire protection system in the Zakład Epoksydów [Epoxy Plant].

Total investment expenditures incurred by **ZACHEM Group** in 2007 amounted to PLN 27,838 thousand.

The following tasks were realised:

- construction of the chloride complex– preparation of feasibility study
- extension of TDI complex,
- extension in order to increase production capacities of PUR foams,
- reconstruction investments in the Zakład Epichlorohydryny [Epichlorohydrin Plant],
- introduction of monitoring of sewage quality according to the decision conditioning the consent for the discharge of industrial sewage into the sewage system,
- works on the reduction of losses for the energy transmission network – re-isolation of steam pipeline,
- adjusting of the settlement system and realization of the technical conditions laid down to purchase electric energy on the open market
- purchase of ready goods,
- purchase of informatics appliances.

The total investment expenditures incurred by **S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.** in 2007 amounted to PLN 35,666 thousand.

The following tasks were realised:

- construction of RHDC system,
- construction of steam calciner no. 2,
- modernization of electric installation,
- modernization of compressors,
- modernization of distillation and absorption column,
- modernization of lime-stone kilns,
- modernization of landfill,
- telecommunications and informatics investments– modernization of computer network, purchase of computer equipment,
- implementation of the ORACLE informatics system.

Total investment expenditures incurred by **CIECH S.A.** in 2007 amounted to PLN 8,172 thousand.

The following tasks were realised:

- implementation of the corporate portal of Ciech Group,
- implementation of software for the automation of the Group controlling and consolidation,
- adaptation of the building of the CIECH S.A. new registered office.

Investments planned for the nearest 12 months

In 2008 the total investment expenditures in the **Ciech Group** planned in the amount of **PLN 553.017 thousand**, the main items of which are the physical investments in subsidiaries.

In 2008 the total investment expenditures in **Alwernia S.A.** are planned in the amount of **PLN 4,290 thousand**:

- adaptation of the installation for crystal nitromagnesite for the production potassium nitrate,
- extension of the system for the production of fertilizers– second dryer and packing line,
- purchase of appliances and modernization of laboratory equipment,
- modernization in the Wytwórnia Związków Fosforowych,
- modernization in the Power Engineering Department,
- modernization of production buildings,
- modernization of the sewerage and drainage system and chemical sewage treatment plant,
- modernization of computer equipment and licences.

In 2008 the total investment expenditures in **FOSFORY Group** are planned in the amount of **PLN 15,000 thousand**:

- development investments (new and quality improved products, increase in efficiency, change of technology),
- construction of storage tank for the imported phosphatic acid,
- modernization of the raw material proportioning station on the system for the production of fertilizers,
- construction of elevators with the infrastructure on the premises of the Agrochem company in Człuchów,
- modernization and reconstruction investments,
- modernization of Nabrzeże Chemików,
- replacement of the dewatering device at the “X” sequence,
- modernization of car parks and the area in front of the office building,
- purchase of ready goods,
- modernization of the assets of AGROCHEM Sp. z o.o. in Dobre Miasto,
- modernization of the assets of AGROCHEM Sp. z o.o. in Człuchów,
- pro-ecological investments,
- modernization of the gas absorption systems upon fertilizer drying,
- extension of information system,

In 2008 the total investment expenditures in **SODA MATWY Group** are planned in the amount of **PLN 163,588 thousand**:

- modernization of power engineering assets,
- intensification of the soda ash production,
- modernization of carbonating column,
- modernization of the apparatuses of the carbonating device,
- modernization of baking soda production,
- modernization of distillation and absorption column apparatuses,
- modernization of boilers,
- construction of the Zakład Gospodarki Popiołami [Ash Management Plant],
- construction of the flue gas desulphurisation system,
- modernization / purchase of steam turbines,
- construction of the post-soda lime filtration system,
- automation and modernization of boiler room,
- modernization of lime kiln,
- modernization of the measurement and control systems,
- construction of the warehouse for dry salt ready goods.

In 2008 the total investment expenditures in **Z.Ch. Organika-Sarzynia S.A.** are planned in the amount of **PLN 47,088 thousand**:

- extension of the new line of the system for the production of unsaturated polyester resins,
- construction of the system for the production of fungicides in a WG form,
- construction of the production system for MCPA active substance with infrastructure.

In 2008 the total investment expenditures in **ZACHEM S.A. Group** are planned in the amount of **PLN 149,364 thousand**:

- extension of TDI complex,
- construction of DNT/TDA complex,
- development and modernization of Zakład Pianek [Foam Plant] in order to increase the production capacities,
- modernization of the ZS/S-9000 evaporator battery,
- reconstruction investments in the Zakład Epichlorohydryny [Epichlorohydrin Plant],
- construction of the system for pilot production of EPI from glycerol with research,
- chlorine complex – preparation of the feasibility study + base project,
- modernization of chlorine discharge and pumping system in the chlorine warehouse of the S-910 Department for the needs of the EPI Plant,
- repair/replacement of the k-3/ o 300, o 500 industrial sewage system,

- reduction of losses on energy transfer network- technical project with the adjustment of pipeline diameters to the current needs,
- CCTV monitoring of the Zakład Syntezy [Synthesis Plant] and the Zakład Epichlorohydryny [Epichlorohydrin Plant] and the adjacent buildings,
- reconstruction of the warehouse for nitrous vitriol for the production of DNT,
- extension of loading capacities of ready products into road tankers,
- construction of 6 kV cable tracks,
- purchase of ready goods,
- purchase of informatics appliances.
- implementation of the ORACLE system,

In 2008 the total investment expenditures in **VITROSILICON S.A.** are planned in the amount of PLN 25,750 thousand:

- modernization of glass furnace and purchase of the second line for the production of packages in the Pobiedziska Plant,
- modernization of the department of potassium water-glass production,
- construction of the cullet preparation station in the Ilowa Plant,
- modernization of computer network, purchase of equipment and software – implementation of the Oracle informatics system.

In 2008 the total investment expenditures in **S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.** are planned for the amount of PLN 51,001 thousand for:

- construction of steam calciners,
- construction of bicarbonate belt filter,
- construction of the system for briquetting of anthracite fines,
- construction of carbonating columns,
- modernization of narrow-gauge locomotive,
- construction of the system for rail tank car loading,
- modernization of lime kilns,
- modernization of carbonating column,
- raising of sewage pond embankments,
- modernization of computer network, implementation of the Oracle informatics system.

In 2008 the total investment expenditures in **Przedsiębiorstwo Transportowo – Usługowe TRANSCLEAN Sp. z o.o.** are planned in the amount of PLN 9,032 thousand:

- modernization of the car wash,
- purchase of new transportation facilities.

In 2008, in **POLFA Sp. z o.o.** is planning further expenditures connected with the replacement of fixed assets and outlays for the installation and informatics network configuration in the amount of PLN 300 thousand connected with the move to the new registered office.

In the nearest 12 months **CIECH S.A.** shall be investing mainly in owned real properties and IT. The following projects shall be carried out for the total amount of PLN 27,092 thousand:

- completion of implementation of software for the automation of the Group controlling and consolidation,
- start of project works for the management of real property in ul. Powązkowska.
- implementation of IP telephony.
- completion of implementation of the corporate portal of Ciech Group,

Soda Deutschland Ciech Group is planning in 2008 investment outlays in the amount of PLN 57,312 [thousand] (EUR 16 million). Those investments shall be connected mainly with the increase of production capacities of the soda plant to the level of 510 thousand ton/year (currently approx. 460 thousand ton/year).

In 2008 the total investment expenditures in **Chemian S.A.** are planned in the amount of PLN 1,200 thousand. The main outlays regard the adaptation works in the Błaszki Distribution Centre. Owing to the planned investments, the Company shall adjust the facilities located in Błaszki to the needs of the chemical activity (co-packing, storage, distribution).

19 Changes in the organizational affiliations in the Ciech Group

In 2007 the investment and divestment activities, undertaken in 2006, were continued according to the development directions of the Ciech Group, consisting in the arranging the Group's structure in relation to the planned capital investments.

Investments' results:

JANIKOSODA S.A. and SODA MATWY S.A.

On 26 March 2007 CIECH S.A. acquired 6,062 shares in Janikowskie Zakłady Sodowe [Soda Plant] JANIKOSODA S.A., which gave 99.61% share in the Company's capital. At the same time CIECH S.A. acquired 15,684 shares in Inowrocławskie Zakłady Chemiczne [chemical Plant] SODA MAŹWY S.A., which gave 99.85% share in the Company's capital.

On 27 March 2007 CIECH S.A. acquired 366 shares in Janikowskie Zakłady Sodowe [Soda Plant] JANIKOSODA S.A., which gave 99.62% share in the Company's capital.

CIECH FINANCE Sp. z o.o.

The Extraordinary Shareholders Meeting increased the capital share capital of CIECH FINANCE Sp. z o.o.

Soda Deutschland Ciech GmbH

The agreements, in the effect of which Sodawerk Staßfurt GmbH & CoKG - a soda ash producer in Germany - was incorporated in the Ciech Group, were signed in November 2007 in Berlin.

CIECH S.A. acquired 100% shares in Marmor 210. V V GmbH. The company's business name was changed into Soda Deutschland Ciech GmbH. Mr Jochen Ohm – a current co-owner and the President of the Management Board of Sodawerk Staßfurt GmbH & Co.KG (SWS KG) - is the business partner of CIECH S.A. in Soda Deutschland Ciech, who acquired from CIECH S.A. 10% in the capital share of that Company under the Shareholder agreement. Furthermore, the co-owners of Soda Deutschland Ciech established the principles of the company management, the principles of competitive activities and the principles of returnable acquisition of shares in Soda Deutschland Ciech by CIECH S.A. from Mr Jochen Ohm until the end of April 2009. Hitherto, Mr Jochen Ohm shall remain the President of the Management Board of Soda Deutschland Ciech. For the purposes of consolidation 100% were acquired.

Soda Deutschland Ciech acquired 100% shares in Sodawerk Holding Staßfurt GmbH (SHS GmbH). Upon obtaining the consent of the Federal Cartel Office (Bundeskartellamt) regarding the performance of accumulation (13 December 2007), the agreement was completed 19 December 2007. The shares in the SHS company were purchased for the total amount of EUR 75,000 thousand.

With relation to the abovementioned transaction the subsidiary of CIECH S.A. - Soda Deutschland Ciech – became the owner of 100% shares in SHS and is entitled to 100% votes at the Company's Shareholders Meeting. In turn, SHS is the sole shareholder of Sodawerk Staßfurt Verwaltungs-GmbH, and the sole limited partner of SWS KG, whose sole full partner is Sodawerk Staßfurt Verwaltungs-GmbH. To finance the transaction, CIECH S.A. granted its subsidiary - Soda Deutschland Ciech a loan in the amount of EUR 95,100 thousand.

In the effect of the abovementioned transaction the following subsidiaries and affiliates were incorporated in the Ciech Group:

- Soda Deutschland Ciech GmbH (direct subsidiary – 100%)
- Sodawerk Holding Stassfurt GmbH (indirect subsidiary – 100%)
- Sodawerk Holding Stassfurt Verwaltungs GmbH (indirect subsidiary – 100%)
- Sodawerk Holding 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 mbH (indirect subsidiary – 50%)

POLSIN PRIVATE LIMITED

On 31 October 2007, the purchase of 174,467 shares (i.e. 17.45%) in the subsidiary Polsin Private Limited with the registered office in Singapore for SGD 872 thousand was concluded by CIECH S.A. As a result of the transaction, CIECH S.A. increased the share in the equity capital of Polsin Private Limited from 65.00% to 82.45%. Polsin Private Limited is a commercial company running business mainly on the markets of South-Eastern Asia.

CIECH AMERICA LATINA LTDA.

On 22 November 2007, the process of establishing the commercial company CIECH AMERICA LATINA LTDA with the registered office in Brazil was completed. The company's share capital is BRL 600 thousand and is divided into 600,000 shares with the par value of BRL 1 each. CIECH S.A. took up 599,999 shares for the total amount of BRL 599,999 (approx. PLN 869 thousand), thus its holding in the share capital of CIECH AMERICA LATINA LTDA is 99.99%. CIECH AMERICA LATINA LTDA shall run its business activities on the markets of South America.

In the effect of incorporation:

Soda Polska Ciech Sp. z o.o.

On 26 September 2007 Inowrocławskie Zakłady Chemiczne [Chemical Plant] SODA MATWY S.A. and Janikowskie Zakłady Sodowe [Soda Plant] JANIKOSODA S.A. each acquired 50% shares in Drimia Sp. z o.o. (currently Soda Polska CIECH Sp. z o.o.)

in the fourth quarter of 2007 the merger of the two neighbouring soda companies, i.e. Janikowskie Zakłady Sodowe JANIKOSODA S.A. and Inowrocławskie Zakłady Chemiczne SODA MATWY S.A. and working in the interest of the Elektrociepłownia Kujawskie Sp. z o.o. [heat and power plant]. The merger of two soda companies consisted in the in-kind contribution to Soda Polska CIECH Sp. z o.o. in the form of the SODA MATWY S.A. and JANIKOSODA S.A. companies. SODA MATWY S.A. and JANIKOSODA S.A. still exist remaining the owners of the shares of Polska Towarzystwo Ubezpieczeń S.A. (22.5 % of the capital each) and the shares of Soda Polska CIECH Sp. z o.o. (holding 53.51% and 46.49% of share capital respectively). They do not, however, run operating activity, which was transferred to Soda Polska CIECH Sp. z o.o.

Results of divestment:

InChem Sp. z o.o.

On 24 September 2007 by the decision of the District Court for the capital city of Warsaw in Warsaw, the 12th Commercial Department of the National Court Register of 21 September 2007, InChem Sp. z o.o. was removed from the National Court Register in the liquidation process. CIECH S.A. was the sole Shareholder in InChem Sp. z o.o. in the liquidation.

Govcrest International Srl

On 9 October 2007, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. sold all the shares (41.64%) held by the company in its affiliate S.C. Govcrest International Srl. From the date of sale, this company stopped being an affiliate of CIECH S.A.

CARGO Sp. z o.o.

By the agreement 21 December 2007 the 24.48% of shares held by ZACHEM S.A. were sold to the majority shareholder. The revenue from the sale amounted to PLN 329 thousand, and the profit from sale was PLN 319.6 thousand.

Changes' results:

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

On 6 February 2007 at the General Meeting of Shareholders of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. (the subsidiary of CIECH S.A.) a resolution concerning the increase in the company's share capital by 15,887,706 shares, with the par value of RON 2.5 each (EUR 1=RON 3.3678) was adopted. The S.C. CET Govora S.A. heat and power plant undertook to take up 7,943,853 shares within the framework of the conversion of interest debt of S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. (the agreement of 8 January 2007). Under the pre-emption right, the existing shareholders - AVAS (2.89% of shares), CIECH S.A. (93.14% of shares) and others (3.97% of shares) obtained the right to take up 7,943,853 shares upon the validation of the resolution of the General Meeting of Shareholders of 16 February 2007.

On 27 April 2007, the General Meeting of Shareholders of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. decided to cancel 7,943,853 unsubscribed shares from the previous issuance. The shares from the previous issuance were subscribed only by S.C. CET Govora S.A. heat and power plant within the framework of the conversion of interest debt of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. under the agreement of 8 January 2007. The registration of shares of the new issuance took place on 25 June 2007.

On the same day, the General Meeting of Shareholders of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. decided to decrease the par value of shares from RON 2.5 RON to RON 0.25. Consequently, the company's share capital was decreased from RON 105,421 thousand to RON 10,542 thousand.

On 27 April 2007, the Board of Directors of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. decided to convert the capital liabilities (in the amount of EUR 8 million) towards CIECH S.A. and convene the Extraordinary General Meeting of Shareholders as at 10 July 2007 in order to adopt the resolution concerning this matter.

On 10 July 2007 at the Extraordinary General Meeting of Shareholders of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. (the subsidiary of CIECH S.A.) a resolution concerning the increase in the company's share capital by RON 37,500 thousand by the issuance of 150,000,000 registered shares in the electronic form with the par value of RON 0.25 each, which shall be subscribed by the cash contribution by the shareholders existing on the registration date, proportionately to the volume of owned shares. The funds obtained in this manner shall be used to finance the investments in 2007 and the Company's current activity and for the realization of liabilities included in the Share purchase Agreement signed with AVAS.

On 22 August 2007 the reduction of the par value of shares S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. from RON 2.5 RON to RON 0.25 was registered. The capital from reduction of the par value of shares was transferred to retained profits (losses) to cover the losses from the previous years. In the effect of the operation, the Company's share capital decreased to RON 10,542,142.25.

103,064,090 shares in the Company's share capital were taken up as the result of the conversion of the granted loans in the amount of EUR 8.2 million. The registration of capital took place on 1 November 2007. Currently, CIECH S.A. holds 92.9126% shares in the share capital of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.

CHEMIEPETROL Aussenhandesgesellschaft mit beschränkter Haftung

On 26 November 2007 at the Extraordinary General Meeting of Shareholders of the subsidiary - CHEMIEPETROL Aussenhandesgesellschaft mit beschränkter Haftung a resolution concerning the company wind-up was taken.

20 Description of main capital investments and methods of their financing

Capital investments and divestments realised in the current reporting period and the description of the methods of their financing

Investment actions undertaken in 2007 regarded the continuation of the previously realised projects, as well as new ones, related to the realization of the new development strategy. The new strategy was created in reply to the reinforcement of the position of Ciech Group in Central-Eastern Europe, and its realization in the area of capital investments ensures that CIECH S.A. is in the group of top twenty European chemical companies.

A detailed description of capital investments is enclosed in Point 19 of the Ciech Group activity report. The capital investments were financed from the company's internal funds and the proceeds from the issuance of bonds (PLN 300 million), which CIECH S.A. appropriated in majority for a loan granted to Soda Deutschland Ciech GmbH. The funds from the loan financed the purchase of 100% shares in Sodawerk Holding Staßfurt GmbH by Soda Deutschland Ciech .

Planned smaller capital investments shall be financed from internal funds. Larger capital investments may be financed from the proceeds from the second tranche of bonds and/or the proceeds from the issuance of the new series of shares.

Capital investments and divestments planned for the nearest 12 months

Capital investments and divestments planned for the nearest 12 months shall be realised in accordance with the adopted development strategy the aim of which is to increase the Group's value. The conducted works aim at the completion of the conducted acquisitions and to acquire new investment projects, both in the country and abroad.

The investment activities are related to the take over of the producers, which shall reinforce the position of the Ciech Group in the current areas of its activity and shall enable to extend the activity in the key segments. In turn, divestment activities are related to the CIECH Group's stepping out of the non-core activities. Within the realization of the projects adopted for the next 12 months, CIECH S.A. intends to:

- continue the processes of investing in the plants manufacturing inorganic products in Europe in order to further increase the Soda Division.
- continue the process of the investment analyses of plants in Europe in order to extend the Silicates and Glass Division.
- continue the process of the investment analyses of plants in Europe in order to extend the Agro Division.
- realise the process of sale of the block of shares of PTU S.A. owned by the subsidiaries JANIKOSODA S.A. and SODA MATWY S.A.

- POLSIN PRIVATE LIMITED, Singapore – the buy-out of the remaining shareholders of POLSIN PRIVATE LIMITED is planned in a manner enabling CIECH S.A. to remain the sole (100%) shareholder of that Company.
- DANSKE UNIPOL A/S, Denmark – CIECH S.A. intends to withdraw from the capital share in that entity and dispose of the shares (a 55% block) owned to the Danish shareholders. The actual sale took place on 16 May 2008, which has been thoroughly described in Point 34 of the additional information and explanations, which account for an integral part of the consolidated financial statement.
- CHEMIEPETROL Aussenhandelsgesellschaft mit beschränkter Haftung, Niemcy – in relation to the lack of outlooks for a profitable activity, the Company was put into liquidation in December 2007. The Company's wind-up process is pending and shall last presumably longer than until the end of 2008.

21 Information on the issuance of securities in CIECH S.A.

In 2007 the Ciech Group issued securities in the form of bonds and did not redeem debt or capital securities.

In order to finance the investment projects of the Ciech Group and to restructure the debt, CIECH S.A. carried out the Bond Issuance Programme. On 23 November 2007 the following agreements were signed: Dealer, Agency and Deposit Agreements with the following Banks: Bank Handlowy w Warszawie S.A., BRE Bank S.A. and Bank PKO BP. The agreements pertain the Bond Issuance Programme by Ciech SA valued up to PLN 500,000 thousand. Within the framework of the Programme and with reference to the Bonds, the banks operate solely as the Issuer's agents and are not liable in any form with relation to bondholders of CIECH S.A., as regards the Issuer's liabilities arising from the bonds, including in particular with reference to the retirement of bonds and payment of interest by the Issuer. Legal form of the instrument: bearer bonds, without the form of a document, issued in accordance with the Act on Bonds of 29 June 1995 and on the basis of the Resolution no. 130/V/2007 of the Supervisory Board of CIECH S.A. The bond issuance shall be carried out under Article 9 section 3 of the Act on Bonds by addressing individual addressees in the number not exceeding 99 persons with the proposal to purchase bonds. The Issuer and Dealers do not anticipate the introduction of bonds to public trading and their quotations on any regulated and deregulated market. Within the framework of the Program the Coupon Bonds with the bond redemption dates from 1 to 10 years with fixed or variable interest shall be offered. Each bond's par value shall amount to PLN 100 thousand. Bonds shall be sold at the par value and shall be unsecured. The proceeds from the Issuance shall be appropriated for financing the Ciech Group's investment projects and debt restructuring of CIECH S.A.

On 14 December 2007, CIECH S.A. issued A series Bonds in the amount of PLN 300,000 thousand on the following conditions:

- maturity date: 5 years,
- coupon structure – WIBOR 3 month + margin,
- frequency of coupon payments – quarterly,
- redemption date: 14 December 2012.

Bond issue price is equal to the par value and is PLN 100 thousand, bonds are unsecured. The funds from the issuance were appropriated for financing the acquisition of Sodawerk Holding Staßfurt GmbH and repayment of a part of short-term debt of CIECH S.A.

22 Information on the acquisition of own shares in parent company

In 2007 the parent company - CIECH S.A. did not purchase own shares.

Until 27 November 2007, a subsidiary, Z.Ch. Organika-Sarzyna S.A. owned 95,100 shares in CIECH S.A. In the consolidated financial statement, the value of those shares was shown in the equity as "Own shares". On 27 November 2007 Z. Ch. Organika-Sarzyna S.A. sold all common bearer shares of CIECH S.A. for PLN 112.50 each as a result of a transaction concluded on the Warsaw Stock Exchange in Warsaw within the framework of a regular session. The transaction was completed in compliance with the resolutions of the Management Board and Supervisory Board of Z.Ch. Organika-Sarzyna S.A. within the framework of correcting the capital situation of the companies included in the Ciech Group. Currently Z.Ch. Organika-Sarzyna S.A. does not own shares in CIECH S.A.

23 Changes in the fundamental principles of managing the Company/Group

Strategic objectives of CIECH S.A. and the Group are realised by Corporate Head Office, which focuses on the management of value, finances, financial controlling, strategy development, public relations management, etc. Operating activities are carried out by four Divisions: Soda, Organic, Agro and Silicates and Glass Division. The

Divisions are responsible for strategy operationalization and financial results. The key processes realised in the Divisions are sales, purchase, logistics, product development and controlling. The production is located in production plants/ companies.

Works on adjusting the organizational structure to the assumptions of the new strategy were continued in order to realise the Company's strategic business and development objectives, management centralization and optimisation of all operations related with the agricultural sector and glass industry. Two new business Divisions were formed: Agro Division and Silicates and Glass Division. Within the framework of the Agro Division are fertilizers, raw materials for fertilizer production and plant protection chemicals, while glass products in the Silicates and Glass Division.

With relation to the acquisition of the Z.Ch. ZACHEM S.A. and Z.Ch. Organika-Sarzyna S.A. the Management Board of CIECH S.A. approved the optimum organizational structure of the Organic Division, enabling to efficiently consolidate the segment of the organic products in the scope of production and commercial activities.

Since 11 July 2007 the Organizational Regulations of CIECH S.A. have been in force, which introduced the Company's new organizational structure. This document, approved by the management Board of the Company maintained a clear division of tasks between the Corporate Head Office of CIECH S.A. and the Divisions– the units formed to take over the responsibility for operating activity in the particular, closed segment of the market.

Corporate Head Office, consisting of the following: Finance Division, Human Resources Policy and Structure Department, Strategy and Capital Investments Department, Communications Department, Legal Department, Management Board Department, Research and Development Department, Corporate Governance Department, Inspection and Audit Department, International Logistic Department and IT department work on the strategy for the entire Ciech Group, monitors and assesses the level of its implementation, realises the tasks related to building a consistent image in the investors' perception and financial institutions and works out the benefits, arising from the identical standards of managing the entire Group (financial planning, investment policy, human resources policy).

Business Divisions: Soda, Organic, Agro, Silicates and Glass, carry out operating activities, support the process of creating and implementing the Group's strategy in the areas of its activity and submit reports on the level of its implementation. Those units, equipped – directly or through their subsidiaries – in all resources and competencies (research and development, production, marketing, sales, logistics, purchase of raw materials and packages) necessary to operate on their markets, create a transparent responsibility for the products, from the moment of their manufacture to the moment of sale, using the synergy effect between the managed companies.

With relation to the planned development of the research and development activities of the Group, the Council of Experts was appointed as an advisory and consultative body of the Management Board of CIECH S.A. in the Ciech Group's action areas related to the research and development activities.

The Council of Experts consists of experienced specialists and experts in the field of research and development of the chemical industry, offering its professional knowledge to the Management Board of CIECH S.A. in the area of:

- the policy of the innovation and development activities of Ciech Group arising from the approved strategy,
- key research and development projects for the Ciech group,
- innovation projects of new/improved products and technological processes planned for their implementation by the Companies/Divisions of the Ciech Group.
- innovation and development projects for the existing systems as far as their modernization and technological and power optimisation is concerned, including the requirements of the best available techniques (BAT), policies for implementation of the REACH system and the Environmental Protection Rights,
- organization of partnership between Companies and Divisions of the Ciech Chemical Group, and science and research institutions (Higher Education Departments, Research and Development Units, Institutions of the Polish Academy of Sciences (PAN).

to fulfil the requirements of the principles of the Corporate Governance the Management Board of CIECH S.A. established and approved the business risk management process and appointed the Risk Committee of the Ciech Group. The Risk Committee is an advisory and consultative body of the Management Board of CIECH S.A. The Committee consists of key top-level managers.

The statutory tasks of the Committee are: the analysis of motions and reports of the business process owners regarding the identification of risks, adopted strategies of risk management and their adequacy. The Committee gives opinions concerning the motions for starting actions with relation to the identified risks and recommends to the Management Board taking appropriate measures to properly tackle the risk. Furthermore, the Committee applies to the Management Board for carrying out the audit, related to the area of functioning of the risk management system and submits periodic reports concerning its functioning.

For years all subsidiary manufacturing companies and CIECH S.A. have held the implemented quality management systems compliant with the ISO 9001 norm. The certificates for the compliance with the ISO 9001, ISO 14001 and 18001 norms dominate in the Ciech Group.

The range of certifications of CIECH S.A. comprises commercial activity on the domestic market and abroad in the area of chemicals, chemical raw materials and related products. The system was prepared in the effect of the analysis of processes and [the analysis] taking into consideration the principles of identifying and eliminating the hazards occurring therein.

In January 2007 CIECH S.A. obtained a new certificate of compliance with the GMP B2 standard regarding the trading of baking soda and soda ash for the feeding needs. Obtaining the GMP certificate the competitive power of the Ciech Group as a producer and supplier in the certified area increased – until now, the sole European baking soda and soda ash producer holding this type of certificates was SODA MAŹWY S.A.

In October, CIECH S.A. underwent the Recertification Audit concerning the compliance of the management system with the requirements of the ISO 9001:2000 norm. In the effect of the successfully completed audit CIECH S.A. obtained the quality certificate valid until 1 November 2010.

In relation to the change of the organizational structure, the changes in the division of responsibilities of the individual Members of the Management Board took place, which take the following form:

President of the Management Board – Miroslaw Kochalski

- Supervision of the implementation of the Ciech Chemical Group's development strategy
- Supervision of the financial activity of CIECH S.A. and Ciech Chemical Group
- Supervision of the process of raising the EU funds for the pro-ecological and investment enterprises of the Ciech Chemical Group
- Supervision of the of the information policy of CIECH S.A. and the Ciech Chemical Group
- Supervision of the human resources and pay policies in CIECH S.A. and tee companies of the Ciech Chemical Group
- Creating research and development policy in CIECH S.A. and the companies of the Ciech Chemical Group and the supervision of its realization
- Supervision of the quality policy

Member of the Management Board - Rafał Pasięka

- Creating and coordinating the commercial policy of CIECH S.A. and the Ciech Chemical Group in the scope realised by the Silicates and Glass Division and Agro Division
- Creating the commercial and investment policy, supervision of its realization in the Silicates and Glass Division and Agro Division,
- Creating the informatics and telecommunications policy in CIECH S.A. and the Ciech Chemical Group and the supervision of its realization,
- Supervision of the domestic and foreign companies of the Ciech Chemical Group in the area of the supervised Silicates and Glass Division and Agro Division,
- presiding and coordination of works of the Risk Committee of the Ciech Group

Member of the Management Board – Marek Trosiński

- Creating and coordinating the commercial policy of CIECH S.A. and the Ciech Chemical Group in the scope realised by the Soda Division
- Creating the investment policy and the supervision of its realization in the Soda Division
- Supervising the realization of resolutions and other tasks adopted by the Management Board of CIECH S.A. and the General Meeting of Shareholders and the Supervisory Board,
- Coordinating and supervising the enterprises concerning the management of the CIECH S.A. assets and the audit tasks,
- Supervision of the domestic and foreign companies of the Ciech Chemical Group in the area of the supervised Soda Division and coordinating the ownership supervision of the Group's companies.

Member of the Management Board – Wojciech Wardacki

- Creating and coordinating the commercial policy of CIECH S.A. and the Ciech Chemical Group in the scope realised by the Organic Division
- Creating the investment policy and the supervision of its realization in the Organic Division
- Creating the policy concerning transportation, dispatch and cargo insurance services related to the commercial activity of CIECH S.A. and the Ciech Chemical Group and supervising its realization
- Supervision of the domestic and foreign companies of the Ciech Chemical Group in the area of the supervised Organic Division,

Human resources policy

The preferential assumption of the new strategy of CIECH S.A. regarding human resources management is the following statement: "CIECH S.A shall invest in employees and acquire the best ones on the market, since they constitute the key elements to ensure the Company's lasting success". As a consequence of that and in response to the changing conditions of the job market, in 2007 the HR mission of Ciech Group – "Customers' satisfaction and the growth of the Ciech Group's goodwill through innovative uniform management systems was prepared and adopted". It implies a direct appointment and realization in 2007-2011 of the following objectives:

- building the positions of HE departments as a strategic partner in business,
- building the loyalty of the Ciech Group employees through the participation in attractive incentive programmes of the financial and extrafinancial nature,
- creating the beneficial for the Ciech Group possibilities of acquisition of new, highly-qualified employees (flexible remuneration and incentive schemes, cooperation with schools),
- building of the internal job market and, as a consequence, the efficient use of the Group's human resources potential,
- building the CIECH S.A. brand, as a sought-after employer, offering stable employment opportunities,
- the completion of standardisation process concerning the tools and procedures applied in the HR area,
- remodelling the HR function in the Ciech Group, with reference to particular companies,
- maintaining the high standards of employee management,
- constant improvement of human resources management tools.

Management by Objectives (MBO)

Management by Objectives (MBO) has been a result-oriented, complex management method, functioning in CIECH S.A. since 2006. It consists in a precise determination of strategic objectives for a given year and carrying out the process of their cascading into particular organizational units, a next all employees, in the effect of which they are oriented strictly on the realization of priorities included in the adopted strategy. A well functioning MBO system integrates the financial and development objectives of the organization with the needs of co-participation and employee development.

Planning the employee's individual objectives takes place once a year, upon the approval of the financial plans and objectives, set for the managers of organizational units. A supervisor plans the employees' individual objectives for the whole calendar year, divided into respective quarters by cascading method.

The Supervisor arranges the Individual objectives and the evaluation criteria of their realization with an employee.

The effects of the realization of the objectives by managers and employees account for a basis for a periodic bonusing and carrying a general annual evaluation. The annual evaluation constitutes a basis to make human resources decisions, set the directions of a further employee development and award prizes in the cafeteria system.

The general evaluation of the individual effects of work consist of the following fundamental aspects:

- employee competence evaluation – employee's fulfilling the individual responsibilities,
- the results of the summary of work's effects in respective quarters/ half-year,
- additional projects and initiatives realised by an employee.

The principles apply in relation to all employees of CIECH S.A. with agreements of employment, excluding the members of the Management Board and the employees of CIECH S.A. delegated to work abroad.

Employee satisfaction and attitude survey

The CIECH S.A. employee attitude and satisfaction survey, launched in 2005, are a component of a broader concept. Periodically repeated (2. edition in 2007) surveys account for a barometer of the employee opinion, as well as the basis for creating the directions of HR policy for Ciech and the Group and building incentive and development programmes. In 2007 one of the key companies of the Group was included in the employee attitude and satisfaction survey, and other companies are to follow suit in the following years. The results obtained in the survey in 2007 indicate a considerable growth of the satisfaction of CIECH S.A. employees in the area strictly connected with the level of commitment and motivation to work. A significant improvement of the opinion was recorded in 2/3 of the factors covered by the survey (18 out of 27 areas). No aspects where the employee satisfaction decreased were recorded.

360^o evaluation

In the 4. quarter of 2007 the project of the evaluation of the CIECH S.A. top management competencies was carried out. The members of the management Board of CIECH S.A. and all heads of the organizational departments of the Company.

The survey was carried out with the use of 360° method, on the basis of the worked out model of managerial competencies for Ciech and the Group. In the effect of the survey all assessed persons obtained an opinion

regarding their competencies from three sources: from a direct superior, from subordinate employees and from other managers cooperating with them.

The results of the conducted evaluation enabled to design a complex programme of the development of managerial competencies, crucial in the process of increasing the goodwill of the Company and Ciech Group, and arising from the adopted strategy.

Incentive and development projects

- Training system

In 2007 – under the motto of the uniform HR standard implementation in the Group – it was a beginning of corporate planning of education and development activity for CIECH S.A. and key Companies of the Group. The method of raining planning based on building a matrix of development needs arising directly from the strategic objectives set forth for CIECH S.A. and the Companies.

- Talent Promotion

With the beginning of 2007 the 2. edition of the Talent Promotion programme was launched, the fundamental aim of which is to build employee reserves for the leading Companies of the Group. The 2. edition of the Programme was directed mainly to young, talented employees of the Group's companies in the area of production and technology (in contrast to the 1. edition of 2005 where the candidate profile was more cross-disciplinary).

In the effect of the Programme the internal job market within the framework of the Group was formed and the development of the key substantial and corporate participants of the Programme.

To participate in the project 25 employees of the Companies belonging to the Chemical Group were registered, whereof upon the evaluation of competencies and development potential (by method of the Development Centre) 15 participants were accepted for the 2. edition of the Programme.

- Professional adaptation

In June 2007 a new programme called the Professional adaptation was prepared, it covers: student work experience and probation periods. The programme anticipates the organization in the Group's Companies of paid probations for the persons accepted in the qualifying procedure in the areas of various specializations (e.g.: production, logistics, finance, marketing, domestic and foreign trade). In the effect of the carried out recruitment, at the turn of August and September 18 trainees took part in the "Training in the Ciech Chemical Group" in the key companies of the Group. Several trainees were offered jobs and to participate in another component of the programme of the "Professional adaptation", the aim of which is as follows:

- finding young, talented and fit for the Group's specification candidates for employees, deriving from the outside the Ciech Group who account for its development potential,
- identification of the prospective employees with the strategic objectives of the Group.

- Super Manager competition

in the middle of 2007 a three-stage competition -Super Manager – aiming at creating positive managerial attitudes which support the realization of the adopted HR policy of CIECH.S.A. was decided. The competition was conducted in three categories: Friendly manager – as a leader in motivating employees, Manager in Charge – as a leader in the area of management through objectives, Undertaking Manager – as a leader in managing the results of their units.

- MBA

In November 2007 the 1. edition of Executive MBA organized for a group of 20 managers from the Ciech Group's companies was completed. Classes were realised in a form of lectures, workshops and simulation business and strategic games. During the MBA studies the participants gained modern knowledge and practical managerial skills through an access to the state-of-the-art achievements in the field of management, thus gaining high competencies to perform managerial functions. Four semester-long studies were realised by the Gdańska Fundacja Kształcenia Menedżerów [English: Gdańsk Foundation for Management Development] and RSM ERASMUS Rotterdam University.

- Post-graduate studies in chemistry

Works on a unique programme of additional training of practitioners employed in the production of the chemical plant production of the Ciech Group, carried out in cooperation with Warsaw University of Technology, were completed. The post-graduate studies in Chemical and Process Engineering, in which 30 employees of the Ciech Group participate, are realised mutually by two faculties of this renown university: Chemical and Chemical and Process Engineering. Classes are run by eminent scientists. The project objective is as follows:

- presentation of the current condition of knowledge in the area of chemical engineering,
- providing the participants with information concerning new development directions in the chemical industry,
- introduction to financial and economic analysis and running investment project.

The programme of studies includes such subjects as: industrial biotechnology, polymer technology, legal environmental conditions for running chemical production, physiochemical bases of inorganic technology processes, process modelling, etc.

Tools and procedures standardization

The project assumed working out a mutual HR strategy within the Ciech Group as well as optimum tools for its realization. In its progress, the HR mission for the Ciech Group and the values and functional principles for the HR functions were formulated.

To standardize the principles of procedure regarding the HR policy in the Group, the procedures and guidelines were prepared and implemented in the key areas as follows:

- employment planning,
- recruitment,
- planning and organization of trainings,
- organization of student work experience and paid probation programmes,
- labour.

The standardization process also covered the preparation and implementation of uniform HR documentation and application forms used in the Group.

Salary audit in the Ciech Group

In 2007, a first salary audit for the Ciech Group was carried out. Using uniform methodology the survey covered all companies. On the basis of the conclusions arising from the audit, the guidelines and directions of changes in the salary policy of the key and other Group's companies were prepared.

24 Changes in the composition of the Management and Supervisory Boards in the last year

On 1 January 2007 the Management Board performed its functions in the following composition:

1. Mr Mirosław Kochalski – President of the Management Board,
2. Mr Wojciech Wardacki – Member of the Management Board,
3. Mr Rafał Pasieka – Member of the Management Board.

On 31 January 2007 the Extraordinary General Meeting of CIECH S.A. appointed Mr Marek Trosiński into the Management Board of CIECH S.A.

In relation to the expiration of the 4th term of office of the management Board of CIECH S.A., on 21 June 2007 the Ordinary General Meeting of CIECH S.A. appointed the current members of the Management Board for the 5th joint term of office.

On 31 December 2007 the Management Board of CIECH S.A. performed its functions in the following composition:

1. Mr Mirosław Kochalski – President of the Management Board,
2. Mr Wojciech Wardacki – Member of the Management Board,
3. Mr Rafał Pasieka – Member of the Management Board,
4. Mr Marek Trosiński – Member of the Management Board.

On 1 January 2007 the Management Board of CIECH S.A. performed its functions in the following composition:

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

On June 21st, 2007 the Ordinary General Meeting of CIECH S.A. introduced the following changes to the Supervisory Board of CIECH S.A.:

- a. dismissal of Mr Wojciech Fedko,
- b. appointment of Mr Tomasz Karusewicz.

On 31 December 2007 the Supervisory Board of CIECH S.A. performed its functions in the following composition:

1. Mr Grzegorz Miś – Chairman of the Supervisory Board,
2. Ms Alicja Pimpicka – Deputy Chairperson of the Supervisory Board,
3. Mr Wiktor Cwynar – Member of the Supervisory Board,
4. Mr Dariusz Krajowski – Kukiel – Member of the Supervisory Board.
5. Mr Tomasz Karusewicz – Member of the Supervisory Board.

On 2 April 2008 the Extraordinary General meeting implemented the following changes in the composition of the Management Board of CIECH S.A.:

dismissal of:

Mr Rafał Pasieka,
Mr Marek Trosiński,
Mr Wojciech Wardacki

appointment of:

Mr Marcin Dobrzański,
Mr Ryszard Kunicki,
Mr Artur Osuchowski,
Mr Kazimierz Przełomski.

With reference to the abovementioned, since 2 April 2008 the composition of the Management Board has been as follows:

Mr Mirosław Kochalski – President of the Management Board,
Mr Marcin Dobrzański – Member of the Management Board,
Mr Ryszard Kunicki – Member of the Management Board,
Mr Artur Osuchowski – Member of the Management Board,
Mr Kazimierz Przełomski – Member of the Management Board.

With relation to the appointment of Mr Kazimierz Przełomski into the Management Board of CIECH S.A., the dismissal of commercial proxy granted on 27 November 2006, entitling to act jointly with the member of the Management Board of CIECH S.A.

On 2 April 2008 the Extraordinary General Meeting implemented the following changes in the composition of the Supervisory Board of CIECH S.A.:

dismissal of:

Mr Grzegorz Miś,
Mr Tomasz Karusewicz,
Mr Dariusz Krajowski-Kukiel,
Mr Wiktor Cwynar,

appointment of:

Mr Wiktor Askanas,
Mr Przemysław Cieszyński,
Mr Krzysztof Salwach,
Mr Robert Skoczeń,
Mr Wojciech Włodarczyk,
Mr Krzysztof Zdanowski.

With reference to the abovementioned, since 2 April 2008 the composition of the Supervisory Board has been as follows:

Mr Wiktor Askanas,
Mr Przemysław Cieszyński,
Pani Alicja Pimpicka,
Mr Krzysztof Salwach,
Mr Robert Skoczeń,
Mr Wojciech Włodarczyk,
Mr Krzysztof Zdanowski.

At the session of the Supervisory Board of CIECH S.A. on 9 April 2008, the election of the Chairperson, Deputy Chairperson and Secretary of the Supervisory Board of CIECH S.A. was carried out. The election was as follows: Mr Robert Skoczeń - Chairman, Mr Krzysztof Zdanowski – Deputy Chairman and Ms Alicja Pimpicka - Secretary.

Description of competencies, qualifications and experience of the persons in the composition of the Management Board and Supervisory Board

Mr Mirosław Kochalski – President of the Management Board of CIECH S.A.

Graduate of historical studies at the Nicolaus Copernicus University and post-graduate studies at the National School of Public Administration and the Warsaw School of Economics (subject "value based management"). He completed courses in management and passed the exam for Members of Supervisory Boards of State Treasury companies. From 1994 he worked at the Office of the Council of Ministers and then at the Public Procurement Office. He was the General Director of the Public Procurement Office in the years 1997 – 1999, and then to 2002 the director of the Non-fuel Delivery and Purchase Office in PKN Orlen S.A. (he dealt with the implementation of a new organisation of non-fuel products trading). From 2003 he worked at the Warsaw Municipal Government Office. To 2005 he managed the Public Procurement Office. He was Deputy Mayor from November to December 2005. In December 2005 he was appointed the Secretary General of the City by the Warsaw Council. On 9 February 2006 the Prime Minister entrusted him with the position of Mayor of the capital city of Warsaw. He performed his duties to 19 July 2006. In the years 2000-2001 he was the Deputy Chairman of the Supervisory Board of the company Orlen Budonafit Sp. z o.o. in Krakow and in the years 2004-2006 the Chairman of the Supervisory Board of the company Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji w m.st. Warszawa S.A. On 2 August 2006 Mirosław Kochalski was again entrusted with the position of Chairman of the Supervisory Board of that company. Mr Mirosław Kochalski has a clearance certificate authorising him to access secret information classified as "top secret", "secret" and "confidential/restricted".

Mr Kazimierz Przelomski – Member of the Management Board of CIECH S.A.

Graduated with a Masters Degree from the University of London. He also studied at the University of Gdansk, in the Faculty of Economics of Transport. In 1990-1991, he worked as an analyst for KPMG Peat Marwick McLintock Management Consultants in London, dealing mostly with large enterprises within Poland's private sector. In January 1992, he joined the European Bank for Reconstruction & Development as an associate banker, advancing to the position of Senior Banker. He specialized in the financing of investment projects and directly managed a portfolio of 200 million EURO in Russia, Kazakhstan, and Belarus. As Deputy Director of the EBRD Warsaw Office, he coordinated infrastructure projects relating to the restructuring and privatisation of the power sector and the railways, as well as Poland's motorway construction programme. Between February 2000 and September 2001, he was CFO and member of the Management Board of Stalexport SA in Katowice. Between October 2001 and August 2002 he worked as CFO and Commercial Representative for Federal Mogul Gorzyce SA (a subsidiary of Federal Mogul Corporation, USA). In addition to managing the company's finances, he was responsible for financial reporting to the corporation, and for the preparation and implementation of annual financial plans and budgets. He also participated in the restructuring of the company. Since 3 September 2002, as CFO of the Ciech Chemical Group, he has been responsible for financial policy and for managing finances within Ciech SA and the Group. His responsibilities include: ensuring the financing of current and investment activity (credit lines, collaboration with banks); financial risk management (exchange rates, insurance, interest rates); managing bookkeeping (financial reporting, collaboration with statutory auditors, reporting to the Warsaw Stock Exchange, tax optimisation); investor relations (meetings with analysts, funds); financial controlling, preparation of annual financial plans, forecasts and analyses of the Group plan implementation and participation in development of acquisition strategies, acquisition assessments and negotiations pertaining to the purchase of new companies. Mr Przelomski has completed numerous professional courses and workshops, including a course for chief accountants, management skills, adoption of IAS/IFRS, cost calculation, internal auditing, loan analysis and cash flow and financing of investment projects.

Mr Marcin Dobrzański – Member of the Management Board

He graduated from University of Warsaw, School of Management, with a major in Management and Marketing. In 2002, he completed the courses for applicants for supervisory board members in the State Treasury companies and "Management 2004", the annual programme for management skills development under the aegis of Harvard Business School Publishing and Canadian International Management Institute. Since December 2007, he has been advising the President of PKO BP S.A. on issues concerning capital group restructuring. In 2002-2007 as the President of the Management Board of Ciech Polfa Sp. z o.o., included in the Ciech Chemical Group, he successfully led the company's restructuring and transformed it into a modern distribution and commercial company. It has been awarded with the title of "Polish Outstanding Exporter" in the competition organised by the Rynki Zagraniczne magazine under the honorary patronage of Prime Minister of the Republic of Poland. In the meantime, Mr. Marcin Dobrzański was honoured with the Silver Cross of Merit handed by the President of the Republic of Poland. In 2005 - 2007, he was the Chair of the Supervisory Board of Polcommerce Kft. (Hungary), the partner company of Ciech SA. In 2000 - 2002, he was the head of a project carried out in Lek POLSKA Sp. z o.o., responsible for managing the acquisition of Zakład Farmaceutyczny "ARGON" SA in Łódź. He also conducted the world's second-largest acquisition of LEK d.d. the international pharmaceutical consortium (the Novartis Group today). In 1997, he was the Supervisory Board member of Soda Mątwy SA (the Ciech Chemical Group). In 1996-1999, he was the Owner's Supervision expert in Ciech SA.

Mr Ryszard Kunicki – Member of the Management Board

He graduated from University of Warmia and Mazury (Agricultural - Technical Academy in Olsztyn before), specialisation in Agricultural Economics and Organisation. He completed post-graduate MBA studies at the Warsaw Management School (Warszawska Szkoła Administracji i Zarządzania). He holds the first degree of specialisation in engineering in the domain concerning all fields of technology with the major in Organisation and Management obtained from the Polish Federation of Engineering Associations in Warsaw. He completed a third-degree course in organisation and management in the Faculty of Management at the University of Gdansk (Branch in Słupsk). Furthermore, he completed several dozen training courses on the subjects associated with the industry, organised by Norsk Hydro and Yara International in Oslo and Brussels and internships in the plants of Norsk Hydro (USA and Canada). Since 2008, he has held a position of the Strategy and Development Director of Yara Continental Europe in Yara International ASA. In 1991-2007, he was the President and Vice-President of the Management Board and Sales Director of Hydro Poland Sp. z o.o. (after the change of the company's name into Yara Poland). In 1975-1991, he was the Chief Specialist, Deputy Director of Production, Plant Manager in an Agricultural and Industrial Enterprise in Czulchów. Working for Yara International ASA (before the change of the company's name from Norsk Hydro) Ryszard Kunicki gained enormous professional experience. Yara International ASA is one of the world's largest consolidated chemical concerns. It is an unquestionable leader in the global production of mineral fertilizers; it is also among the top manufacturers of other chemical products. It widely operates in other industry areas as well i.e. explosives, petroleum withdrawal systems, and chemistry for industry.

Mr Artur Osuchowski – Member of the Management Board of CIECH S.A.

He graduated from the Private School of Business and Administration in Warsaw, Faculty of Economy with Major in Finance and Banking. He completed professional training in enterprise value management, company valuation in the capital market and restructuring of enterprise business. He is an attestor of public procurements entered into the list of persons authorised to inspect procurements handled by sector procurers kept by the President of the Public Procurement Office. He holds grants from the DieZeit Weekly, American Council on Germany, Dreager Foundation, and the Libertas Institute. Since 2003, he has held a position of the Manager with KPMG Advisory in the Department of Economic Consultancy. He is responsible for developing services regarding strategic projects, reorganisation of enterprise business, projects associated with financing business and projects connected with direct investment assistance. In 2001-2003, he was the Senior Consultant in the Department of Corporate Finance with Cap Gemini Ernst & Young, responsible for merger and acquisition projects in the capital market and strategic projects related to restructuring and reorganisation of enterprise business. In 1998-2001, he was the Senior Consultant in the Department of Corporate Finance with Ernst & Young, responsible for merger and acquisition projects in the capital market and strategic projects related to restructuring and reorganisation of enterprise business. In 1996-1997, he held a position of the Analyst in the department of management accounting with Raiffaisen Bank Polska.

Robert Skoczeń – Chairman of the Supervisory Board of CIECH S.A.

He graduated from University of Warsaw, School of Management, with a major in Law and Economics. Doctoral studies at the Warsaw School of Economics in Warsaw with a major in Management and Finance. In the last four years he was employed in the companies of the PZU Group, where he held a position of Coordinating Director and Lead Adviser to the Management Board. Between 2000-2004 he worked in TUiR WARTA SA, where he held a position of Office Director and was the Company's Commercial Representative. In 1999-2000 Commercial Representative of the Management Board of PWPW SA in controlling. Between 1997-1999 a CFO in EuroLOT SA, a company of PLL LOT SA. Group. He started his professional career in banking, where in 1992-1996 he was employed by PBK SA and BGŻ SA, holding managerial positions in investment and restructuring departments. From the beginning of his career he has been connected with capital market. Mr Skoczeń has been cooperating with a number of financial institutions. He has completed many training programmes and courses, both in the country and abroad, concerning management, supervision, finance and strategy. In 1994, after passing an exam, he obtained the qualifications of a member of State Treasury supervisory boards.

Krzysztof Zdanowski – Deputy Chairman of the Supervisory Board of CIECH S.A.

Expert in financial markets, graduate and lecturer at the Management Department of Gdańsk University, a long-term member of the Management Board of the Gdańsk Academy of Banking, member of The Polish Business Roundtable. He performed the function of the Lead Advisor of the President of the Supervisory Board of Telewizja POLSAT SA, the President of the Management Board of the Międzynarodowa Korporacja Gwarancyjna (International Guaranty Corporation), the Head of the Cabinet of Mirosław Gronicki, Minister of Finance and his advisers, adviser to the president of Biuro Informacji Kredytowej SA (Loan Information Office). Mr Zdanowski has also been a member of the Supervisory Boards of Invest Bank SA, PKO BP SA, Unitra SA and Polisa Życie SA. Since 18 February 2008 he has been advising the President of the Management Board of PZU SA on issues pertaining to strategic project management. He is Member of the Supervisory Boards of Magna Polonia NF1 S.A. and IZNS S.A.

Alicja Pimpicka – Secretary of the Supervisory Board of CIECH S.A.

Graduated from the Warsaw School of Economics with the major in Finance and Banking. She studied at University of Warsaw, Institute of Mathematics within the framework of the Interfaculty Individual Studies in Mathematics and Natural Sciences. She is a Phoenix Institute scholarship holder – studies at University of Notre Dame in South Bend, Indiana, USA. Between October 1999 and August 2006 Ms Pimpicka was employed in KPMG Audyty, Department of Financial Institutions holding a position of a Supervisor. Since August 2003 she has been a Member of the Association of Certified Chartered Accountants (ACCA) – a British equivalent of the Krajowej Izby Biegłych Rewidentów [*English: National Chamber of Statutory Auditors*] (KIBR). In April 2006 Ms Pimpicka passed an examination for the for Members of Supervisory Boards of State Treasury companies. Since August 2006 onwards, she has been a Member of the Supervisory Board of CIECH S.A.

Wiktor Askanas – Member of the Supervisory Board of CIECH S.A.

He graduated from Szkoła Główna Planowania i Statystyki (Main School of Planning and Statistics) in Warsaw in 1968 and then in 1974 received his Ph.D. in Social Sciences at the Polish Academy of Sciences with a major in management. He is a graduate of the School of Management at University of Minnesota (1987). He also completed several extra courses such as: "Entrepreneurship Teaching Cases" at Babson College (in 1997) and "Investment in Joint-Stock Companies" at the University of Harvard, HBS (in 2000). Employment history at the University of New Brunswick: 1983 - Associate Professor of the Faculty of Administration; 1986 - Agreement for indefinite period, Deputy Dean for MA studies; 1990 - Full Professor of the Faculty of Administration; 1996 - Director of the Entrepreneurship Centre; 2004 - Dean of the Faculty of Business Administration; 2008 - customer of a *honoris causa* degree, the Honorary Professor and Professor Emeritus of the University of New Brunswick. Professional career: 2007 - Lay Member of the Competition Tribunal of Canada appointed by the decision of the Prime Minister of Canada for a seven-year term of office; 2006 - Member of Polish Institute of Directors, the Professional Director designate; 2005 - Member of the Supervisory Board of the International Institute of Business in Kiev; 2005 - Chairman of the Supervisory Board of IFC in Canada; 2004 - Chairman of the Supervisory Board of PTE PZU; 2004 - Dean of the Faculty of Business Administration of the University of New Brunswick; 2003 - Full Professor of Leon Kozminski Academy of Entrepreneurship and Management in Warsaw; 2003 - Member of the Programme Board of the Polish Institute of Directors and Senior Adviser to the Chairman of Polish Pension and Insurance Supervisory Commission; 2002 - Director, Supervisory Board Member of the New Brunswick Management Investment Corporation – the state pension fund (appointed for four terms, presently the chairman of the human resources committee); 1999 - Member of the Supervisory Board of CEEMAN; 1998 - Dean and CEO of the International Management Centre in Budapest; 1997 - Director, Member of the Management Board of PZU Życie; 1996 - Member of the Supervisory Board of Centrum Farmaceutycznej Informacji Naukowej (Centre for Scientific Pharmaceutical Information); 1996 - Adviser to the President of Hortex; 1996 - Adviser to the President of Jelfa; 1996 - Adviser to the Board of Directors of Poczta Polska (Polish Post) in the Lubelskie District; 1995 - Member of the Supervisory Board of the Polish Management Institute; 1993 - Member of the Advisory Committee to the President of PeKaO S.A. He is an author of four books, sixteen chapters in books, over 100 papers and numerous expert opinions and research studies, specialising in issues of strategic management, corporate governance and international business. Furthermore, he has become a Knight of the Order of Merit of the Republic of Poland, he has been honoured with the Canadian title of "Leaders in Management Education" awarded by National Post and he has also received the 3M Teaching Fellowship, an award widely regarded as the top teaching award in Canada recognizing teaching excellence handed in by 3M Canada Company and the Society for Teaching and Learning in Higher Education.

Przemysław Cieszyński – Member of the Supervisory Board of CIECH S.A.

He is a graduate of Wrocław University of Technology (1989); he majored in Information Systems at the Faculty of Computer Science and Management. He also graduated from the Vanderbilt University of Nashville (USA), where he received his Master of Business Administration degree (1997) in Marketing. Mr. Cieszyński is a Fulbright Foundation grant holder. In 1990 - 1993 consulted Polish government on IT solutions deployment in public administration. In 1994 - 1998 he was employed as IT Manager and Project Leader in Tricon Restaurants International (until November 1997 PepsiCo) in Warsaw. In 1998 - 2003 he held positions of Manager and Senior Manager in Accenture (until December 2000 Andersen Consulting). In 2003 - 2004 Mr. Cieszyński worked as Executive Director in the CII Group (since September 2005 Kolaja & Partners), and in 2004 - 2005 he was the Director of the Banking Services Division and Member of the Management Board of Polcard (until November 2007 First Data Polska SA). In 2005 he was the Director of Restructuring Office in Telewizja Polska SA. Since 2005 he has been providing comprehensive advisory services pertaining to management under the brand known as Raitaro Consulting. In parallel, in 2006 - 2007 Mr. Cieszyński served as Chairman and Deputy Chairman of the Supervisory Board of WSIP SA and since June 2007 he has held a position as a Supervisory Board Member of Sygnity SA.

Krzysztof Salwach – Member of the Supervisory Board of CIECH S.A.

He graduated from the University of Łódź, the Faculty of Economics and Sociology, his two areas of studies included Computer Studies and Econometrics, and Finance and Banking. He completed training courses in the Code of Administrative Procedure and Law on Public Procurement as well as in public procurement procedure, selection of the best offering as stipulated by the Public Procurement Law. He passed the exam for members of Supervisory Boards of State Treasury companies. Since 2005 he has been the owner

and the President of the Management Board of SNS Trading Sp. z o.o. based in Łódź handling export of agricultural and food products. Since October 2007 he has held a position of Adviser to the President of the Management Board and CEO of the Zakład Przemysłu Mięsnego Biernacki. Mr. Salwach also worked as an accounting adviser at the Accounting Office of Andrzej Cygan in Stryków. In 2004 - 2005 he was the Vice-President of the Agricultural Market Agency, while in 2000 - 2004 he held a position of Vice-President of the Management Board of ARRTRANS S.A. Commodity Brokerage House. In 1998 - 2000 he was the head of the Brokerage Department with the Broker House TRANSARR Sp. z o.o. and in 1996 - 1998 he was employed as an analyst and later on as the head of the analysis section in ARRTRANS Sp. z o.o. in Łódź.

Wojciech Włodarczyk – Member of the Supervisory Board of CIECH S.A.

He graduated from the AGH University of Science and Technology, the Faculty of Management with a major in Management and Marketing. He completed a series of financial industry and specialist courses such as the ADR-GDR 2 module programme organized by the Bank of New York, the International Financial Reporting Standards, and the Initial Public Offering process, Rules and Implementation of REACH (Registration, Evaluation and Authorisation of Chemicals) and Project Management. He is currently the Member of the Management Board of Operator Logistyczny Paliw Płynnych Sp. z o.o. – OLPP. He gained his professional experience working as Senior Expert in the Department of Business Consulting of Doradztwo Gospodarcze DGA S.A., in Ernst & Young as Senior in the Group dedicated for "Oil, Gas and Chemicals" in the Business Advisory Department. Prior to working as Director of the Strategy Office for Strategic Projects he held the position of Investor Relations Office Manager in PKN ORLEN S.A. He was also Manager in the Precious Metals Plant and financial analyst in Mennica Państwowa S.A. [*English: Mint of Poland*]. He worked as Senior Accountant responsible for Securities and Manager of the Primary Market in the financial department of Biuro Maklerskie Certus Sp. z o.o. brokerage office.

25 Principles regarding the appointment and dismissal of persons in the composition of the Management Board and their qualifications, in particular the right to decide on the issuance or redemption of shares.

In compliance with the Articles of Association of CIECH S.A., the appointment and dismissal of the members of the Management Board, including the President thereof shall be vested in the competencies of the General Meeting.

The provisions of the Commercial Companies Code and the Articles of Association of CIECH S.A shall determine the qualifications of the Members of the Management Board.

The Members of the Management Board do not hold any special rights to decide on the issuance or redemption of shares.

26 Information on agreements concluded between issuers and the persons constituting the Management Board, anticipating a compensation in the case of their resignation or dismissal from office without a good cause or when their dismissal takes place due to the issuer's merger by take over

In the case of dismissal from the office or the cancellation of employment agreement due to causes other than the infringement of the fundamental responsibilities arising from the employment, the agreement with the Members of the Management Board, shall stipulate a single compensation (severance pay) in the amount of a total remuneration due for the last six months of the performance of function.

No competition agreement with the Members of the Management Board upon the termination of employment shall stipulate the payment of compensation for the period of 12 months, in the amount of 80% of the average remuneration paid in the period of full 12 calendar months preceding the cessation of employment.

27 Remuneration of Management Board and Supervisory Board

Information is presented in point 31.6 of the additional information and explanations to the consolidated statement of Ciech Group

28 The establishment of total number and nominal value of all shares of the Company and shares of in the affiliates owned by the Members of the Management Board and Supervisory Board

From the declarations delivered by the Members of the Management Board and Supervisory Board it appears that as at 31 December 2007:

- Mr Kazimierz Przełomski – Commercial Representative of CIECH S.A. – owned 1,200 shares in CIECH S.A.

Other Members of the Management Board and Supervisory Board did not own share in CIECH S.A. or related parties.

From the declarations delivered by the Members of the Management Board and Supervisory Board it appears that as at 16 May 2008:

- Mr Kazimierz Przełomski – Member of the Company's Management Board owns 1,200 shares in CIECH S.A.
- Mr Artur Osuchowski – Member of the Management Board owns 100 shares in CIECH S.A.

Other Members of the Management Board and Supervisory Board did not own share in CIECH S.A. or related parties.

29 Information on the shareholders owning at least 5% of the general number of votes at the General Meeting of Shareholders of CIECH S.A.

From the notifications received under article 69 of the Act on public procurement and the conditions of introducing financial instruments to the organized system of trading and public companies of 29 July 2005 - Dz.U. [Journal of Laws] no. 184 item 1539) appears that as at 31 December 2007 the following entities owned at least 5% of the total number of votes at the Company's general meeting:

- State Treasury – 10,270,800 shares accounting for 36.68 % of the share capital of CIECH S.A.; number of votes 10,270,800, accounting for 36.68% of share in the total number of votes at the General Meeting.
- PZU "Złota Jesień" open pension funds – 1,712,732, accounting for 6.12% of the share capital of CIECH S.A.; Number of votes 1,712,732, accounting for 6.12% of share in the total number of votes at the General Meeting;
- Pioneer Pekao Investment Management S.A. (PPIM) – 3,505,146, accounting for 12.52% of the share capital of CIECH S.A.; Number of shares 3,505,146, accounting for 12.52% of share in the total number of votes at the General Meeting;

including Pioneer investment funds managed by PPIM – 3,467,454, accounting for 12.38% of the share capital of CIECH S.A.; number of votes 3,467,454, accounting for 12.38% of share in the total number of votes at the General Meeting.

Shareholder	Status as at 31 Dec. 2007	Purchased shares	Sold shares	Status as at 16 May 2008
State Treasury	10 270 800	-	-	10 270 800
PZU "Złota Jesień" open pension funds	1 712 732	-	-	1 712 732
Pioneer Pekao Investment Management (PPIM)	3 505 146	564 683	-	4 069 829
including Pioneer investment funds managed by PPIM	3 467 454	564 584	-	4 032 038
including Pioneer Balanced Open-End Mutual Fund	-	1 402 040	-	1 402 040
including Pioneer Polish Shares Open-End Mutual Fund	-	1 507 398	-	1 507 398

- On 20 February 2008 Pioneer Pekao Investment Management S.A. (PPIM) informed CIECH S.A. on the growth of the total exposure to the level of 14.54% of the total number of votes at the General Meeting concerning financial instruments included in the portfolios managed within the framework of the on-order financial instruments portfolio management by PPIM.
- On 20 February 2008 CIECH S.A. was informed by Pioneer Pekao Investment Management, performing the agreement of rendering services connected with the on-order financial instruments portfolio management, concluded between Pioneer Pekao Investment Management S.A. and PPIM, on behalf of the following funds:
 - Pioneer Polish Shares Open-End Mutual Fund
 - Pioneer Income Mix 20 Open-End Mutual Fund
 - Pioneer Growth and Income Mix 40 Open-End Mutual Fund
 - Pioneer Income Mix MIX60 Open-End Mutual Fund

5. Pioneer Polish Market Small and Mid-sized Enterprises Open-End Mutual Fund
6. Pioneer Polish Market Mid-sized Enterprises Open-End Mutual Fund
7. Pioneer Balanced Open-End Mutual Fund
8. Pioneer Stable Growth Open-End Mutual Fund
9. Pioneer Telekomunikacja Polska Specialised Open-End Mutual Fund
10. Pioneer Active Allocation Open-End Investment Fund

on the growth of exposure of the above funds to the level of 14.40% of the total number of votes at the General Meeting of the Company: CIECH S.A. concerning financial instruments included in the portfolios of those funds managed within the framework of the on-order financial instruments portfolio management by PPIM.

The abovementioned Pioneer mutual funds are the shareholders holding in total the indicated number of votes at the General Meeting.

The portfolios of the Pioneer mutual funds account for a subgroup of all portfolios of the PPIM clients.

- On 27 February 2008 CIECH S.A. was informed by Pioneer Pekao Investment Management S.A. (PPIM), performing the agreement of rendering services connected with the on-order financial instruments portfolio management, concluded between Pioneer Pekao Investment Management S.A. and PPIM, on behalf of the following fund:

1. Pioneer Balanced Open-End Mutual Fund

on the growth of the total exposure to the level of 5.01% of the total number of votes at the General Meeting of CIECH S.A. concerning the shares included in the portfolio of this fund.

- On 7 March 2008 CIECH S.A. was informed by Pioneer Pekao Investment Management S.A. (PPIM), performing the agreement of rendering services connected with the on-order financial instruments portfolio management, concluded between Pioneer Pekao Investment Management S.A. and PPIM, on behalf of the following fund:

1. Pioneer Polish Shares Open-End Mutual Fund

on the growth of the total exposure to the level of 5.38% of the total number of votes at the General Meeting concerning the shares included in the portfolio of this fund.

30 Information on agreements, which may be likely to affect the changes in the proportions of shares held by the existing shareholders and bondholders.

CIECH S.A. holds no information on agreements, which may be likely to affect the changes in the proportions of shares held by the existing shareholders and bondholders.

31 Information on the holders of all securities, which give special control authorizations against Issuer with the description of those authorizations.

No securities which give special control authorizations against Issuer are present in CIECH S.A.

32 Information on all restrictions regarding the assignment of ownership rights of Issuer's securities and all restrictions regarding the administration of the right to vote vested in issuer's shares.

No restrictions regarding the assignment of ownership rights of securities, except the restrictions issuing from the Financial Instruments Trading Act of 29 July 2005 are present in CIECH S.A. No restrictions regarding the administration of the right to vote vested in the CIECH S.A. shares are present.

33 Information on share incentive control system.

Share incentive is not used in CIECH S.A. or any of the Ciech Group companies.

34 Information on the agreements concluded with the entity authorized to perform Financial Statement Audit of the Ciech Group

Agreements concluded in 2007

Name of Entity	Date of conclusion	Content of Agreement	Value of Agreement
Alwernia S.A.			
1. Deloitte Audyt Sp. z o.o.	18.06.2007	Revision of consolidation package for the first half-year of 2007 drawn up according to IAS, IFRS and the related to them interpretations announced in the form of executive regulations of European Commission and the principles of Ciech Group.	EUR 15,000 + VAT + 10% additional costs
1. Deloitte Audyt Sp. z o.o.	18.06.2007	Audit of the Financial Statement for 2007, drawn up in compliance with the Accounting Act of 29 September 1994 (consolidated text of the Journal of Laws No. 76 of 2002, item 694 as amended and the audit of the consolidation package for 2007, drawn up in compliance with IFRS and the principles of Ciech Group.	EUR 17,000 + VAT + 10% additional costs
CIECH POLFA Sp. z o.o.			
1. Deloitte Audyt Sp. z o.o.	29.06.2007	Audit of the Financial Statement and revision of consolidation package for the first half-year of 2007 and audit of consolidation package for 2007.	EUR 6,000 + VAT (revision of the first half-year of 2007) EUR 10,000 + VAT (annual audit) + 10% additional costs
VITROSILICON S.A.			
1. Deloitte Audyt Sp. z o.o.	18.06.2007	Audit of the Financial Statement and revision of consolidation package for the first half-year of 2007 and audit of consolidation package for 2007.	EUR 26,500 + VAT + 10% additional costs
Chemian S.A.			
1. Deloitte Audyt Sp. z o.o.	28.06.2007	Audit of the Financial Statement and revision of consolidation package for the first half-year of 2007 and audit of consolidation package for 2007.	EUR 25,500 + VAT + 10% additional costs
FOSFOR Group			
1. Deloitte Audyt Sp. z o.o.	18.06.2007 (GZNF FOSFOR Sp. z o.o.)	Agreement for the performance of Audit of the Financial Statement, Consolidated Financial Statement of the Capital Group and revision of consolidation package for the first half-year of 2007 and audit of consolidation package for 2007.	EUR 20,000 + VAT for the first half-year of 2007 EUR 22,000 + VAT for 2007
2. Deloitte Audyt Sp. z o.o.	18.06.2007 (AGROCHEM Sp. z o.o. – Dobre Miasto)	Agreement for the performance of Audit of the Financial Statement for the first half-year of 2007 and for 2007	EUR 8,200 + VAT for the first half-year of 2007 + 10% additional costs EUR 11,000 + VAT for 2007 + 10% additional costs
3. Deloitte Audyt Sp. z o.o.	18.06.2007 (AGROCHEM Sp. z o.o. – Człuchów)	Agreement for the performance of Audit of the Financial Statement for the first half-year of 2007 and for 2007	EUR 8,200 + VAT for the first half-year of 2007 + 10% additional costs EUR 11,000 + VAT for 2007 + 10% additional costs
SODA MATWY Group			
1. Deloitte Audyt Sp. z o.o.	18.06.2007 with an annex of 17.10.2007 (SODA MATWY S.A.)	Agreement for the performance of revision and audit of consolidation package and audit of financial statements	EUR 22,000 VAT + additional costs in the amount of 10% remuneration
2. Deloitte Audyt Sp. z o.o.	18.06.2007 (EC KUJAWY Sp. z o.o.)	Agreement for the performance of revision of consolidation package for the first half-year of 2007	EUR 7,000 VAT + additional costs in the amount of 10% remuneration

	Name of Entity	Date of conclusion	Content of Agreement	Value of Agreement
3.	Deloitte Audyt Sp. z o.o.	10.10.2007 (EC KUJAWY Sp. z o.o.)	Agreement for the performance of audit of consolidation package and financial statement for 2007	EUR 8,000 VAT + additional costs in the amount of 10% remuneration
4.	Deloitte Audyt Sp. z o.o.	18.06.2007 (TRANSODA Sp. z o.o.)	Agreement for the performance of revision and audit of consolidation package and audit of financial statements	EUR 19,000 VAT + additional costs in the amount of 10% remuneration
5.	Deloitte Audyt Sp. z o.o.	8.10.2007 (SODA MAŹWY S.A.)	Agreement of consulting in the area of the evaluation of the drawn up documentation regarding the contribution in kind of the companies to the special purpose vehicle for the needs of reporting according to the Accounting Act and IFRS, consulting on the methods of preparing and completing the notes of supplementary information and other disclosures regarding particular items of the Financial Statement, consulting concerning the methods preparing and completing the notes of the consolidation package for the needs of the Group.	EUR 8,000 + VAT
6.	Deloitte Audyt Sp. z o.o.	21.12.2007 (Soda Polska CIECH Sp. z o.o.)	Agreement for the performance of audit of consolidation package and audit of financial statements	EUR 19,000 VAT + additional costs in the amount of 10% remuneration
JANIKOSODA S.A.				
1.	Deloitte Audyt Sp. z o.o.	18.06.2007	Revision of consolidation package for the first half-year of 2007	EUR 16,000 VAT + additional costs 10% of price
2.	Deloitte Audyt Sp. z o.o.	15.10.2007	Audit of consolidation package and financial statement for 2007	EUR 18,000 VAT + additional costs 10% of price
CIECH S.A.				
1.	Deloitte Audyt Sp. z o.o.	7.03.2007	Verification of financial statements of ZACHEM S.A. and Z.Ch. Organika-Sarzyna S.A.	EUR 18,000 + VAT
2.	Deloitte Audyt Sp. z o.o.	7.03.2007	Audit of balance sheets of ZACHEM S.A. and Z.Ch. Organika-Sarzyna S.A.	EUR 36,000 + VAT
3.	Deloitte Audyt Sp. z o.o.	12.07.2007	Revision and audit of financial statement 30.06-31.12.2007	EUR 77,000 + VAT + 10% refund of costs
4.	Deloitte Audyt Sp. z o.o.	25.10.2007	Verification of the valuation of fixed assets and intangibles of: S.C Uzinele Sodice Govora – Ciech Chemical Group S.A., ZACHEM S.A., Z.Ch. Organika-Sarzyna S.A.	EUR 90,000 + VAT + refund of costs
5.	Deloitte Audyt Sp. z o.o.	25.10.2007	Audit of the balance sheet of ZACHEM S.A.	EUR 8,600 + VAT + refund of costs
6.	Deloitte Audyt Sp. z o.o.	27.11.2007	Verification of financial statements of ZACHEM S.A. and Z.Ch. Organika-Sarzyna S.A.	EUR 24,000 + VAT
Z.Ch. Organika-Sarzyna S.A.				

	Name of Entity	Date of conclusion	Content of Agreement	Value of Agreement
1.	Deloitte Audyty Sp. z o.o.	18.06.2007	Revision of consolidation package for the first half-year of 2007 and audit of financial statement and consolidation package for 2007.	EUR 20,000 + VAT for the packet revision EUR 27,000 + VAT for audit of statement and audit of packet for 2007

ZACHEM S.A.,

1.	Deloitte Audyty Sp. z o.o.	20.07.2007	Audit of the Financial Statement, Consolidated Financial Statement and revision of consolidation package for the first half-year of 2007 and audit of consolidation package for 2007.	EUR 56,000 VAT + additional costs in the amount of 10% remuneration
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Agreements concluded in 2006

	Name of Entity	Date of conclusion	Content of Agreement	Value of Agreement
Alwernia S.A.				
1.	Deloitte Audyty Sp. z o.o.	12.07.2006	Agreement for the performance of audit of the Financial Statement for 2006 and revision of consolidation package for the first half-year of 2006 and audit of consolidation package for 2006.	EUR 30,500 + VAT + 10% additional costs

CIECH POLFA Sp. z o.o.

1.	Deloitte Audyty Sp. z o.o.	28.07.2006	Audit of financial statement for 2006	EUR 15,400
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VITROSILICON S.A.

1.	Deloitte Audyty Sp. z o.o.	21.07.2006	Audit of the Financial Statement and revision of consolidation package for the first half-year of 2006 and audit of consolidation package for 2006.	EUR 25,500 + VAT
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Chemana S.A.

1.	Deloitte Audyty Sp. z o.o.	26.07.2006	Audit of the Financial Statement and revision of consolidation package for the first half-year of 2006 and audit of consolidation package for 2006.	EUR 24,500 net + 10% additional costs (for business trip expenses, telephones, shipments, etc.); due to the necessity to execute not arranged works by fault of Ordering Party- EUR 70/man-hour.
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FOSFOR Group

1.	Deloitte Audyty Sp. z o.o.	28.07.2006	Audit of the Financial Statement, Consolidated Financial Statement of the Capital Group and revision of consolidation package for the first half-year of 2006 and audit of consolidation package for 2006.	EUR 48,400
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SODA MATWY Group

1.	Deloitte Audyty Sp. z o.o.	17.07.2006	Contract for the performance of Audit of the Financial Statement, Consolidated Financial Statement of the Capital Group and revision of consolidation package for the first half-year of 2006 and audit of consolidation package for 2006.	EUR 46,000 EUR + costs incurred the contractor in relation to the realization of the agreement in the amount of 10% of remuneration value
2.	Deloitte Audyty Sp. z o.o.	24.07.2006 (EC KUJAWY Sp. z o.o.)	Agreement for the performance of audit of the Financial Statement for 2006 and revision of consolidation package for the first half-year of 2006 and audit of consolidation package for 2006.	EUR 13,000 + costs in the amount 10% of remuneration

Name of Entity	Date of conclusion	Content of Agreement	Value of Agreement
3. Deloitte Audyt Sp. z o.o.	24.07.2006 (TRANSODA Sp. z o.o.)	Agreement for the performance of audit of the Financial Statement for 2006 and revision of consolidation package for the first half-year of 2006 and audit of consolidation package for 2006.	EUR 9,900 VAT + additional costs in the amount of 10% remuneration
JANIKOSODA S.A.			
1. Deloitte Audyt Sp. z o.o.	24.07.2006	Audit of the Financial Statement and revision of consolidation package for the first half-year of 2006 and audit of consolidation package for 2006.	EUR 36,500 + VAT 10% additional costs
CIECH S.A.			
1. Deloitte Audyt Sp. z o.o.	21.06.2006	Revision and audit of the Financial Statement, Consolidated Financial Statement of the Capital Group and consolidation package for the first half-year of 2006 and year 2006.	EUR 111,770 + refund of costs up to the amount of 10% of agreement value
Z.Ch. Organika-Sarzyna S.A.			
1. Deloitte Audyt Sp. z o.o.	16.11.2006	Audit of financial statement for 2006	EUR 10,000 + costs (business trip, accommodation, telephones, etc.) + VAT
ZACHEM S.A.,			
1. Deloitte Audyt Sp. z o.o.	13.11.2006	Audit of the Financial Statement and Consolidated Financial Statement for 2006	EUR 13,630 + all costs incurred by the contractor due to the realization of the contract (business trips, accommodation) + EUR 70/ man-hour on the occurrence causing major increase in the labour intensity of the audit by the Contractor

35 Management of finance resources in the Ciech Group

The Ciech Group has a full capacity to fulfil incurred liabilities, and the maintenance of financial liquidity is a key task of the Group.

Decision processes regarding both fundamental raw materials and auxiliary materials and services determine a necessity to negotiate the most favourable financial conditions with a particular reference to payment dates. This principle shall also be valid in the case of sale realization, where an additional emphasis is put on the contracting party's reliability, surety of receiving the payment, and in the necessary cases undertaking all recovery actions.

Group's essential tasks realised in 2007 were as follows: the integration of companies acquired in the 4. quarter of 2006 and acquisition of a new entity - Soda Deutschland Ciech (realised in the 4. quarter). At the same time the Group is optimising the structure of using financial resources, in accordance with the adopted strategy of the Ciech Group.

▪ Profit evaluation of the Ciech Group

In 2007 the Ciech Group recorded a major growth of operating profit, accompanied by the growth of profitability of sales and operating activity. It is the result of both increase arising from the acquisition and the development of organic segment. The Ciech Group focuses on the development of product segments considered as strategic and increase the Company value based on core business.

Basic information regarding the achieved financial results and profitability level is presented in the tables below:

Consolidated operating ratios of the Ciech Group

Specification	2007	2006
Net revenues from sales	3 414 979	2 174 330
Gross sales profit	808 707	497 267
Operating profit	313 642	191 958
Net profit	241 857	196 073
Return on sales (in %)	23.7%	22.9%
Return on operating activity (in %)	9.2%	8.8%

Specification	2007	2006
Return on net income (in %)	7.1%	9.0%
Return on total assets (in %)	5.7%	6.9%
Return on equity (in %)	17.5%	16.5%

Source: CIECH S.A.

The principles of calculating ratios:

operating ratios – ratio of suitable amounts of sales profit, operating profit and net profit for a given period to net income from sales of products, services, goods and materials

return on assets (ROA) – net profit for a given financial year / assets at the period-end,

return on equity (ROE) – net profit for the financial year / total equity as of the period-end.

▪ Evaluation of the Ciech group liquidity

Ciech Group has a full capacity to settle debts on time. In 2007, in relation to the analogical period of the preceding year, liquidity ratios slightly decreased; however, it was an effect of deliberate management activities and did not increase considerably the Ciech Group's liquidity risk. Within the framework of the financial structure optimisation from the 4. quarter of 2006 the level of the use bank loans increased (including mainly in CIECH S.A. – higher level of the use of external funding sources).

Liquidity ratios of the Ciech Group

Specification	31.31.2007	31.12.2006
Current ratio	1.0	1.1
Increased liquidity ratio	0.8	0.9

Source: CIECH S.A.

The principles of calculating ratios:

Current ratio – current assets at the period-end/current debt at the period-end, it illustrates the company's capability to settle current debts with the use of current assets.

Acid test ratio– current assets less inventories at the period-end/current debt at the period-end, it illustrates the capability of accumulating pecuniary assets in a short time to cover high maturity debts.

▪ Working capital and activity ratios of Ciech Group

The current asset needs at the end of 2007 amounted to PLN 385,073 thousand, which translates into an increase by 20% within 12 months. It was an effect of mainly recording in the consolidated financial statements of the balance sheets of the following companies: Z.Ch. Organika-Sarzyna S.A., ZACHEM S.A., S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and Soda Deutschland Ciech Group.

Working capital of Ciech Group (thousand PLN)

Specification	31.12.2007	31.12.2006
1. Current assets	1 582 814	1 104 060
2. Cash assets and other short-term investments	126 562	146 234
3. Adjusted current assets (1-2)	1 456 252	957 826
4. Short-term liabilities	1 553 561	967 023
5. Sort-term loans and other financial commitments	482 382	331 130
6. Adjusted short-term commitments (4-5)	1 071 179	635 893
7. Working capital (1-4)	29 253	137 037
8. Current asset needs (3-6)	385 073	321 933
9. Net cash asset balance (7-8)	(355 820)	(184 896)

Source: CIECH S.A.

Cash conversion cycle in 2007 amounted to 37 days, while a year before it had been 57 days. A change in the length of cycle almost entirely was an effect of the consolidation of the following companies: ZACHEM S.A. and Soda Deutschland Ciech Group, whose cash conversion cycles in 2007 were lower from the ones recorded in other companies of Ciech Group.

Working capital components rotation of Ciech Group (number of days)

Specification	2007	2006
Days of supply	31	35

Specification	2007	2006
Receivables rotations	89	100
Trade liabilities rotations	83	78
Operating cycle	120	135
Cash conversion cycle	37	57

Source: CIECH S.A.

The principles of calculating ratios:

days of supply – average inventories at the period-end [arithmetic average of the condition at the beginning of the year and end of the period] / operating costs for a given period, multiplied by the number of days in a given period,

receivables rotations – average condition of trade and other receivables at the period-end [arithmetic average of the condition at the beginning of the year and end of the period] / net sales revenues for a given period, multiplied by the number of days in a given period,

Trade liabilities rotations – average condition of trade and other receivables at the period-end [arithmetic average of the condition at the beginning of the year and end of the period] / operating costs for a given period, multiplied by the number of days in a given period,

operating cycle - sum of days of supply and trade liabilities rotations

Cash conversion cycle – difference between operating cycle and trade liabilities rotations.

▪ Indebtedness evaluation of Ciech Group

The Ciech Group's debt increased in 2007 in comparison with the condition at the end of 2006, however it still remains at the safe level. The increase in debt was the effect of the optimisation of financing structure assumed in the Group's strategy. Acquisition expenditures and investments in productive assets realised in the 4. quarter of 2006 and in 2007 were largely financed by bank loans, the cost of which is lower than cost of capital.

Basic debt ratios are presented by the table below.

Indebtedness ratios of Ciech Group

Specification	2007	2006
Debt ratio	67.3%	58.5%
Long-term debt ratio	30.6%	24.7%
Debt-equity ratio	212.8%	147.0%
Coverage of assets by equities	31.6%	39.8%

Source: CIECH S.A.

The principles of calculating ratios:

debt ratio – short and long-term liabilities /total assets; it illustrates the share of external sources of funding the company's activity;

long-term debt ratio – long-term liabilities / total assets; it determines the share of long-term liabilities in financing the activity;

Debt-equity ratio – total liabilities /equities

Coverage of assets by equities – equities / total assets; it presents the share of internal funds in financing the activity.

36 Predicted financial standing of Ciech Group

According to the assumptions of the realised strategy, the Ciech Group predicts a dynamic growth of scales and results. Strategic acquisitions carried out both in the 4. quarter of 2007, and planned for the following years are an impulse for fundamental growth. Additionally, significant development programmes shall be realised in manufacturing companies of the Group. The management Board of CIECH S.A. predicts that the planned expenditures shall be financed from three basic sources: internal funds, common bonds of CIECH S.A. and bank loans.

37 Evaluation of the possibilities of realizing investment projects in comparison with the amount of owned funds, with reference to the possible changes in the structure of the activity's financing

All planned investment expenditures shall be financed with internal funds, and only in the case of the realization of larger number of new projects of capital investments (acquisitions) CIECH S.A. intends to finance a part of long-term expenditures with bank loan and issuance of bonds.

A part of the planned investment expenditures shall be financed by internal funds of the Ciech Group. For investment projects of a larger value, the Group plans to negotiate long-term investment credits and to use other financial products (issuance of debt securities, operating and financial lease). The financial products shall be

adapted to the project's characteristics and current financial capabilities of the companies of the Ciech Group. The key criterion of the selection of particular instruments shall be the financing structure optimisation at an angle of decreasing financial costs whilst maintaining a safe level of financial liquidity.

In the evaluation the Management Board of CIECH S.A. the Ciech Group has a credit capacity for financing planned projects.

38 Major events having a significant influence on the activity and financial results in 2007 or whose influence is possible in the next periods

- A significant increase in the activity of the Ciech Group as a result of the CIECH S.A.'s acquisition in the previous year the control packets of the following companies: ZACHEM S.A. and Z.Ch. Organika-Sarzyna S.A. and a Romanian soda company - S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and including Soda Deutschland Ciech Group which also owns Sodawerk Staßfurt GmbH & Co. KG – the producer of soda ash and baking soda in the Ciech Group in December 2007. .
- Realization of organic acquisitions and investments provided for within the framework of a new strategy of the Ciech Group for 2007-2011.
- Due to the realization of the purchase price allocation of the shares of ZACHEM S.A., Z.Ch. Organika-Sarzyna S.A. and S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A the valuation of the net assets to the fair value was carried out, which significantly increased the depreciation value in 2007 and for the future.
- In order to allocate the purchase price of the shares of Soda Deutschland Ciech acquired in December 2007, the valuation of the net assets to the fair value shall be carried out, which may significantly increase the depreciation value in 2008 and for the future.
- Maintaining a good business climate in the European glass construction industry, being major target markets of CIECH S.A. (refers mainly to the recently launched and planned new glass production lines in Central and Eastern Europe).
- Price hikes of soda ash on the European market from the beginning of 2008 (by 10-15% in comparison to 2007)
- Smaller intensity of deliveries to Europe of competitive soda ash from the USA (in the interest of export to China and South America).
- The growth of use of artificial fertilizers in Europe and the world due to the increasing acreage of industrial plant farming for the needs of biofuel production.
- Good business climate in the domestic furniture branch (with the outlooks on further growth of export), being a recipient of the Ciech Group's products (polyurethane foams and indirectly – intermediate products for their manufacture -toluene-diisocyanate–TDI).

39 Outlooks for the development of the Ciech Group's activity

Outlooks for the development of CIECH S.A. and the Ciech Group's activity arise from the adopted in 2007 strategy of the Ciech Group for 2007-2011 and general business climate in Poland and the world.

The Group shall endeavour mainly to realise the scenario of the "Concentrated Development" scenario, anticipated in the new strategy, which shall enable a step growth of scale of activity until 2011: more than doubling the revenues to the level of approx. PLN 8 billion and increasing the EBITDA profitability up to 15% shall be observed. In the case of the necessity to reduce the adopted maximum scope of acquisition the scenario of Sustainable development shall be realised, which ensures a systematic growth of scale of activity until 2011: increase of revenues by 60% up to PLN 5.6 billion and of EBITDA profitability up to 17%.

It is assumed that the realization of the strategic scenarios shall enable the Ciech Group to achieve a major position in the European Union and will be in the group of the top twenty European chemical companies.

These objectives shall be achieved mainly by:

- **Increasing the competitiveness and efficiency of the Organic Division's activity.**
Main financial effects from the integration programme to be achieved in 2008 (PLN 79 million in total) refer to the following areas: Marketing and Sales, Organization and Production, Renovations, Repairs.
- **Strengthening the position of a vice-leader in Europe in the area of soda ash.**
Actions in this area include the continuation of the programme of restructuring and integrating a Romanian company of S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. and integration of a German company

of Sodawerk Staßfurt GmbH & Co. KG with the Soda Division of CIECH S.A. and searching for new acquisitions in the soda segment.

- **Achieving a strong position on the Polish agrochemical sector and extension of the new Agro Division.**
- **Strengthening the position of a leader in profitable niche segments of silicates and glass branch and the extension of the new Silicates and Glass Division.**

CIECH S.A. assumes that the above actions shall be facilitated by:

- Optimistic long-term forecasts of the economic development for Poland (the assortment of the Ciech Group is appropriated for many different economic branches and market segments).
- A large potential of the growth of demand for chemicals in Poland (where their use at the level of EUR 500 EUR per capita is still approx. 3-4 times lower than in Western Europe).
- The competitiveness of Polish chemical products on foreign markets confirmed by a higher than ten per cent export dynamics (in 2007 according to the value in PLN).

The financial forecast for the Ciech Group for 2008 adopted by the Management Board of Ciech S.A. on 28 February 2008 assumes that in the case of the realization of the adopted assumptions the following results shall be achieved at the consolidated level in 2008: The financial forecast for the Ciech Group for 2008 adopted by the Management Board of Ciech S.A. on 28 February 2008 assumes that in the case of the realization of the adopted assumptions the following results shall be achieved at the consolidated level in 2008:

- Net revenues from sales for 2008: PLN 4,270 million.
- Net profit for 2008: PLN 225 million.

The following assumptions regarding 2008 are included in the forecast:

- CPI inflation, average (% yoy) 2.8%; GDP dynamics in 2008 in Poland shall amount to 4.8 %; average annual rates of exchange at the level of PLN/USD = 2.61; PLN/EUR = 3.66; NBP reference rate (%) 5.5%.
- steady level of prices for organic and non-organic products;
- increase in prices for basic soda products on the average 7% in comparison to the previous year;
- increase in prices for basic raw-materials; including in particular, coal by approx. 12%-15%, limestone and anthracite by more than 20% compared to 2007. The growth of costs of energy carriers between 11% and 15% was also recorded.

The following are also planned:

- Increase in consolidated revenues of the soda segment by approx. 63% in 2008 in comparison to 2007 mainly related to the incorporation of the newly acquired (on 19 December 2007) Soda Deutschland Group to Ciech Group.
- Increase in consolidated revenues of the organic segment, in particular epoxy resins by approx. 58% as a result of extension of productive powers.
- In other segments a slight increase in revenues from sales or maintaining sales at the level similar to the one in 2007 is planned.
- The continuation and beginning of realization of investment tasks, which shall largely influence on the increase of productive capacities in the following years.

The presented forecast was prepared on the basis of the structure of the Group formed at the end of 2007. In the event of the company acquired by CIECH S.A. in the 4. quarter of 2007 - Soda Deutschland Ciech adopted estimated values of assets and liabilities of this entity (so-called 'the initial provisional settlement'). After establishing the fair value for Soda Deutschland Group, the Management Board of CIECH S.A. evaluated the necessity of presenting the revaluation of result forecast for the Ciech Group.

CIECH S.A. shall evaluate the possibilities of realizing the forecast results quarterly and shall present it in the Group's quarterly consolidated reports. In the case when one of the forecast items differs by at least 10%, a forecast adjustment shall be presented.

40 Characteristics of the external and internal factors relevant to the Ciech Group's development

General external factors

Business climate in Europe and the world

The activity of the Ciech Group is based mainly on the export of chemical products, whose level and profitability depend on the general business climate in Europe and in the world. Weakening of the global business climate

may influence on the decrease in demand for raw materials on world markets, and thus on the amount of export tradings realised by the Group.

It is estimated that in 2007 the global economy will be developing at a slower rate, when compared to the previous year (GDP growth by 3.5% against 3.8% in 2006 according to European Chemical Industry Council - CEFIC). For the European Union (27) the forecast dynamics is even lower (2.8% against 3.0% in 2006). In Eastern Europe the pace of economic development is estimated to be twice faster than in the EU. In this background, the predictions of CEFIC regarding the chemical sector in 2007 are quite optimistic: increase in the dynamics of chemical production in the European Union (in the area of chemicals excluding pharmacy) up to 2.6% against 2.1% in 2006.

In turn, the forecasts of CEFIC for 2008 indicate a further slowdown of the general economic growth: in the world up to 3.3% GDP and in the EU (27) up to 2.4% GDP. The predictions regarding the chemical sector in the EU are also not very optimistic (decrease in the dynamics of chemical production excluding pharmacy up to 1.9% in 2008).

On the other hand in the largest economy of Eastern Europe - Russia, a faster pace of the development of the chemical sector against the entire industry of this country (increase in the chemical production in 2008 by 9% against GDP dynamics at the level of 6.5%) is predicted.

Situation in industries of the Ciech Group's product customers in Poland

The largest direct product customers of the Ciech Group's products are the following industries: chemical and plastic products, glass industry. The development of those economic sectors depends on the business climate in Poland. The industrial production in fixed prices increased by 9.7% within 12 months 2007 (in 2006 by 11.8%). The chemical industry dynamics amounted to: +2.6% (+11.0% in 2006) in the production of chemical products and +13.6% (+14.2% in 2006) in the production of rubber products and plastics.

2007 was a second consecutive year, which was characterized by a fast pace of the country's economic growth. Various forecasts assume that the GDP dynamics reached the level of 6.5% in the whole 2007 (against 6.1% in 2006). For 2008 it is assumed some slowdown of that dynamics to the level of approx. 5.5%. Respectively, the growth pace of sales in the chemical sector, which usually develops similarly to the entire economy, will also slow down.

Financial condition in agriculture

A part of revenues in the Ciech Group including mineral fertilizers and plant protection chemicals is realised within the framework of sales to the agricultural sector. In the opinion of CIECH S.A. the volume of demand for mineral fertilizers in Poland should be maintained at a steady level with an upward movement in the importance of compound fertilizers. The significant factors, which favour the increase in the use of agrochemicals, and in turn the demand for the products manufactured by the Ciech Group are the processes improving the financial condition and the profitability of agricultural production, including: production quoting and direct subsidies. It should translate into the growth of revenues of the Ciech Group. On the other hand, the lack of a significant improvement in the purchasing power of the agricultural sector may mark demand stagnation for fertilizers and plant protection chemicals, and therethrough a stagnation of the Ciech Group's revenues in the area of agrochemical products.

Business climate on the raw material market

Within the framework of the Ciech Group's activity, the import of chemical raw materials to Poland accounts for a significant part of volume of business. Raw material markets are characterized by a large cyclicity related to the fluctuations of the global business climate. The increasing prices of raw materials on the one hand cause a reduction of brokers margins and a weakening demand of customers. On the other hand, decreasing prices are often a symptom of weakening demand and the beginning of weakening market environment. Maintaining a stable pace of economic growth and stable prices of chemical raw materials shall have a positive effect on the commercial activity of CIECH S.A. in the area of raw materials import. The considerable fluctuations of demand and prices caused either by a fast economic growth or economic stagnation shall negatively affect the activity connected with the trading of chemical raw materials by CIECH S.A.

PLN/EUR exchange rate relations

Export sales of the Ciech Group are realised predominantly in EUR. The strong Euro increases the profitability of export sales both of the Ciech Group and other chemical producers in Poland. It also increases the value of volume of business realised by CIECH S.A. in the interest of other producers. In the effect, the EUR/PLN exchange rate affects the profitability of sales revenues of the Ciech Group. However, in the case of strengthening the domestic currency against Euro, a decline of export profitability and a negative influence on the export sales volumes realised by the Ciech Group is possible.

Implementation of the REACH system

Under the Act of 16 January 2007 the Management Board of CIECH S.A. appointed the REACH Task Force the aim of which is to supervise the preparation of CIECH S.A. and the Ciech Group's Companies to implement the system and minimise the risk related to the new legal requirements.

In 2007, with the participation of the Instytut Chemii Przemysłowej [Industrial Chemistry Institute], a thorough analysis of the effects of implementing the REACH system in the Group was carried out, which shall largely facilitate in the planning of the expenditures for that purpose in the nearest years. Currently, the Companies' actions are focused on the preparation for the initial registration of the substances produced and imported, which shall commence in June 2008 and shall last until the end of November 2008. The initial registration of substances shall enable the Companies to benefit from transition period and carrying out the suitable registration later, i.e. in the years 2010, 2013 and 2018. Some companies established cooperation with the future registerers within the framework of the associations of the producers operating in the European Union, forming consortiums for the needs of mutual registration of substance.

Internal factors

Realization of the existing technological investment projects, including: achieving the planned productive capacities in the newly built system for the production of monohydrate, creating an all-Poland vacuum salt distribution system.

The aim of the technological investments realised or planned in the Ciech Group is: increasing highly profitable productive capacities, increasing the quality and properties of the products manufactured in accordance with market requirements (monohydrate investment) and marketing new products which are likely to become market leaders (feed phosphates). In turn, the project concerning vacuum salt is to enable the Ciech Group to enter the vacuum salt distribution market and create its own brand. The realization of the salt project also includes a growth of productive capacities as regards salt co-packing through capital and physical investments.

The realization of those projects shall be significant for maintaining competitive advantage and strengthening the market position in the selected segments of the Ciech Group's activity. As a result of the realization of technological investments, the Ciech Group expects: to maintain the dominant position on the soda ash market in Poland, strengthen the position in the agrochemical sector and obtain a significant position on the vacuum salt retail market. Achieving the established objectives should result in the growth of revenues and the growth of profitability and sales.

The projects are realised at the stage of the feasibility study regarding the development of productive capacities concerning soda ash in Poland.

Realization of investment projects in the recently acquired companies: ZACHEM S.A., Z.Ch. Organika-Sarzyna S.A. and SC US Govora Ciech Chemical Group S.A. and Sodawerk Staßfurt GmbH & Co. KG

In compliance with the liabilities arising from the Privatisation Agreements referring to ZCh ZACHEM S.A. and ZCh Organika-Sarzyna S.A. and plans as for SC US Govora Ciech Chemical Group S.A. and Sodawerk Staßfurt GmbH & Co. KG, CIECH S.A. is realizing investment packets directed at the modernization and development of those Plants.

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

- Modernization actions for the basic production lines stemming from the current state of technology, aiming at increasing productive capacities and decreasing costs of manufacture,
- Construction of new production units in order to balance the needs for main raw materials and becoming independent from external sources and leading outwardly to the reduction of costs of manufacture,
- Realization of investment tasks reducing the impact on the environment and at the same time fulfilling the requirements of the Environment Protection Law. A main investment task in this scope is the construction of a modern electrolysis system for chlorine production.

Z.Ch. Organika-Sarzyna S.A. – development plans include the following directions:

- New investments, the implementation of which shall enrich the Company's existing market offer,
- Extension of the existing productive capacities for the products attractive in terms of market,
- Reconstruction of the Company's productive assets – technological modernizations and modern control systems,
- Environment protection investments.

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – development plans include the following directions:

- Extension of the existing soda ash productive capacities,
- Reconstruction of the Company's productive assets,
- Environment protection investments.

Sodawerk Stassfurt GmbH&Co.KG KG – already realised development investments refer to the extension of the existing soda ash productive capacities from 450 thousand ton/year to 600 thousand ton/year.

Quality and stability of the management and employees

The Ciech Group's market position is largely a credit of the high quality of the management and middle-level employees. The HR policy operated by the Group provides the employees with the stabilization and possibilities of professional development and constant progression.

41 Major risk and hazard factors and the level Group's exposure thereto

Risk of diversion of the positive trends regarding the pace of the economic growth in Poland

The Ciech Group's activity is related to many segments of a widely understood chemical industry, the development of which is directly correlated with the business climate. Currently, the pace of economic growth at the level of several per cent of GDP annually is being recorded in Poland. Despite the fact that the long-term forecasts generally show the maintenance of a high growth dynamics, a risk of seasonal weakening of business climate in Poland cannot be excluded (e.g. due to a low pace of the growth in domestic demand, export decline, slowdown of investment dynamics). A possible deterioration of this business climate may indirectly affect the chemical sector. Weakening of the chemical products demand may negatively affect the revenues achieved by the Ciech Group and aggravate the results.

Risk of economic stagnation in Europe and in the world

The activity of the Ciech Group is based mainly on the export of chemical products, whose level and profitability depend on the general business climate in Europe and in the world. The weakening of the global business climate may influence on the reduction of the realised volume of business on foreign markets in export and thus reduce the revenues in the particular segments of the Ciech Group's activity.

Risk of decline in demand in the segment toluene-diisocyanate (TDI) customers

In the effect of the acquisition of 80% shares in ZACHEM S.A. in 2006 CIECH S.A. became the major shareholder in the sole domestic toluene-diisocyanate (TDI) producer – a semi-finished product used in the production of polyurethane foams used mainly furniture production and automotive industry. CIECH S.A. is also the sole TDI retailer from ZACHEM S.A. (one of the major products of the CIECH Group).

The TDI market is global, although in the European practice the majority of those product turnovers are realised within the continent. In consideration of the target segments of customers (furniture and automotive industry) the situation in the TDI producers' sector strongly depends on the general business climate. In the case of a drastic deterioration of that business climate the TDI demand also declines. A constant presence of suppliers on many global markets creates some possibility of preventing from downturn only on some regional markets. CIECH S.A. also realises such actions.

Risk of oversupply of toluene-diisocyanate (TDI) on the global markets in the medium-term view

A considerable increase in the productive capacities of TDI in the world (by approx. 25% or more) is declared for the nearest years. . If all planned investments are realised in the forecast time, then in consideration of the currently forecast market development pace at the level of 3-4%, a global oversupply of TDI may be expected at the beginning of the second decade of the current century. It may result in the decline in TDI prices and a lower use of production systems. In order to alleviate the negative effects of this scenario, the actions aiming at the modernization of the respective production lines and lowering costs of manufacture were taken in the Ciech Group.

Risk of oversupply of soda ash in Europe in the medium-term view

At the turn of the first and second decade of this century, the commissioning of new productive capacities of soda ash is expected in the countries of Eastern and Central Europe (Russia, Belarus, Romania, Bulgaria, Bosnia and Herzegovina) and in Turkey and Germany – in total accounting for 20% of the current nominal productive capacities in Europe. The planned realization of all those investments (and a large growth of supplies to the market in a relatively short time) may result in a periodic product oversupply and price decline in the region. The actions undertaken by the Ciech Group, directed at the improvement of efficiency and profitability of soda ash production plants, should reduce a possible negative influence of the above emergence of events on the Group.

Ecological factors

- The obligation of registering the substances according to the REACH regulation issued by the European Parliament and Council and the costs of registration related thereto, may have a significant influence on the Ciech Group's companies activity due to the possibility of the growth of raw material purchase costs, growth of prices of sold products, as well as the withdrawal from sales of certain raw materials by the suppliers, as their registration may prove unprofitable.
- Due to a considerable split of assortment of Boruta-Kolor Sp. z o.o. and ZACHEM Barwniki, typical of dye market, the fulfilment of the requirements of the REACH regulations is currently one of the most serious hazards. Initially estimated costs of REACH implementation shall constitute a large financial burden for those Companies. The situation concerning the formation in the EU of the exclusive representative offices of the companies from China or India, which are the suppliers of the majority of raw materials for both Companies, is not known. Non-formation of the exclusive representative offices by those companies shall result in the necessity to register some raw materials by the Companies or search for the raw material suppliers from the EU states offering them for much higher prices.

- With relation to the necessity to close down the Wiślinka landfill GZNF FOSFOR Sp. z o.o. will be forced to cease the production of own phosphatic acid. The use of imported phosphatic acid in the production cycle may increase the costs of production of enriched superphosphate.
- The possibility to introduce the prohibition to use asbestos membranes in brine electrolyzers shall result in the cessation of chlorine production in ZACHEM S.A. In view of the risk identified in this manner in 2009-2011 the construction of brine electrolysis system by membrane method is planned, in accordance with the best available BAT technologies and the so-called "asbestos act".
- Deficiency of the CO₂ emission rights in the 2. settlement period (2008-2012) for the Companies participating in the system of emissions trading may result in the necessity to incur the significant financial outlays for the purchase of the missing rights. The National Allocation Plan as regards carbon dioxide emission for 2008-2012 is still in a project phase.
- In the process of the accession of Romania to the EU, transition periods were negotiated for 2 systems maintained by S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. (Calcination and Lime Production system by 31 December 2011 and Waste Pond system by 31 December 2012) enabling to undertake adaptive actions in order to fulfil the strict requirements of the Romanian environment protection law – concerning the emission of pollution into the air and surface and subsurface waters. In the opinion of the Environment Agency, US Govora fulfils the requirements of the best available techniques included in the BAT reference documents. Nevertheless, to improve the technological processes and adapt them to the requirements of the environment protection law, the Company undertook the cooperation with scientific institutions with reference to the assessment of the influence of post-production waste on the quality of the river Olt, the analysis of the available technologies enabling the improvement of the post-soda waste as well as it began the realization of investment undertakings aiming at the reduction of load of contamination discharged to the environment. Furthermore, the Company is undertaking legislative actions directed at the realign the national environment protection laws.

42 Anticipated development of the Group

Mission and vision of the Ciech Group's development

The new strategy of the Ciech Group for 2007-2011 means the change of the Ciech Group's mission. The currently realised mission is determined by the following formula: ***"We create the value in those segments of the chemical market, in which we are competent and we achieve a strong and solid market position"***. Not only is drawing up the new mission an effect of the consistent development, but also a response of CIECH S.A. to the privilege of competing with the largest economic organizations of Europe.

The new strategy was created in reply to the reinforcement of the position of Ciech Group in Central-Eastern Europe. The realization of the strategy ensures that CIECH S.A. will be in the group of the top twenty European chemical companies.

Key elements of the Ciech Group's new vision

Objectives	We create value for shareholders
Range and markets	Central and Eastern Europe Attractive possibilities in Western Europe and other regions
Key segments	Segments with good outlooks for development, where the Group holds or may achieve a stable and strong competitive position
Portfolio management	Acquisitions Development of new products Building competencies in R & D Sale of assets not compliant with the strategy of value growth
Operational excellence	Company restructuring Active use of synergy
Contractors	Long-standing, partnership relations with our customers and suppliers
Our employees	We invest in our employees and we head hunt for the best ones on the market
Social responsibility	We endeavour to constantly improve environmental protection

Strategic objectives of the Ciech Group

The new strategy predicts a significant increase of the Group's revenues and profits in that time. In order to increase the value for the shareholders, the Ciech Group shall focus on the attractive markets – where it can achieve a strong competitive position. The basic scenario realised by the Management Board of CIECH S.A. assumes the development within the framework of the divisions operating in the selected industries. Four divisions are present in CIECH S.A.: Soda, Organic, Agro and Silicates and Glass Division. The last two were formed at the end of 2007 in the effect of the transformation of the FosChem division.

The acquisition of the fertilizers producer shall be a significant element of the formation of Agro division. The realization of this scenario defined as the "Intensive development" shall require the investments at the level of PLN 4.8 billion by 2011, and in its effect the increase of the Group's revenues up to approx. PLN 8 billion and increasing the EBITDA profitability up to 15% shall be observed. At the same time, a range of other investments and acquisitions also enabling to increase the productive capacity and as a consequence the growth of revenues even in the case, if for certain reasons the take-over of fertilizers producers by CIECH S.A. shall be realised. This variant was set forth as the scenario of the "Sustainable development" by the Management Board of CIECH S.A. Its realization shall require smaller investment outlays (approx. PLN 3.1 billion) and a smaller growth of revenues up to PLN 5.6 billion shall be its effect, however it shall enable to achieve a higher profitability (EBITDA shall increase up to 17%).

Development scenarios for the Ciech Group

Ratios	Current Status (2007)	"Concentrated Development" (2011)	"Sustained development" (2011)
Revenues	3 415	~8 000	~5 600
EBITDA	14,4%	~15%	~17%
EBIT	9,2%	~10%	~11%
Investment Outlays	613	~4 800	~3 100

Competition strategy of the Ciech Group

The sources of the Ciech Group's competitive edge arise from a strong regional position and are related to the productive and sales competencies, the knowledge of the demands of the regional branches, strong relations with customers, the presence in the region and the renown and strong brand. However, regarding the respective divisions, the Ciech Group uses varied strategies of competition:

- Organic Division- the knowledge of the characteristics of the local market, strong position in Poland.
- Soda Division- a good cost position, 2. producer in Europe – domination on the selected markets.
- Agro Division- efficient distribution system in the country, the knowledge of the local customers' needs, wide chemical product offer for agriculture.
- Silicates and Glass – leader in niche segments, favourable cost position.

Strategic objectives of the Ciech Group

The priority actions anticipated in the strategy for the respective divisions include:

Organic Division

Detailed integration objectives of the Organic Division to be realised in 2008 include, *inter alia*, the realization of development and modernization investments, efficient sale of the key products and by-products, the continuous improvement of cost affectivity of the production processes, ensuring safety as regards the delivery of raw materials and energy, full implementation of a new logistic process in the Division, completion of the process of the organizational integration and IT.

In a long-term perspective a full integration of ZACHEM S.A. and Z.Ch. Organika – Sarzyna S.A. and increasing the competitiveness of the Division is assumed through the decrease in the TDI manufacturing costs and a moderate extension of the productive capacities. As regards EPI, epoxy resins, polyester resins and PUR foams; additional effects will also be brought about by a reduction of costs, the extension of the product portfolio and development of the manufacturing capacity.

Soda Division

Reinforcing the position of the Ciech Group on the soda ash market requires the pricing and geographical optimisation of sales upon the incorporation of the plants in Romania and Germany into the Group, restoring the profitability of S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. and integration of a German company of Sodawerk Staßfurt GmbH & Co. KG the modernization of power engineering and the development of productive powers in Poland.

Apart from the effects of the merger of the domestic soda companies into Ciech Soda Polska, which took place in 2007, the completion of the programme as regards increasing the productive powers of soda ash in Sodawerk Staßfurt GmbH & Co. KG from 450 thousand ton/year up to 600 thousand ton/year, the Group will also seek opportunities for new acquisitions of soda producers in 2008.

Silicates and Glass Division

The formation of this Division requires organic development and acquisitions. The investments will be realised in the manufacture of sodium silicate in the form of lumps and sodium water glass, and in the taking over of the profitable niche of potassium silicates. Marketing campaigns should also contribute to the increase in sales of glass blocks.

Apart from the realised acquisition of Huta Szkła Wymiarki S.A. [glassworks], acquisitions are being considered for the segment of lanterns and jars both in the country and abroad.

Agro Division

The scale of development of the Division depends on whether it will be possible to carry out a sufficiently attractive acquisition. It is known that a good competitive position in Poland requires the consolidation of the fertiliser market. The right acquisitions must enable manufacturing and raw material synergies with other Divisions of the Group. The aim is to provide agriculture with fertilisers and plant protection chemicals as a comprehensive service. This will be supported by the development of an efficient distribution system.

Group's strategy as regards research and development

Another key area of the Group's implemented strategy is the development of research and development activity. In 2007 the Research and Development Office was appointed to improve the coordination of the works related to the research and development activity and innovative projects. The organizational assumptions concerning the functioning of the R&D structure in the Group were developed.

The key innovation and development projects to be realised in the nearest years refer to:

Soda Division

- Power engineering modernization of soda plants in Poland.
- Modernization and intensification of soda production in the plants in Poland.

Organic Division

- Development of polyester resin systems.
- DNT/TDA complex and chlorine complex.
- Development of PUR foam systems.
- New technologies of EPI production.
- Plant protection chemicals production.

Agro Division

- modernization of phosphatic and compound fertilizer production technology.
- Preparation of the production technology of plastics flame retardants on the basis of phosphate compounds.

Silicates and Glass Division

- Preparation of the precipitated silicas production technology.

43 Objectives and principles of financial risk management

Information concerning the objectives and principles was presented in point 32 and 33 of the additional information and explanations to the Consolidated Financial Statement.

APPENDICES

Appendix no. 1
Information on the fundamental products, goods and services

CIECH S.A.

01.01.2007 - 31.12.2007				
Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
TDI		58	576 335	28%
Dense soda		841	487 256	24%
Light soda		276	160 020	8%
EPI		19	122 045	6%
Fertilizers		121	86 724	4%
Phosphorites		334	71 829	3%
Salt		271	64 108	3%
PVC		-	43 008	2%
Other		-	442 220	22%
IN TOTAL			2 053 545	100%

01.01.2006 - 31.12.2006				
Name of product or group products, goods and services	Amount in thousand ton		Net sales value	% share
Dense soda ash		829	471 748	29%
Light soda ash		275	156 781	10%
Fertilizers		156	116 492	7%
EPI		17	108 236	7%
PVC		26	86 086	5%
Dry salt		278	70 441	4%
Phosphorites		273	51 966	3%
TDI		12	51 199	3%
Other		-	527 969	32%
IN TOTAL			1 640 918	100%

Alwernia S.A.

01.01.2007 - 31.12.2007				
Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Sodium tripolyphosphate [STPP]		25	57 014	36%
Phosphatic acid		22	41 290	26%
Megapyr		6	14 945	9%
Feed phosphate		10	11 619	7%
Services		-	7 228	5%
Sodium acid pyrophosphate		2	5 711	4%
Magnesium		7	4 145	3%
Chromic oxide		0,3	3 434	2%
Calcium nitrate		4	1 821	1%
Sodium dichromate		0,4	1 737	1%
Sodium pyrophosphate		1	1 772	1%
Other		-	7 231	5%
IN TOTAL			157 947	100%

01.01.2006 - 31.12.2006

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Sodium tripolyphosphate [STPP]	26		60 550	41%
Phosphatic acid	15		32 007	22%
Megapyr	7		16 409	11%
Services	-		8 103	6%
Sodium acid pyrophosphate	2		5 485	4%
Feed phosphate	5		5 328	4%
Chromic oxide	0,4		4 154	3%
Magnesium	6		3 679	2%
Sodium pyrophosphate	1		2 163	1%
Other	-		8 387	6%
IN TOTAL			146 265	100%

FOSFORY Group**01.01.2007 - 31.12.2007**

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Superphosphate	136		96 700	31%
Ammophos-magnesium	79		50 829	16%
Amofoski	60		43 011	14%
Agrafoski	34		29 838	10%
Sulphuric acid	71		7 891	3%
Fertilizer mixtures	11		7 578	2%
Sodium bisulfate	5		3 924	1%
Goods and materials	-		55 364	18%
Transshipment services	782		13 530	4%
Other	-		3 931	1%
IN TOTAL			312 596	100%

01.01.2006 - 31.12.2006

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Superphosphate	96		62 630	28%
Ammophos-magnesium	64		39 296	17%
Goods and materials	-		36 250	16%
Amofoski	45		30 357	13%
Agrafoski	31		26 509	12%
Transshipment services	-		13 233	6%
Sulphuric acid	88		8 948	4%
Other	-		8 186	4%
IN TOTAL			225 409	100%

JANIKOSODA Group**01.01.2007 - 31.12.2007**

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Dense soda ash	337		158 825	52%
Light soda ash	156		70 083	23%
Dry vacuum salt	210		30 650	10%
Wet vacuum salt	228		23 299	8%
Other	-		19 674	7%
IN TOTAL			302 531	100%

01.01.2006 - 31.12.2006

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Dense soda ash	396		181 431	54%
Light soda ash	174		76 151	23%
Dry vacuum salt	268		35 228	10%
Wet vacuum salt	301		27 108	8%
Other	-		18 020	5%
IN TOTAL			337 938	100%

SODA MĄTOWY Group**01.01.2007 - 31.12.2007**

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Dense soda ash	499		223 490	44%
Power industry segment	-		125 174	25%
Light soda ash	121		54 355	11%
Baking soda	68		39 479	8%
Calcium chloride	29		15 053	3%
Dry salt	39		6 132	1%
Wet salt	43		4 383	1%
Other	-		36 491	7%
IN TOTAL			504 557	100%

01.01.2006 - 31.12.2006

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Dense soda ash	430		189 801	40%
Power industry segment	-		142 933	30%
Light soda ash	101		45 757	10%
Baking soda	65		37 270	8%
Calcium chloride	45		22 507	5%
Other	-		35 114	7%
IN TOTAL			473 382	100%

VITROSILICON S.A.**01.01.2007 - 31.12.2007**

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Glass products		49	83 362	62%
Silicate products		97	48 556	36%
Other		-	3 938	2%
IN TOTAL			135 260	100%

01.01.2006 - 31.12.2006

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Glass products		37	64 800	56%
Silicate products		96	47 924	41%
Other		-	3 021	3%
IN TOTAL			115 745	100%

Chemian S.A.**01.01.2007 - 31.12.2007**

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Soda products		39	28 540	31%
Plastics		4	20 489	22%
Base chemicals		7	9 217	10%
Solvents		3	8 995	10%
Food additives		2	5 900	6%
Household chemicals		2	5 846	6%
Glass and ceramics		2	2 817	3%
Petrochemistry and chipboards		1	2 546	3%
Water treatment products		2	2 437	3%
Reagents		0,1	1 475	2%
Auxiliary means		0,1	1 258	1%
Cosmetic products		0,1	1 208	1%
Błaszki Fuels and Lubricants		-	408	1%
Other		-	658	1%
IN TOTAL			91 794	100%

01.01.2006 - 31.12.2006

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Soda products		2	32 978	24%
Plastics		1	24 168	17%
Fuels and lubricants		4	13 953	10%
Base chemicals		22	11 812	9%
Petrochemistry and chipboards		8	10 439	8%
Food additives		8	10 125	7%
Solvents		9	9 890	7%
Household chemicals		7	8 780	6%
Glass and ceramics		9	8 257	6%
Auxiliary means		0,5	2 568	2%
Water treatment products		6	3 237	2%
Other		-	2 684	2%
IN TOTAL			138 891	100%

CIECH POLFA Sp. z o.o.**01.01.2007 - 31.12.2007**

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Finished medicines	-		28 394	56%
Pharmaceutical substances	-		17 374	34%
Packages	-		3 826	8%
Other	-		769	2%
IN TOTAL			50 363	100%

01.01.2006 - 31.12.2006

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Finished medicines	-		27 693	56%
Pharmaceutical substances	-		16 470	33%
Packages	-		4 174	8%
Other	-		1 463	3%
IN TOTAL			49 800	100%

POLSIN PRIVATE LIMITED**01.01.2007 - 31.12.2007**

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Caprolactam		7	44 889	56%
TDI		2	24 140	30%
Soda ash		2	2 670	3%
Other		-	8 462	11%
IN TOTAL			80 161	100%

01.01.2006 - 31.12.2006

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Caprolactam		6	39 698	49%
TDI		2	14 638	18%
EPI		2	7 437	9%
Other		-	19 458	24%
IN TOTAL			81 231	100%

DALTRADE PLC**01.01.2007 - 31.12.2007**

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Dense soda ash		11	9 241	31%
Baking soda		9	8 495	29%
Epichlorohydrin		-	2 897	10%
Soda ash		-	1 535	5%
Calcium chloride		-	655	2%
Light soda ash		-	493	2%
Chlorobenzene		-	426	1%
Other		-	5 887	20%
IN TOTAL			29 630	100%

01.01.2006 - 31.12.2006

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Dense soda ash		21	15 990	42%
Baking soda		7	7 162	19%
Chlorobenzene		1	3 127	8%
Other		-	11 856	31%
IN TOTAL			38 135	100%

Z.Ch. Organika-Sarzyna S.A.

01.01.2007 - 31.12.2007

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Epoxy resins		10	139 522	33%
Plant protection chemicals		15	139 035	33%
Unsaturated polyester resins		15	90 795	21%
Saturated polyester resins		1	5 869	1%
Hardening agents		0,3	4 689	1%
Flodur moulding sand		1	3 807	1%
Phenolic resins		1	6 505	2%
Other products		0,3	6 420	2%
Other services		-	6 532	2%
Goods and materials		-	24 315	6%
IN TOTAL			427 489	100%

ZACHEM Group

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
TDI		58	543 947	60%
Blocks from PUR foam		14	130 465	14%
Polyvinites		16	57 217	6%
Epichlorohydrin - processing		19	39 216	4%
Hydrochloric acid		49	22 911	3%
Sodium hydroxide		33	21 284	2%
Flexibilizers - processing		4	18 347	2%
Boards from PUR foam		1	7 484	1%
Dyes, brightening agents and pigments		2	13 075	2%
Other		-	49 634	6%
IN TOTAL			903 580	100%

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

01.01.2007 - 31.12.2007

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Dense soda		176	86 094	59%
Light soda		81	37 389	26%
Glassy sodium silicate		14	7 003	5%
Other		-	15 295	10%
IN TOTAL			145 781	100%

Przedsiębiorstwo Transportowo-Uslugowe TRANSCLEAN Sp. z o.o.
01.01.2007 - 31.12.2007

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Motor transport of goods	-		6 801	46%
Forwarding	-		6 631	44%
Car tank washing station	-		1 481	10%
Other	-		2	0%
IN TOTAL			14 915	100%

CIECH FINANCE Sp. z o.o.
01.01.2007 - 31.12.2007

Name of product or group products, goods and services	Amount thousand ton	in	Net sales value	% share
Services	-		9	100%
IN TOTAL			9	100%

Appendix no. 2
Information on the changes of marketing outlets

Alwernia S.A. customers exceeding 10% of sales value (thousand PLN)

01.01.2007 - 31.12.2007			
Name of customer	Net sales value	Share	Character of affiliation with CIECH S.A.
CIECH S.A.	33 242	21%	Parent company
Other	124 705	79%	-
IN TOTAL	157 947	100%	

01.01.2006 - 31.12.2006			
Name of customer	Net sales value	Share	Character of affiliation with CIECH S.A.
CIECH S.A.	33 369	23%	Parent company
Other	112 896	77%	-
IN TOTAL	146 265	100%	

FOSFORY Group customers exceeding 10% of sales value (thousand PLN)

01.01.2007 - 31.12.2007			
Name of customer	Net sales value	Share	Character of affiliation with CIECH S.A.
Agrolak Sp. z o.o.	29 831	10%	None
Other	282 765	90%	-
IN TOTAL	312 596	100%	

01.01.2006 - 31.12.2006			
Name of customer	Net sales value	Share	Character of affiliation with CIECH S.A.
Agrolak Sp. z o.o.	25 911	11%	None
Other	199 498	89%	-
IN TOTAL	225 409	100%	

JANIKOSODA S.A. customers exceeding 10% of sales value (thousand PLN)

01.01.2007 - 31.12.2007			
Name of customer	Net sales value	Share	Character of affiliation with CIECH S.A.
CIECH S.A.	289 824	96%	Parent company
Other	12 707	4%	-
IN TOTAL	302 531	100%	

01.01.2006 - 31.12.2006			
Name of customer	Net sales value	Share	Character of affiliation with CIECH S.A.
CIECH S.A.	325 649	96%	Parent company
Other	12 289	4%	-
IN TOTAL	337 938	100%	

SODA MATWY Group customers exceeding 10% of sales value (thousand PLN)

01.01.2007 - 31.12.2007			
Name of customer	Net sales value	Share	Character of affiliation with CIECH S.A.
CIECH S.A.	366 207	73%	Parent company
JANIKOSODA S.A.	113 215	22%	Subsidiary
Other	25 135	5%	-
IN TOTAL	504 557	100%	

01.01.2006 - 31.12.2006			
Name of customer	Net sales value	Share	Character of affiliation with CIECH S.A.
CIECH S.A.	316 717	67%	Parent company
JANIKOSODA S.A.	123 499	26%	Subsidiary
Other	33 166	7%	-
IN TOTAL	473 382	100%	

VITROSILICON S.A. customers exceeding 10% of sales value (thousand PLN)

01.01.2007 - 31.12.2007			
Name of customer	Net sales value	share	Character of affiliation with CIECH S.A.
CIECH S.A.	40 238	30%	Parent company
Other	95 022	70%	-
IN TOTAL	135 260	100%	

01.01.2006 - 31.12.2006			
Name of customer	Net sales value	Share	Character of affiliation with CIECH S.A.
CIECH S.A.	39 421	34%	Parent company
Other	76 324	66%	-
IN TOTAL	115 745	100%	

CIECH POLFA Sp. z o.o. customers exceeding 10% of sales value (thousand PLN)

01.01.2007 - 31.12.2007			
Name of customer	Net sales value	Share	Character of affiliation with CIECH S.A.
Polfa Pabianice SA	13 306	26%	None
Other	37 057	74%	None
IN TOTAL	50 363	100%	

01.01.2006 - 31.12.2006			
Name of customer	Net sales value	Share	Character of affiliation with CIECH S.A.
Polfa Pabianice SA	11 735	24%	None
Polfa Warszawa	5 377	11%	None
Other	32 688	65%	-
IN TOTAL	49 780	100%	

DALTRADE PLC customers exceeding 10% of sales value (thousand PLN)

01.01.2006 - 31.12.2006			
Name of customer	Net sales value	Share	Character of affiliation with CIECH S.A.
Guardian Industries	5 555	15%	None
Other	32 580	85%	-
IN TOTAL	38 135	100%	

POLSIN PRIVATE LIMITED customers exceeding 10% of sales value (thousand PLN)

Name of customer	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net sales value	Share	
Shanghai C&J	16 493	21%	None
Ningbo JinLun	12 271	15%	None
Other	51 397	64%	-
IN TOTAL	80 161	100%	

Name of customer	01.01.2006 - 31.12.2006		Character of affiliation with CIECH S.A.
	Net sales value	Share	
Ningbo Free Trade	17 106	21%	None
Sinolion	11 504	14%	None
Ningbo Jin lun	8 999	11%	None
Other	43 622	54%	-
IN TOTAL	81 231	100%	

Z.Ch. Organika- Sarzyna S.A.

Name of customer	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net sales value	Share	
CIECH S.A.	77 862	18%	Parent company
Other	349 627	82%	None
IN TOTAL	427 489	100%	

ZACHEM Group

Name of customer	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net sales value	Share	
CIECH S.A.	591 630	65%	Parent company
Other	311 950	35%	None
IN TOTAL	903 580	100%	

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

Name of customer	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net sales value	Share	
Govcrest International	47 703	33%	None
Saint Gobain	23 814	16%	None
Other	74 264	51%	-
IN TOTAL	145 781	100%	

Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.

Name of customer	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net sales value	Share	
ZACHEM S.A.	5 494	37%	Subsidiary
CIECH S.A.	4 443	30%	Parent company
Other	4 978	33%	None
IN TOTAL	14 915	100%	

CIECH FINANCE Sp. z o.o.

Name of customer	01.01.2007 – 31.12.2007		Character of affiliation with CIECH S.A.
	Net sales value	Share	
CIECH S.A.	9	100%	Parent company
IN TOTAL	9	100%	

CIECH S.A., Cheman S.A., DALTRADE PLC, (2007) and CIECH S.A., Cheman S.A. (2006) do not have customers exceeding 10% of sales value. .

Directions of sales**CIECH S.A.**

01.01.2007 - 31.12.2007		
Net sales value in thousand PLN	Goods and materials	Products and services
country	857 501	18 133
export:	1 143 138	34 773
-EUROPEAN UNION	711 960	5 432
- Rest of Europe	142 356	200
-Africa	86 620	28 131
-Asia	163 477	1 010
- Other	38 725	-

01.01.2006 - 31.12.2006		
Net sales value in thousand PLN	Goods and materials	Products and services
country	779 013	10 075
export:	816 532	35 298
-EUROPEAN UNION	663 734	2 871
- Rest of Europe	61 953	280
-Africa	31 374	29 524
-Asia	55 221	2 593
- Other	4 250	30

Alwernia S.A.

01.01.2007 - 31.12.2007		
Net sales value in thousand PLN	Goods and materials	Products and services
country	1 939	82 957
export:	4 020	69 031
-EUROPEAN UNION	3 305	57 390
- Rest of Europe	715	7 718
-Africa	-	2 620
-North America	-	1 303

01.01.2006 - 31.12.2006		
Net sales value in thousand PLN	Goods and materials	Products and services
country	2 466	83 705
export:	1 119	58 975
-EUROPEAN UNION	1 081	37 636
- Rest of Europe	38	18 399
-Africa	-	2 250
-Asia	-	50
- Other	-	640

FOSFORO Group**01.01.2007 - 31.12.2007**

Net sales value in thousand PLN	Goods and materials	Products and services
country	55 364	255 248
export:	-	1 984
-EUROPEAN UNION	-	1 984

01.01.2006 - 31.12.2006

Net sales value in thousand PLN	Goods and materials	Products and services
country	36 242	189 160
export:	7	-
EUROPEAN UNION	7	-

JANIKOSODA S.A.**01.01.2007 - 31.12.2007**

Net sales value in thousand PLN	Goods and materials	Products and services
country	1 011	301 520

01.01.2006 - 31.12.2006

Net sales value in thousand PLN	Goods and materials	Products and services
country	578	337 360

SODA MATWY Group**01.01.2007 - 31.12.2007**

Net sales value in thousand PLN	Goods and materials	Products and services
country	16 600	487 651
export:	-	306
-EUROPEAN UNION	-	306

01.01.2006 - 31.12.2006

Net sales value in thousand PLN	Goods and materials	Products and services
country	23 300	448 619
export:	-	1 463
-EUROPEAN UNION	-	1 463

VITROSILICON S.A.**01.01.2007 - 31.12.2007**

Net sales value in thousand PLN	Goods and materials	Products and services
country	2 723	120 018
export:	315	12 204
-EUROPEAN UNION	272	9 876
- Rest of Europe	43	254
-Africa	-	228
-Asia	-	690
-Other	-	1 156

01.01.2006 - 31.12.2006

Net sales value in thousand PLN	Goods and materials	Products and services
country	2 586	106 052
export:	121	6 986
-EUROPEAN UNION	121	5 732
- Rest of Europe	-	985
-Africa	-	30
-Asia	-	239

Chemman S.A.**01.01.2007 - 31.12.2007**

Net sales value in thousand PLN	Goods and materials	Products and services
country	91 041	208
export:	545	-
-EUROPEAN UNION	446	-
- Rest of Europe	99	-

01.01.2006 - 31.12.2006

Net sales value in thousand PLN	Goods and materials	Products and services
country	138 071	372
export:	448	-
-EUROPEAN UNION	419	-
- Rest of Europe	29	-

CIECH POLFA Sp. z o.o.**01.01.2007 - 31.12.2007**

Net sales value in thousand PLN	Goods and materials	Products and services
country	15 297	756
export:	23 473	10 837
-EUROPEAN UNION	7 792	4 425
- Rest of Europe	12 616	1 541
-Africa	15	-
-Asia	2 539	4 871
-Other	511	-

01.01.2006 - 31.12.2006

Net sales value in thousand PLN	Goods and materials	Products and services
country	14 149	1 002
export:	34 649	-
EUROPEAN UNION	9 266	-
- Rest of Europe	17 688	-
-Africa	12	-
-Asia	7 158	-
-Other	525	-

POLSIN PRIVATE LIMITED**01.01.2007 - 31.12.2007**

Net sales value in thousand PLN	Goods and materials	Products and services
country	5 858	-
export:	74 302	-
- Asia	74 302	-

01.01.2006 - 31.12.2006

Net sales value in thousand PLN	Goods and materials	Products and services
export:	81 231	-
- Poland	10 471	-
- Asia	70 760	-

DALTRADE PLC**01.01.2007 - 31.12.2007**

Net sales value in thousand PLN	Goods and materials	Products and services
---------------------------------	---------------------	-----------------------

export:	29 630	-
- Poland	600	-
-European Union (excluding Poland)	29 030	-

01.01.2006 - 31.12.2006

Net sales value in thousand PLN	Goods and materials	Products and services
export:	38 135	-
European Union (excluding Poland)	37 876	-
-Africa	105	-
-Asia	154	-

Z.Ch. Organika-Sarzyna S.A.**01.01.2007 - 31.12.2007**

Net sales value in thousand PLN	Goods and materials	Products and services
country	24 257	232 979
export:	58	170 195
-EUROPEAN UNION	58	148 480
- Rest of Europe	-	3 668
-Africa	-	3 106
-Asia	-	6 708
-Other	-	8 233

ZACHEM Group**01.01.2007 - 31.12.2007**

Net sales value in thousand PLN	Goods and materials	Products and services
country	5 904	884 545
export:	109	13 022
-EUROPEAN UNION	109	4 202
- Rest of Europe	-	8 384
-Asia	-	436

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.**01.01.2007 - 31.12.2007**

Net sales value in thousand PLN	Goods and materials	Products and services
export:	-	145 781
- Poland	-	792
-European Union (excluding Poland)	-	89 138
- Rest of Europe	-	277
-Africa	-	21 635
-Asia	-	33 823
-Other	-	116

Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.**01.01.2007 - 31.12.2007**

Net sales value in thousand PLN	Goods and materials	Products and services
country	2	14 729
export:	-	184
-EUROPEAN UNION	-	181
- Rest of Europe	-	3

CIECH FINANCE Sp. z o.o.**01.01.2007 - 31.12.2007**

Net sales value in thousand PLN	Goods and materials	Products and services
country	-	9

Appendix no. 3**Information on the changes of sources of the supply in the materials for production, goods and services****Suppliers of CIECH S.A. exceeding 10% of delivery value (thousand PLN)**

Name of supplier	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
Soda Polska Sp. z o.o.	746 169	43%	Subsidiary
ZACHEM S.A.	548 522	32%	Subsidiary
Other	437 757	25%	-
IN TOTAL	1 732 448	100%	

Name of supplier	01.01.2006 - 31.12.2006		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
JANIKOSODA S.A.	325 678	24%	Subsidiary
SODA MAŁY S.A.	316 790	23%	Subsidiary
Other	714 104	53%	-
IN TOTAL	1 356 572	100%	

Suppliers of Alwernia S.A. exceeding 10% of delivery value (thousand PLN)

Name of supplier	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
CIECH S.A.	63 993	61%	Parent company
Other	40 644	39%	-
IN TOTAL	104 637	100%	

Name of supplier	01.01.2006 - 31.12.2006		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
CIECH S.A.	57 626	53%	Parent company
Other	52 091	47%	-
IN TOTAL	109 717	100%	

Suppliers of FOSFOR Group exceeding 10% of delivery value (thousand PLN)

Name of supplier	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
CIECH S.A.	83 922	44%	Parent company
Other	105 326	56%	-
IN TOTAL	189 248	100%	

Name of supplier	01.01.2006 - 31.12.2006		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
CIECH S.A.	61 553	52%	Parent company
Other	56 698	48%	-
IN TOTAL	118 251	100%	

Suppliers of JANIKOSODA S.A. exceeding 10% of delivery value (thousand PLN)

Name of supplier	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
SODA MAŁY S.A.	112 046	53%	Subsidiary
Other	99 552	47%	-
IN TOTAL	211 598	100%	

Name of supplier	01.01.2006 - 31.12.2006		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
SODA MAŁY S.A.	122 233	52%	Subsidiary
Other	113 098	48%	-
IN TOTAL	235 331	100%	

Suppliers of SODA MAŁY S.A. exceeding 10% of delivery value (thousand PLN)

Name of supplier	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
Kompania Węglowa S.A.	121 780	38%	None
Other	201 727	62%	-
IN TOTAL	323 507	100%	

Name of supplier	01.01.2006 - 31.12.2006		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
Kompania Węglowa S.A.	112 671	37%	None
Other	193 003	63%	-
IN TOTAL	305 674	100%	

Suppliers of VITROSILICON S.A. exceeding 10% of sales value (thousand PLN)

Name of supplier	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
CIECH S.A.	19 581	18%	Parent company
PGNIG S.A.	21 638	19%	None
Other	70 171	63%	-
IN TOTAL	111 390	100%	

Name of supplier	01.01.2006 - 31.12.2006		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
CIECH S.A.	18 342	13%	Parent company
PGNIG	17 121	12%	None
Other	105 060	75%	-
IN TOTAL	140 523	100%	

Suppliers of Cheman S.A. exceeding 10% of delivery value (thousand PLN)

Name of supplier	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
CIECH S.A.	23 716	31%	Parent company
Other	52 486	69%	-
IN TOTAL	76 202	100%	

Name of supplier	01.01.2006 - 31.12.2006		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
CIECH S.A.	29 537	25%	Parent company
Other	88 808	75%	-
IN TOTAL	118 345	100%	

Suppliers of CIECH POLFA Sp. z o.o. exceeding 10% of sales value (thousand PLN)

Name of supplier	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
HERBAPOL Warszawa	5 132	16%	None
VIRCHOW LABORATORIES	4 427	14%	None
JELFA S.A.	3 382	10%	None
Other	19 364	60%	
IN TOTAL	32 305	100%	

Name of supplier	01.01.2006 - 31.12.2006		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
PF JELFA SA	3 905	13%	None
Other	26 591	87%	-
IN TOTAL	30 496	100%	

Suppliers of POLSIN PRIVATE LIMITED exceeding 10% of sales value (thousand PLN)

Name of supplier	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
PULAWY S.A.	44 700	58%	None
CIECH S.A.	24 886	32%	Parent company
Other	7 626	10%	-
IN TOTAL	77 212	100%	

Name of supplier	01.01.2006 - 31.12.2006		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
Puławy	38 459	50%	None
CIECH S.A.	24 852	32%	Parent company
Other	14 181	18%	-
IN TOTAL	77 492	100%	

Suppliers of DALTRADE PLC exceeding 10% of delivery value (thousand PLN)

Name of supplier	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
CIECH S.A.	16 217	70%	Parent company
Other	6 842	30%	-
IN TOTAL	23 059	100%	

Name of supplier	01.01.2006 - 31.12.2006		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
CIECH S.A.	20 052	65%	Parent company
Other	10 767	35%	-
IN TOTAL	30 819	100%	

Z.Ch. Organika-Sarzyna S.A.

Name of supplier	01.01.2007 - 31.12.2007	Character of affiliation with CIECH
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	Net purchase value	Share	S.A.
GE Advanced Materials	50 489	16,7%	None
CIECH S.A.	33 775	11,2%	Parent company
Other	217 574	72,1%	-
IN TOTAL	301 838	100%	

ZACHEM Group

Name of supplier	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
Air Products	183 006	39%	None
Other	286 481	61%	-
IN TOTAL	469 487	100%	

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

Name of supplier	01.01.2007 - 31.12.2007		Character of affiliation with CIECH S.A.
	Net purchase value	Share	
CET Govora SA	40 609	27%	None
Distrigaz	21 848	14%	None
Govcrest	16 222	11%	None
Other	72 083	48%	-
IN TOTAL	150 762	100%	

Companies: Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o. and CIECH FINANCE Sp. o.o do not have suppliers exceeding 10% (2007).

CONSOLIDATED FINANCIAL STATEMENT OF THE CIECH GROUP FOR 2007

Consolidated profit and loss account for the period from 1 January to 31 December 2007

<i>in thousand PLN</i>	Note	01.01-31.12.2007			01.01-31.12.2006		
		Continued operations	Discontinued operations	IN TOTAL	Continued operations	Discontinued operations	IN TOTAL
Net sales income	3	3 414 321	658	3 414 979	2 160 133	14 197	2 174 330
Own costs of sales	4	(2 605 566)	(706)	(2 606 272)	(1 664 191)	(12 872)	(1 677 063)
Gross profit/loss on sales		808 755	(48)	808 707	495 942	1 325	497 267
Other operating revenue	4	71 578	284	71 862	154 594	3 040	157 634
Costs of sales	4	(227 387)	(1 163)	(228 550)	(153 898)	(3 440)	(157 338)
General management costs	4	(270 144)	-	(270 144)	(160 414)	-	(160 414)
Other operating costs	4	(68 233)	-	(68 233)	(144 160)	(1 031)	(145 191)
Operating profit/loss		314 569	(927)	313 642	192 064	(106)	191 958
Financial revenue	4	29 579	-	29 579	18 001	-	18 001
Financial costs	4	(58 305)	-	(58 305)	(14 455)	-	(14 455)
Net financial income / costs		(28 726)	-	(28 726)	3 546	-	3 546
Share in the net profit of subordinates valuated using the equity method	15	5 062	-	5 062	1 911	-	1 911
Profit/loss before taxation		290 905	(927)	289 978	197 521	(106)	197 415
Income tax	5	(48 121)	-	(48 121)	(28 151)	-	(28 151)
Net profit/loss		242 784	(927)	241 857	169 370	(106)	169 264
Sales profit/loss regarding discontinued operations	6	-	-	-	-	26 809	26 809
Net profit for the financial year		242 784	(927)	241 857	169 370	26 703	196 073
including							
Net profit/loss of shareholders of the parent company		241 113	(927)	240 186	169 150	26 598	195 748
Net profit/loss of minority shareholders		1 671	-	1 671	220	105	325
Earnings per share (in PLN)							
Basic	7	8,64	(0,03)	8,61	6,04	0,95	6,99
Diluted	7	8,64	(0,03)	8,61	6,04	0,95	6,99

Consolidated profit and loss account to be analysed together with additional information and explanations, which account for an integral part of the consolidated financial statement.

Consolidated balance sheet as at 31 December 2007*in thousand PLN*

CONSOLIDATED BALANCE SHEET		31.12.2007	31.12.2006
<i>in thousand PLN</i>			
	Note		
ASSETS			
Fixed assets			
Tangible fixed assets	9	1 931 641	1 518 400
Right of perpetual usufruct	11	32 843	33 210
Intangible assets, including:	12	530 823	97 661
- goodwill		403 024	33 650
Investment real properties	10	16 543	17 181
Long-term receivables	17	24	37
Investments in associates and co-subsi- diaries valued using the equity method	15	51 819	42 220
Other long-term investments	18	77 344	42 644
Deferred income tax assets	5	10 411	3 907
Total fixed assets		2 651 448	1 755 260
Current assets			
Inventories	19	284 563	245 763
Short-term investments	21	2 066	614
Income tax receivables		9 483	10 399
Trade and other receivables	20	969 795	699 337
Cash and cash equivalents	22	124 496	145 620
Fixed assets appropriated for sale	6	192 411	2 327
Current assets		1 582 814	1 104 060
Total assets		4 234 262	2 859 320
LIABILITIES			
Equity			
Share capital	23	164 115	164 115
Treasury shares	23	-	(5 051)
Share premium reserve	23	151 328	151 328
Equity components relative to assets held for sale	6	-	-
Revaluation reserve	23	19 161	11 986
Other reserve capital	23	78 433	78 683
Exchange rate differences on calculation of subordinates	23	(19 301)	(1 095)
Retained earnings	23	945 540	737 379
Equity attributable to shareholders of the parent company		1 339 276	1 137 345
Minority interest	23	44 898	50 008
Total equity		1 384 174	1 187 353
Liabilities			
Liabilities in respect of loans, borrowings and other debt instruments	24	766 059	316 863
Other long-term liabilities		313 545	124 599
Employee benefits	26	55 201	54 970
Provisions (other long-term)	25	92 827	163 352
Deferred tax provision	5	68 895	45 160

CONSOLIDATED BALANCE SHEET		31.12.2007	31.12.2006
Total long-term liabilities		1 296 527	704 944
Overdraft facility	22	28 888	14 311
Liabilities in respect of loans, borrowings and other debt instruments	27	453 494	316 819
Trade and other liabilities	27	877 234	542 722
Income tax liabilities		28 867	27 733
Provisions (short-term employee-benefit provisions and other provisions)	25, 26	165 078	65 438
Liabilities relative to fixed assets appropriated for sale	6	-	-
Total short-term liabilities		1 553 561	967 023
Total liabilities		2 850 088	1 671 967
Total liabilities		4 234 262	2 859 320

Consolidated balance sheet to be analysed together with additional information and explanations, which account for an integral part of the consolidated financial statement..

Changes in consolidated equity for the period from 1 January to 31 December 2007

Attributed to shareholders of the parent company

<i>in thousand PLN</i>	Share capital	Treasury shares	Share premium reserve	Equity components relative to assets appropriated for sale	Revaluation reserve	Other reserve capital	Exchange rate differences on calculation of subordinates	Retained earnings	Equity attributable to shareholders of the parent company	Minority interest	Total equity
Equity as at (beginning of period) 01/01/2007:											
Reported previously	164 115	(5 051)	151 328	-	11 986	78 683	(1 095)	737 379	1 137 345	50 008	1 187 353
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-	-
Adjustments of fundamental errors	-	-	-	-	-	-	-	-	-	-	-
Equity (restated) as at: 01/01/2007:	164 115	(5 051)	151 328	-	11 986	78 683	(1 095)	737 379	1 137 345	50 008	1 187 353
Exchange rate differences on currency conversion related to foreign companies	-	-	-	-	-	-	(18 772)	-	(18 772)	(2 170)	(20 942)
Revaluation of fixed assets*	-	-	-	-	-	-	-	4 173	4 173	13	4 186
Valuation of financial instruments	-	-	-	-	7 175	-	-	-	7 175	1 306	8 481
Total revenue and costs for the financial year directly recognised in equity	-	-	-	-	7 175	-	(18 772)	4 173	(7 424)	(851)	(8 275)
Net profit / (loss)	-	-	-	-	-	-	-	240 186	240 186	1 671	241 857
Total revenue and costs for the financial year	-	-	-	-	7 175	-	(18 772)	244 359	232 762	820	233 582
Sale of treasury shares	-	5 051	-	-	-	-	-	-	5 051	-	5 051
Dividends	-	-	-	-	-	-	-	(58 600)	(58 600)	(1 426)	(60 026)
Coverage of negative capitals of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	-	-	-	-	-	-	-	(7 048)	(7 048)	-	(7 048)
Result on changes in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.***	-	-	-	-	-	-	566	29 584	30 150	-	30 150
Merger of soda companies	-	-	-	-	-	-	-	-	-	(4 173)	(4 173)
Other changes	-	-	-	-	-	(250)	-	(134)	(384)	(331)	(715)
Equity as at (end of period) 31/12/2007:	164 115	-	151 328	-	19 161	78 433	(19 301)	945 540	1 339 276	44 898	1 384 174

* revaluation of fixed assets in JANI KOSODA S.A. and SODA MATWY S.A - detailed description in point 9 of the additional information and explanations to consolidated financial statement.

** Valuation to the trading value of the investment portfolio of PTU S.A. and POLSIN PRIVATE LIMITED.

*** Result on the increases of share capital in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., wherein CIECH S.A. did not participate or participated exclusively – in compliance with the provisions of the consolidation of the Ciech Group is attributed on share capital.

Changes in consolidated equity for the period from 1 January to 31 December 2006

<i>in thousand PLN</i>	Attributed to shareholders of the parent company						Exchange rate differences on calculation of subsidiaries	Retained earnings	Equity attributable to shareholders of the parent company	Minority interest	Total equity
	Share capital	Treasury shares	Share premium reserve	Equity components relative to assets appropriated for sale	Revaluation reserve	Other reserve capital					
Equity as at (beginning of period) 01/01/2006:											
Reported previously	164 115	-	151 328	-	3 543	78 683	(248)	572 220	969 641	49 490	1 019 131
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-	-
Adjustments of fundamental errors*	-	-	-	-	-	-	-	(3 836)	(3 836)	(473)	(4 309)
Equity (restated) as at: at 01/01/2006:	164 115	-	151 328	-	3 543	78 683	(248)	568 384	965 805	49 017	1 014 822
Exchange differences on currency conversion related to foreign companies	-	-	-	-	-	-	(847)	-	(847)	(856)	(1 703)
Valuation of financial instruments	-	-	-	-	8 443	-	-	-	8 443	2 488	10 931
Total revenue and costs for the financial year directly recognised in equity	-	-	-	-	8 443	-	(847)	-	7 596	1 632	9 228
Net profit / (loss)	-	-	-	-	-	-	-	195 748	195 748	325	196 073
Total revenue and costs for the financial year	-	-	-	-	8 443	-	(847)	195 748	203 344	1 957	205 301
Dividends	-	-	-	-	-	-	-	(22 400)	(22 400)	(833)	(23 233)
Change of the Group's composition	-	(5 051)	-	-	-	-	-	-	(5 051)	-	(5 051)
Coverage of negative capitals of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	-	-	-	-	-	-	-	(3 707)	(3 707)	-	(3 707)
Other changes	-	-	-	-	-	-	-	(646)	(646)	(133)	(779)
Equity as at (end of period) 31/12/2006:	164 115	(5 051)	151 328	-	11 986	78 683	(1 095)	737 379	1 137 345	50 008	1 187 353

* Adjustment of error in GZNF Fosfory Sp. z o.o. – detailed description in point 39 of the additional information and explanations to consolidated financial statement.

** Valuation to the trading value of the investment portfolio of PTU S.A. and POLSIN PRIVATE LIMITED.

Changes in consolidated equity to be analysed together with additional information and explanations, which account for an integral part of the consolidated financial statement.

Consolidated cash flow account for the period from 1 January to 31 December 2007*in thousand PLN*

	01.01-31.12.2007	01.01-31.12.2006
in thousand PLN		
Cash flows from operating activities		
Net profit (loss) for the period	241 857	196 073
Adjustments		
Depreciation	179 319	95 881
Recognition / reversal of write-downs	(18 167)	(18 850)
Gains / losses in respect of exchange differences	4 199	2 919
Investment real property revaluations	-	-
Gains / losses on investing activities	(9 871)	(21 701)
Gains / losses on disposal of fixed assets	(8 893)	(2 255)
Dividend and interest	25 507	7 725
Input income tax	48 121	28 151
Gains / losses on shares in entities valued using the equity method	(5 062)	(1 911)
Operating result before change in working capital and provisions	457 010	286 032
Change in receivables	(68 658)	14 192
Change in inventories	(26 036)	(12 275)
Change in short-term liabilities	(26 958)	(57 187)
Change in provisions and employee benefits	(15 733)	3 935
Net cash generated from operating activities	319 625	234 697
Interest paid	(28 499)	(8 837)
Income tax paid	(46 833)	(18 581)
Gains / losses on disposal of discontinued operations	-	(26 809)
Other adjustments	(1 644)	(3 983)
Net cash from operating activities	242 649	176 487
Cash flows from operating activities		
Inflows (in "+")	40 305	184 426
Disposal of intangible assets and property, plant and equipment	24 712	5 839
Disposal of investments	11 462	77 077
Dividends received	2 097	1 733
Interest received	711	370
Disposal of a subsidiary	-	99 395
Other inflows	1 323	12
Outflows (in "-")	(616 168)	(667 911)
Acquisition of a subsidiary (after deduction of acquired cash)	949	(300 552)
Acquisition of intangible assets and tangible fixed assets	(244 634)	(160 606)
Acquisition of investment real properties	-	-
Acquisition of other investments	(5 223)	(75 000)
Research and development expense	-	-
Loans granted	(351 081)	(126 694)
Deposits lodged	(15 046)	-
Other expenditures	(1 133)	(5 059)
Net cash from investing activities	(575 863)	(483 485)
Cash flows from operating activities		
Inflows (in "+")	558 316	495 559
Net proceeds from issue of shares and other equity instruments, and contributions to equity	15 467	-
Proceeds from issue of convertible preference shares	-	-
Proceeds from loans and borrowings taken	243 024	491 965
Bond issuance	299 825	-
Other financial inflows	-	3 594
Outflows (in "-")	(261 017)	(149 527)
Purchase of treasury shares	-	-
Dividends and other payments paid to shareholders of the parent company	(58 600)	(22 403)
Dividends paid to minority shareholders	(1 496)	(811)

	01.01-31.12.2007	01.01-31.12.2006
in thousand PLN		
Expenditure on the repayment of loans and borrowings	(199 853)	(124 492)
Redemption of debt securities	-	-
Payment of financial lease liabilities	(927)	(1 356)
Other financial expenditures	(141)	(465)
Net cash from operating activities	297 299	346 032
Total net cash flows	(35 915)	39 034
Cash as at beginning of period	131 309	93 595
Impact of changes due to exchange differences	214	(1 320)
Cash as at beginning of period	95 608	131 309

Consolidated cash flow account in major items stems from the amounts shown in the consolidated balance sheet. Consolidated cash flow account to be analysed together with additional information and explanations, which account for an integral part of the consolidated financial statement.

ADDITIONAL INFORMATION AND EXPLANATIONS TO THE CONSOLIDATED FINANCIAL STATEMENT OF THE CIECH GROUP

1. General information

The Management Board of CIECH S.A. approved this consolidated financial statement of the Ciech Group covering the period from 1 January 2007 to 31 December 2006, and all comparable data for publication on 16 May 2008. The presented consolidated financial statement was drawn up in compliance with all International Financial Reporting Standards (IFRS) adopted for the use in European Union.

With the registered office in Warsaw, ul. Puławska 182 CIECH S.A. is the parent company of the Ciech Group. Since 1995 CIECH S.A. has been registered in the Commercial Register B under the number: RHB 44665 maintained by the District Court for the capital city of Warsaw, 16th Commercial Registration Department. On 24 May 2001 the District Court for the capital city of Warsaw 19th Commercial Department of the National Court Register issued a decision on the entry of CIECH S.A. into the Business Register of the National Court Register under the KRS number 0000011687. Currently, after the organizational changes in the Court, CIECH S.A. is registered under number 0000011687 in the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Department of the National Court Register.

As at 31 December 2007 the State Treasury held a significant share and was able to control CIECH S.A.

According to the Articles of Association, the core business of the parent company is as follows: conducting business activity comprising trade activities, investments, manufacturing, services and financial operations, including in particular foreign and domestic trade in chemicals and related operations. The Company may also act as an agent for Polish and foreign companies. The scope of core business of the Ciech Group's companies is presented in point 31.2 of the additional information and explanations to the consolidated statement of Ciech Group.

2. Basis for the preparation of the Consolidated Financial Statement

The Management Board of CIECH S.A. declares that according to its best knowledge, the Consolidated Financial Statement at 31 December 2007 and comparable data was prepared in compliance with the accounting principles in force and that they truly, reliably and clearly reflect the financial standing and asset situation of the Ciech Group and its financial result. Furthermore, the Management Board of CIECH S.A. declares that the statement for 2007 contains a true image of the Group's development and achievements as well as its situation, including the description of fundamental risks and hazards.

In the case of Z.Ch. ZACHEM S.A., Z.Ch. Organika-Sarzyna S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. the provisionally established initial settlement applied so far was completed. As at 31 December 2006 those companies were included into the consolidation on the basis of the estimates of their assets and liabilities. The presented financial statements contain all adjustments stemming from the valuation to the fair value of the respective identifiable components of assets, liabilities and contingent liabilities of those companies. Detailed information on the implemented adjustments as at 31 December 2006 is presented in point 16.2 of the presented report.

In relation to the acquisition of Soda Deutschland Ciech Group at the end of December 2007, in the case of this entity, the initial settlements established provisionally, permitted by the IFRS 3 "Mergers of commercial entities", were applied. As at 31 December 2007 the Group was incorporated into the consolidation on the basis of the estimates of their assets and liabilities. Upon the completion of the valuation to the fair value of certain identifiable components of the assets, liabilities and contingent liabilities of all companies included in the Soda Deutschland Ciech Group, all adjustments stemming from the completion of the initial provisional settlement shall be introduced to the consolidated financial statement as at the take over date and for the next balance sheet days. Detailed information on the provisional settlement as at 31 December 2007 is presented in point 16.1 of the presented report.

The Management Board of CIECH S.A. declares that the entity authorized to conduct audits of financial statements, auditing the annual financial statement for the period from 1 January 2007 to 31 December 2007 was elected in compliance with the provisions of the law and it is Deloitte Audyt Sp. z o.o. with the registered office in Warsaw, entered on the list of entities authorized to conduct the audits of financial statements, maintained by the National Council of Statutory Auditors under number 73 of the register. That entity and chartered auditors carrying

out the audit fulfil the conditions to deliver an impartial and independent opinion and report from the audit, in compliance with the competent provisions of the domestic law.

The individual statements of the parent company and the Ciech Group's subsidiaries prepared on the basis of the accounting books maintained in compliance with the balance sheet accounts regulations constituted the basis for the preparation of the annual financial statement. For the needs of the annual consolidated financial statement, the data of the individual statements was brought to the accounting principles in compliance with the International Financial Reporting Standards.

All entities of the Ciech Group apply uniform accounting principles set forth by the parent company of CIECH S.A. The calendar year shall be the financial year for all companies of the Ciech Group.

The consolidated profit and loss account of the Ciech Group is prepared in the calculating version. The consolidated cash flow account of the Ciech Group is prepared by indirect method.

Polish zloty (PLN) shall be the measurement currency and reporting currency of the presented annual consolidated financial statement. Unless otherwise stated, the data in the annual consolidated financial statement is presented in thousand PLN. Individual financial statements of the Ciech Group's entities are presented in the currencies valid on market basis for the given entity, i.e. in its functional currency. The financial results and positions of the respective entities are presented in PLN, being the functional currency of the parent company and the currency for the annual consolidated financial statement presentation.

On the consolidation, assets and liabilities of the entities located abroad shall be translated into the Polish currency (PLN) at the average exchange rate valid at the balance-sheet date. Revenues and costs shall be translated with the use of the average exchange rate for a given reporting period, save for the situation when the f/x rate fluctuations are considerable (then the f/x rate from the transaction date shall be applied). Possible f/x differences shall be shown in the consolidated financial statement in the capitals in the "Exchange rate differences on calculation of subordinates". Such f/x differences shall be recorded as revenue or cost in the period in which the disposal of the entity located abroad takes place.

Goodwill and the adjustments of fair value stemming from the acquisition of the entity located abroad shall be treated as a component of assets or liabilities of the entity located abroad and shall be subject to translation into the Polish currency with the use of the rate at the balance sheet date.

For the purposes of preparation of selected financial data, particular assets and liabilities of the balance sheet were translated into EURO at the average exchange rate announced at the balance-sheet date (31 December 2007) by the National Bank of Poland, i.e. 3.5820. Particular items of the profit and loss account were translated into EURO at a rate calculated as the arithmetical mean of the average EUR exchange rates determined by the National Bank of Poland on the last day of each month, i.e. from January to December 2007 respectively: 3.9320; 3.9175; 3.8695; 3.7879; 3.8190; 3.7658; 3.7900; 3.8230; 3.775; 3.6306; 3.6267; 3.5820. The rate for the reporting period is 3.7768.

The preparation of the annual consolidated financial statement in compliance with the International Financial Reporting Standards requires the Management Board to exercise professional judgement, estimates and objectives that impact the adopted principles and the amounts of the presented assets, liabilities, revenues and expenses. Estimates and the related assumptions are based on historical experience and various other factors considered reasonable under the given circumstances, and the results of such estimates are the basis for a professional judgement of the balance-sheet value of the assets and liabilities, which do not arise directly from other sources. The actual value may differ from the estimated value. The estimates and related assumptions are revised systematically. Changes in accounting estimates are recognised in the period in which they are made, if such changes only apply to that period, or in the current period and future periods, if such changes apply both to the current period and the future periods.

The presented financial statement has been prepared under the assumption of a going concern in the foreseeable future. Detailed financial standing of the companies, wherein a menace to their going concern appeared, is presented in the following points of the additional information and explanations of the annual consolidated financial statement:

- Point 35 – asset situation and financial standing of the subsidiary - Przedsiębiorstwo Chemiczne Cheman S.A.
- Point 36 – programme of achieving sustainable profitability of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.
- Point 37 – going concern of Inowrocławskie Zakłady Chemiczne SODA MAŃTAMY S.A.
- Point 38 – going concern of Janikowskie Zakłady Sodowe JANI-KOSODA S.A.

The Management Board has no information on the circumstances indicating the major threats to the going concern of any other companies included in the consolidation. The business duration of the parent company of CIECH S.A. and its subsidiaries is unlimited.

The attention should be paid to the issue of integrated permits, obtaining of which in the required date qualifies the capacity to realise the Company's statutory activity. The current condition is presented below:

Alwernia S.A.

The plants hold the permits required by the law to use the environment. In 2007 the Company obtained the further integrated permits for newly built system for the production of NPK fertilizers and for the exploited landfill. The landfill exploited by the Plants holds an up-to-date instruction of exploitation approved by the Voivode's decision and an integrated permit. The plant also holds up-to-date water permit for the discharge of treated sewage to Regulanka stream.

SODA MAŁY S.A.

Soda Polska Ciech Sp. z o.o. was formed in November 2007 by the fusion of two Companies: SODA MAŁY S.A. and JANIKOSODA S.A., as well as the separately functioning production plants in the past conducted operation based on important administrative decisions; the most important of them are integrated permits, water permits and decisions regarding waste management. In the appropriate decisions the Kujawsko-Pomorskie Voivode transferred the rights and responsibilities arising from the permits issued to both soda Companies to the newly formed Soda Polska Ciech company. In accordance with the requirements of the integrated permit the Kujawsko-Pomorski Urząd Wojewódzki [Voivodeship Office] in Bydgoszcz was handed over the information concerning:

- market survey in the area of the full management of post-soda lime manufactured in the system for the production of post-soda lime and the actions to improve the quality parameters of calcium fertilizer,
- actions to reduce the noise emission from the plant.

GZNF FOSFOR Sp. z o.o.

In 2006 the Company obtained the integrated permit for the system for the production of sulphuric acid, and mineral fertilizers. With relation to the appeal filed by the Wrzeszczańskie Komitety Obywatelskie, in 2007 the Minister of Environment derogated the abovementioned permit and transferred the case to be reinvestigated by the Pomorskie Voivode. Upon the submission of the suitable explanations and supplements, in September 2007 the Company obtained the integrated permit for the abovementioned systems valid until 29 December 2016. On granting the integrated permit for the production systems reduced the possibility to manufacture waste phosphogypsum to the volume of 250,000 ton/year and obliged the Company to the transition into the waste-free technology of fertilizer production. In this situation, in March 2007 the Pomorskie Voivode instituted the proceedings concerning closing down the Wiślinka landfill. The project of the phosphogypsum dump closure and recultivation assumes the entire closure of the dump by the end of 2009 with the use of fresh phosphogypsum for that purpose. In June 2007 Pomorski Voivode issued a decision permitting for the recovery of phosphogypsum type waste in the process of closing down the Wiślinka landfill. The decision was valid until 31 December 2007.

In February 2008 the governor of the Pomorskie Voivodeship submitted the decisions concerning the Wiślinka phosphogypsum landfill as follows:

- declaring the obligation to close down the landfill by 31 December 2009,
- granting permit for the recovery by recultivation of the phosphogypsum landfill and stabilized municipal sewage sludge.

VITROSILICON S.A.

All production plants belonging to the Company (in Iłowa, Żary and Pobiedziska) hold up-to-date integrated permits issued for 10 years.

Z.Ch. Organika- Sarzyna S.A.

In October 2006 the Podkarpacki Voivode granted an integrated permit for 12 systems executed by the IPPC company. The permit is valid until 31 October 2016.

In 2007 formal-legal arrangements were carried out for the investment enterprises consisting in the extension of epoxy resin systems and unsaturated polyester resin systems. The epoxy resin system was extended and commissioned for the technological start-up in the fourth quarter of 2007. The extension of unsaturated polyester resin systems is planned for the first half of 2008 resulting in the necessity of further change of the integrated permit.

Apart from the integrated permit the Company holds all necessary sector permits concerning the air pollution emission, sewage and waste management.

Furthermore, the Company was classified as the plant with a high risk of industrial failure and therefore it was entered into the Podkarpacki Marshall of the State Fire Service in Rzeszów. According to the requirements of the Environment Protection Law, the Company prepared the Safety Report, Failure Prevention Programme and the Internal Operating-Rescue Plan. Those documents were submitted to the Podkarpacki Marshall of the State Fire Service in Rzeszów (PSP) and the Podkarpacki Voivodeship Environmental Protection Inspector in Rzeszów. The Safety Report was approved by the Voivodeship Marshall of the State Fire Service.

In 2007 the Plant was obliged by the decision of the Podkarpackie Voivode to conduct ecological inspection in the area of land and water environment by 30 November 2007. The ecological inspection was carried out and submitted to the Podkarpackie Voivode on the date set by the decision. The document determines the size of land and water environment pollution, directions and manners of recultivation and the scope of subsurface waters and soil monitoring in the Plant's surroundings. The inspection also comprises "The schedule of recultivation works of the land and water environment and their cost in 2007-2015". It is assumed that the consideration of the land and water inspection will take place in the first half of 2008 by the Governor of the Podkarpackie Voivodeship (according to the current competencies in force since 1 January 2008).

ZACHEM S.A.

The Company holds the integrated permit for the exploitation of the following systems: brine electrolysis, phosgen production, dinitrotoluen DNT production, toluendamin TDA production, toluene diisocyanate TDI, epichlorohydrin EPI production, PUR foams production, 2 plant landfills. The permit is valid until 31 December 2016.

The significant sector permits comprise:

- permit for the exploitation of the PVC processing systems and auxiliary systems,
- water permit for the inflow of sewage containing particularly hazardous to water environment into the sewage systems of the "KAPUŚCISKA" water law company,
- water permit for the intake of water from the environment (from the plant intakes)
- decisions approving the instructions of active landfills exploitations,
- the decision agreeing the conditions of conducting the remedial actions of the land and water environment on the plant premises,
- the decision regarding the monitoring of subsurface waters and hydrogeological surveys,
- permit for the recovery of waste other than hazardous,
- permit for the production of hazardous waste and other than hazardous.

Furthermore, the "Zachem" Industrial zone in Bydgoszcz was formed under the regulation of the Kujawsko-Pomorskie Voivode.

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

The Company holds integrated permit issued by the Regional Environmental Protection Agency valid until 31 October 2010. The adjustment programme is an integral part of the permit; it covers a list of ecological tasks with deadlines for their realization. Furthermore, the Company holds the water permit from July 2007, determining the permissible conditions of water use. This permit is accompanied by the derogation issued by the Minister of Environment and Sustainable Development valid until 31 December 2007 concerning the use of national and EU regulations regarding the permissible concentrations of contamination in the sewage taken off from Govora. Within the framework of this derogation the Company had the responsibility to perform the analysis of the impact of sewage on the waters of the receiver-the river Olt. With the relation to that, in December 2007 the Company took up the cooperation with two scientific institutions, which carried out this evaluation and reanalysed the available technologies and solutions enabling the improvement of the quality of post-soda sewage. In December 2007 the prepared documentation was submitted to the competent environment protection organs in order to obtain a new derogation and establish the permissible parameters in the sewage after 2007. Next, the Company was obliged to prepare the action schedule in order to reduce the load of contamination in the discharged sewage. Currently the schedule is being analysed by the competent environment protection organs. Furthermore, the Company holds 3 sector permits for the use of the environment.

In the opinions of the Management Boards of the Companies and the Management Board of the Parent Company there are no dangers that the above permits shall not be granted.

Declaration of the Management Board concerning the compliance with the International Financial Reporting Standards

The Management Board of CIECH S.A. declares that the consolidated financial statement of the Group for the presented period and the comparable period was drawn up in compliance with all International Financial Reporting Standards (IFRS) adopted for the use in European Union and the Interpretations thereto announced in the form of decrees of the European Commission.

Accounting principles

The annual consolidated financial statement is prepared in compliance with the concept of the historic cost, except the revaluation of financial instruments.

Uniform accounting principles and Uniform Consolidation Principles applied by all companies of the Group are in force in the Ciech Group.

Change of comparable data

The accounting principles presented below were applied with reference to all periods presented in the annual consolidated financial statement, as well as during the preparation of the balance sheet at 1 January 2004 compliant with the IFRS for the purposes of shift to accountancy compliant with the IFRS, save for the change of the presentation of write-downs for inventory value and the presentation of exchange differences. Since 1 January 2007 the write-downs for inventory value have been recorded in the prime cost of sales, and not in the other operating activity. Furthermore, since 1 January 2007 the exchange differences are presented in the consolidated financial statement by balance. Both changes were reflected in the presented comparable data (detailed presentation in point 42 of the additional information and explanations to the consolidated financial statement).

1. Consolidation principles

(i) Subsidiaries

The entities controlled by the Company account for subsidiaries. The control takes place when the Group has the capacity to directly or indirectly manage the financial and operating policy of a given entity, in order to benefit from its activity. On the evaluation of the level of control the influence of the existing and potential rights to vote, which at the balance sheet date may be executed or may be subject to conversion, is taken into account. The financial statements of the subsidiaries are taken into consideration in the consolidated financial statement commencing from the date of taking them under control until the date of its expiration.

(ii) Affiliates and co-affiliates

Affiliates are the business entities, whose financial and operating policy is strongly affected by the Group, but not controlled.

Co-affiliates are the entities whose activities, as a result of the contractual arrangements, is jointly controlled by the Group. In periods for which this annual financial statement is presented, no co-affiliates were present in the Ciech Group.

The annual consolidated financial statement contains the Group's share in profits and losses of the affiliates and co-affiliates shown by equity method, from the date of obtaining a considerable influence or a joint control until the date of its expiration. The Group also measures the loss of value of holding in the net assets of affiliates and co-affiliates and creates suitable write-downs. In the case when the Group's holding in losses exceeds the balance sheet value of an affiliate or a joint subsidiary, this value shall be reduced to zero and the recognition of further losses shall cease, unless there is a legal obligation to cover losses or the payment for covering any liabilities has been made.

Goodwill created in the effect of the acquisition of shares in affiliates or joint-subsiaries shall be recorded in the value of those shares. Whilst the surplus of the Group's holding in the fair value of the identified assets, liabilities and contingent liabilities over the cost of acquisition of shares shall relate to profit and loss account.

(iii) Consolidated adjustments

Internal settlement balances within the Group's entities, transactions concluded within the Group and all unrealised profits and losses arising therefrom, as well as the Group's revenues and costs, write-downs on intergroup receivables, write-downs for investment value, intergroup dividends and intergroup sale of fixed assets shall be eliminated during the preparation of the consolidated financial statement. Should this appear, the unrealised profits arising from transactions with affiliates and joint-subsiaries shall be excluded from the consolidated financial statement proportionately to the amount of the Group's holding in those entities. Analogically, the unrealised losses shall be excluded from the consolidated financial statement on the same basis as the unrealised profits, to the occurrence of the prerequisites indicating the loss of value.

The principles referring to capital consolidated adjustments are presented in point (I) Capitals.

2. Foreign currencies

(i) Transactions in foreign currencies

Transactions in foreign currencies on the date of transaction shall be recorded in PLN according to the NBP mean rate for a given currency valid at the given date. Asset and liability items expressed in a foreign currency shall be converted at the balance sheet date according to the NBP mean rate for a given currency valid at the given date. Exchange rate differences arising from the settlement of transactions in foreign currencies and the balance sheet valuation of money assets and liabilities expressed in foreign currencies shall be recorded in the profit and loss account. Non-money assets and liabilities valued according to the historic cost in a foreign currency shall be converted according to the NBP mean rate valid on the date of transaction. Non-monetary balance sheet items expressed in a foreign currency valued according to fair value shall be converted according to the NBP mean rate valid at the date of establishing the fair value.

(ii) Financial statements of foreign entities

The Ciech Group's foreign companies operate in the economy other than hyperinflation [economy] in the meaning of IAS 29.

All items of the profit and loss account presented in a foreign currency shall be converted into PLN according to the rate of the date of transaction (IAS 21.39(b)). Simplification and adoption of mean rates for a given period was applied in the Group (IAS 21.40), as there was no such exchange rate fluctuations, in the effect of which a significant influence on the consolidated financial result would appear.

All balance sheet items, excluding equities, shall be converted into PLN according to the NBP mean rate, announced at the date of the preparation of the consolidated financial statement. All adjustments of net assets of the acquired entity due to the valuation at the date of acquisition to the fair value, and the goodwill created at that date shall be calculated with the rate as of the date of acquisition for the functional currency of a foreign entity, and in the following periods they shall be converted into the reporting currency in compliance with the general principles for the calculation of assets and liabilities of a subsidiary (at the balance sheet date).

The difference arising from the calculation of equity capital according to rates other than the mean rate at the balance sheet date applied to other balance sheet items, is presented in equity capitals as "Foreign currency translation differences on subsidiary and associated companies".

3. Financial Instruments

Financial instruments shall be recorded and valued in compliance with IAS no. 32 (Financial instruments: disclosure and presentation), IAS 39 (Financial instruments: recording and valuation) and IFRS 7 (Financial instruments: Disclosures). The principles of valuation and disclosure of financial assets described below do not refer to the valuation of shares in subsidiaries, leasing agreements, financial instruments within the framework of employee programmes, and financial instruments issued by the entity and accounting for its capital instruments.

The most important asset components, which are subject to the principles of valuation for financial instruments are as follows:

1. shares in other entities,
2. shares of other entities,
3. bonds issued by other entities,
4. other securities issued by other entities,
5. loans receivables,
6. derivatives, e.g. :
 - 6.1. options,
 - 6.2. forward and future contracts,
 - 6.3. swap contracts,
 - 6.4. embedded derivatives,
7. other financial asset components, in compliance with the below restriction.

Short-term trade receivables shall be valued according to the amortized cost with the application of the method of effective interest rate and the decrease by possible write-downs on the loss of value.

The most important liability components, which are subject to the principles of valuation for financial instruments are as follows:

1. loan liabilities,
2. credit liabilities,
3. liabilities due to bonds issued,

4. other financial liabilities, in compliance with the below restriction.

Trade liabilities shall be valued according to the amortized cost with the application of the method of effective interest rate.

Division of financial instruments

Financial assets shall be divided into:

5. financial assets valued in fair value by financial result
6. granted loans and equity receivables,
7. financial assets kept until maturity date,
8. financial assets available for sale.

Financial liabilities shall be divided into:

1. financial liabilities valued in fair value by financial result
- financial liabilities appropriated to trading.
2. Other financial liabilities

(i) Financial assets valued in fair value by financial result

Financial assets valued in fair value by financial result shall be classified as short-term assets and presented in fair value, whilst profits and losses arising from their valuation shall be directly recorded in the profit and loss account. Financial assets valued in fair value by financial result shall consist of the following financial assets:

- acquired for a quick sale,
- accounting for a part of jointly managed portfolio, for which there is a confirmation of achieving short-term profits in the past,
- set for this category at the initial approach.

Financial assets valued in fair value by financial result shall also include derivatives, provided that the requirements regarding the application of hedge accounting are fulfilled.

(ii) Investments kept until maturity date

Investments kept until maturity date shall be financial assets which are not derivatives, with the established or possible to be established payments and established date of maturity, in relation to which the group has a definite intention and is capable of keeping until the lapse of the maturity date and which are not loans or debts, and which have not been set at the initial approach as financial assets valued in fair value by financial result or financial assets available for sale.

The Group shall not classify any financial assets as kept until maturity date, if in the current financial year or in the last financial years it sold or reclassified more than a non-significant amount of investments maintained until the maturity date, save for completed sales or reclassifications:

- close enough to the date of maturity or redemption of a financial assets component, that the changes of market interest rates have no major effect on fair value of the financial assets component;
- upon the recovery of the fundamental part of nominal amount by the repayment or prepayment according to the established schedule; or
- in consequence of a separate event, which is not subject to control, is not a repetitive event and which could not have been predicted on the basis of the reasonable prerequisites.

Financial assets kept to maturity date shall be valued according to amortized cost with the application of the method of effective interest rate.

(iii) Loans and receivable

Loans and receivables are financial assets which are not derivatives, established or possible to be established payments, not quoted on active market, other than financial assets, which:

- the group intends to sell immediately or in a near date, which are classified as appropriated to trading and those, which have been set at the initial approach as financial assets valued in fair value by financial result;
- have been set at the initial approach by the group as available for sale; or
- the group may not recover a generally full initial investment amount for a reason different than a deterioration of credit service, which are classified as available for sale.

Loans and receivables shall be valued according to the amortized cost with the application of the method of effective interest rate.

(iv) Financial assets available for sale.

Financial assets available for sale are the financial assets, which are not derivatives, which are set as available for sale or not being loans and receivables, investments kept until maturity date, or financial assets valued in fair value by financial result.

Financial assets available for sale shall be valued in fair value, whilst profits and losses from valuation shall be recorded in revaluation reserve. In the case of interest bearing debt instruments qualified to this category, an interest expense component established with the application of the method of effective interest rate shall directly refer to the profit and loss account.

(v) Financial liabilities

Financial liabilities appropriated to trading, including, in particular derivatives with negative fair value, which have not been set as hedging instruments, shall be shown in fair value, while profits and losses arising from their valuation shall be recorded directly in the profit and loss account.

Other financial liabilities shall be valued according to the amortized cost with the application of the method of effective interest rate.

All financial liabilities shall be entered into accounting books at the date of the conclusion of the contract.

The principles of valuation and presentation of the financial instruments in the financial statement shall be as follows:

Group of assets or liabilities	Valuation principles	Principles of embracing in the financial statement
Assets valued in fair value by financial result	According to fair value (except for those, whose fair value cannot be established)	Difference from the valuation recorded in the financial statement of the current reporting period in financial revenues or financial costs
Liabilities appropriated for trading.	According to fair value (except for those, whose fair value cannot be established)	Difference from the valuation recorded in the financial statement of the current reporting period in financial revenues or financial costs
Other financial liabilities	According to the amortized purchase price with the application of Internal Rate of Return (IRR)	The difference from the valuation shall adjust the value of the valued asset component and shall be recorded in the financial result of the current reporting period.
Granted loans and equity receivables	According to the amortized purchase price with the application of Internal Rate of Return (IRR), and in the situation, when the payment date is not known, according to the purchase price (e.g. in the case of loans with no established payment date)	The difference from the valuation shall adjust the value of the valued asset component and shall be recorded in the financial result of the current reporting period.
Assets kept until maturity date	According to the amortized purchase price with the application of Internal Rate of Return (IRR)	The difference from the valuation shall adjust the value of the valued asset component and shall be recorded in the financial result of the current reporting period.
Financial assets available for sale	According to fair value (except for those, whose fair value cannot be established)	The difference from the valuation to fair value recorded in revaluation reserve In the case of debt instruments, the accrued interest shall be recorded in the profit and loss account.
Financial assets and liabilities appropriated for trading or available for sale, the fair value of which cannot be established.	According to the purchase price adjusted by write-downs caused by the loss of value.	Asset or liability component shall be recorded in the purchase price, to the date of realization (e.g. sale) of that component. Write-downs caused by the loss of value shall be recorded in the financial costs.

Hedge accounting and embedded derivatives.

Hedge accounting

Derivatives, such as forward and swap options usually aim at hedging the fair value of assets and liabilities or hedging of the prospective cash flows. In relation to those derivatives the principles of hedge accounting shall be applied only in the case of fulfilling all conditions of the application. If those conditions are not fulfilled, the derivative shall be subject to the principles of valuation applied for assets and liabilities appropriated for trading.

Embedded derivatives

Agreements with an embedded derivative shall be the agreements containing the conditions, which cause that a part of cash flows due to agreements is changed in a manner nearing the flows arising from an independent derivative.

Embedded derivatives shall be subject to the exclusion from a compound instrument and to a separate valuation in fair value, if all of the following criteria are fulfilled:

9. the economic character and risk of the embedded instrument are not strictly related to the economic character and risk of the agreement, in which the given instrument is embedded,
10. independent instrument with the identical realization conditions such as the embedded instrument would fulfil the definition of a derivative,
11. it is possible to reliably establish the fair value of an embedded derivative,
12. compound derivative shall not be valued and shown in fair value in the financial statement,

To establish the costs due to the expenditure of financial instruments, the FIFO (first in – first out) method is applied.

4. Tangible fixed assets (including the right of perpetual usufruct)

(i) Own tangible fixed assets

Tangible fixed assets shall be recorded in the books according to the purchase price or the cost of manufacture decreased by depreciation charges and impairment losses. The purchase price includes the price of purchase of assets (i.e. the amount due to a seller, decreased by deductible taxes: VAT and excise tax), public-legal encumbrances (in the case of import) and costs directly related to the purchase and adaptation of assets for use, including the costs of transportation, loading, unloading and storage. Discounts and other similar reductions and recoveries shall decrease the purchase price of assets. Cost of manufacture of tangible fixed assets and fixed assets under construction shall cover the total of costs incurred by the entity in the period of its construction, installation, adaptation and improvement, incurred from the date of accepting that asset for use (or until the balance sheet date, if the asset has not yet been put into service), also including VAT and excise tax not being deductible, as well as the costs of service of liabilities incurred to finance the purchase (manufacture) fixed assets, taking into consideration exchange rate differences up to the amount being the adjustment of the amount of interest related to such liabilities.

(ii) Tangible fixed assets used on the basis of lease agreements

Lease agreements within the framework of which the Group bears in practice the total of risk and almost entirely benefits from the possession of tangible fixed assets, shall be classified as financial lease agreements. Tangible fixed assets acquired by financial lease shall be initially shown in fair value or current value of minimum lease fees, depending on which of those amounts is lower, and then decreased by depreciation charges and impairment losses. Payments due to operating lease agreements concluded by the Group's entities shall be recorded in the profit and loss account during the lease.

(iii) Further expenditures

The costs incurred in the further period aiming the replacement of the separately recorded parts of tangible fixed assets shall be subject to activation. Other costs shall be capitalized only if they may be credibly measured and shall increase the future economic benefits related to tangible fixed assets. Other outlays shall be recognized up-to-date as costs in the profit and loss account.

According to IAS 16 (para. 13), a separate part of tangible fixed assets, which requires a replacement in regular periods, shall be amortized in compliance with its economic application life. Costs of repairs shall be activated, when the amount of the incurred outlays refers to parts recognized as a separate component part of tangible fixed assets. If those components are not separated at the time of recognizing fixed assets, it may be done at the time of incurring new outlays.

In accordance with IAS 16 (para. 14) the Group shall increase the value of fixed assets by the value of the outlays incurred during regular heavy repairs, which are necessary for the further functioning of a fixed asset. Those outlays shall be treated as a separate fixed asset and shall be amortized through the anticipated period to the next planned heavy repair. At the time of the capitalization of new costs of heavy repairs, the undercoated value the previous repairs shall be written down in operating costs.

At the time of the acquisition or manufacture of fixed assets, the Group shall separate from the purchase price or cost of manufacture the value equal to the outlays necessary to be incurred during the next heavy repair, which refers to a given fixed asset and shall amortize it through the anticipated period remaining to the next planned heavy repair.

(iv) Amortization

Tangible fixed assets, or their significant and separate component parts shall be amortized by straight-line method through the period of economic utility. Lands shall not be amortized. The Group assumes the below periods of economic utility for the following categories of fixed assets:

Buildings	20 - 50	years
Technical equipment and machines	2 - 20	years

Amortization period and ending value shall be subject to verification for every balance sheet date. All changes arising from the carried out verification shall be recorded as a change of estimated amounts, in compliance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

In the case of fixed assets used on the basis of lease agreements, if there is no certainty of the acquisition of the fixed asset ownership by the expiration of the agreement, then the value of fixed assets shall be entirely amortized in a period shorter out of the two:

- term of lease agreement,
- application life

In the case of classifying the agreement as financial lease, the subject of agreement shall be recorded into the Company's (lessee's) fixed assets and depreciation charges shall be made in compliance with the general principles.

5. Intangible assets

(i) Goodwill

Goodwill shall be created at the time of a merger of two separate entities or activities in one entity preparing financial statements. In particular, this takes place in the case of the acquisition of shares in subsidiaries, affiliates and co-affiliates. All mergers of unrelated entities shall be recorded by acquisition method. Goodwill shall be established as a surplus of costs incurred as a result of the merger of the entities over the buyer's share in the fair value of the identifiable net assets. In the case when the purchase price of an entity or its organized part is lower than from the fair value of the acquired net assets, the Group verifies the correctness of establishing the fair value of assets and liabilities, and then it recognizes in the profit and loss account the remaining difference in the remaining operating revenues.

According to the binding provisions, the valuation of companies for the calculation of goodwill at the time of the acquisition of shares is made according to the fair value. The fair value shall be established at the time of the creation of the relations of subordination and its every significant strengthening. The Group recognizes the necessity of a constant verification of goodwill at an angle of the loss of value and the occurrence of the circumstances, which at the time of valuation have not been known. In the case of the verification of the fair value of net asset components within 12 months from the date of transaction, it influences on the change of the goodwill amount. The changes disclosed in the following months shall influence the current financial result, except for the ascertainment of the error occurrence (recorded in accordance with IAS 8), on deferred tax assets and the adjustments of purchase prices, which shall be recorded in relation to goodwill with the application of the conservative valuation principle.

Goodwill referring to affiliates shall be recorded in the balance sheet value of those entities presented in the Group's consolidated financial statement. With relation to the abovementioned, the analysis of the loss of value shall be carried out jointly for the shares in affiliates and goodwill related thereto.

(ii) Other intangible assets

Other intangible assets acquired by the Group shall be shown on the basis of their purchase price, decreased by depreciation charges and impairment losses. The expenses incurred for internally manufactured goodwill or brands shall be recognized in the profit and loss account at the time of their incurrence.

(iii) Further expenditures

Further expenditures for the components of the existing intangible assets shall be subject to capitalization only if they increase the prospective economic benefits related to a given component. Other outlays shall be recorded directly in the profit and loss account as costs.

(iv) Amortization

Intangible assets shall be amortized by straight-line basis through the period of their economic utility. The Group assumes the below periods of economic utility for the following categories of intangible assets:

R & D costs	2 - 5	years
Patents and licences	2 - 10	years
Other	2 - 5	years

Amortization period and ending value shall be subject to verification for every balance sheet date. All changes arising from the carried out verification shall be recorded as a change of estimated amounts, in compliance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

(iv) Costs of completed research and development

Research constitutes an innovative and planned search for solutions, undertaken with the intention to acquire and adopt new scientific and technical knowledge. Development shall be understood as the practical application of research findings or the achievements of another knowledge in the new production planning or design or significantly improved materials, appliances, products, technological processes, systems or services which takes place before the beginning of mass production or their application.

All costs incurred during research shall be recorded in the profit and loss account of the period in which they have been incurred. If the division of the asset creation process for research and development stages is not possible, the group shall treat the outlays for the undertaking leading to the manufacture of intangible assets, as if they have been incurred only at the research stage.

Intangible assets created as a result of development shall be recorded only if and only if the group is able to prove:

- the possibility to finish the component of intangible assets for use or sale (technical evaluation),
- the intention to finish the component of intangible assets and its use or sale,
- the capability to use or sell the component,
- the manner in which the component will produce the probable economic benefits (the entity should prove the presence of the market for products created thanks to the component or for the component itself, or – if the component is to be used by the group – the utility of the component of intangible assets),
- the availability of the appropriate technical, financial and other means, which may serve for the completion of development and the use or sale of the component, and
- the possibility to credibly establish the outlays incurred during development, which may be attributed to that component.

Trademarks, magazine titles, editorial titles, lists of buyers and other items of similar nature shall not be recorded in the financial statement.

The period of creating write-downs for the activated costs development shall reflect the period of their economic utility.

6. Costs of external financing

The costs of external financing shall be activated in the period of carrying out the investments, and upon the completion, recognized in the result account.

7. Investment real properties

Investment real properties are maintained to obtain revenues from rent, increase in their value or for both of those reasons.

Investment real properties shall be valued according to the principles set forth for the valuation of fixed assets, i.e. according to the purchase prices or costs of manufacture decreased by depreciation charges or impairment losses. All investment real properties shall be amortized by straight-line basis. Depending on real properties, the amortization rate shall be from 1.7% to 4%, periods of economic utility shall be from 25 to 60 years. Machines and equipment, being component parts of the investment real properties, shall be amortized by the rate of 8.5% (cranes and thermal devices) and 10% (in-building systems), and their periods of economic utility shall be estimated for 12 and 10 years respectively.

Revenues from property lease to third parties shall be shown in accordance with the principles set forth in point 'q').

8. Trade and other receivables

Short-term trade and other receivables shall be valued according to the amortized cost with the application of the method of effective interest rate and the decrease by possible write-downs on the loss of value.

Receivables in foreign currencies shall be shown at the date of carrying out the operation according to the NBP mean rate for a given currency valid at the given date, unless another rate has been established in customs declaration or in another document binding for the entity.

At the balance sheet date, receivables in foreign currencies shall be valued on the basis of the mean rate valid at that date set for that currency by the NBP.

The value of receivables shall be updated taking into account the level of probability of their payment through the creation of write-down. Creating a write-down is obligatory in relation to the following receivables:

- from debtors put into liquidation or bankruptcy, up to the amount of receivables not covered by warranty or another securitisation of debts reported to official receiver or judge commissioner in bankruptcy proceedings,
- from debtors when the declaration of bankruptcy is dismissed, if the debtor's assets are insufficient to satisfy the costs of the bankruptcy proceedings – in the full amount of debts,
- questioned by debtors (disputable receivables) and the payment of which falls behind by debtors, and according to the evaluation of debtor's financial standing, the repayment of receivables in the statutory amount is not probable – to the amount of a claim impossible to be covered by a warranty or another collateral,
- receivables vindicated in court.

Furthermore, allowance for uncollectible accounts, whose payment maturity date for balance sheet date exceeds:

- 180 days shall be created in the amount of 100%.

The amount established as a result of the abovementioned write-downs may be decreased in the case of holding by the Management Board the credible documents, which prove that the debt has been collateralized and its repayment is highly probable.

Allowance for uncollectible accounts shall be recorded in other operating costs.

Write-downs in the amount of 100% of accrued interest shall be created for interest receivables from overdue payments. Those write-downs shall be created at the time of calculation and recorded in financial costs.

9. Inventories

The components of materials and goods' inventories shall be valued in the amount of the purchase price constituting the purchase price increased by the costs directly related to the purchase and adaptation of the component of assets for use or trading.

Finished product inventories and work in progress shall be valued in the amount of manufacture cost including direct costs and the justified part of the costs indirectly related to product manufacture.

The Group shall create the appropriate write-downs, if the purchase price and the cost of manufacture of a component of inventories is higher than the price possible to be achieved, established in the transaction of sale carried out during the ordinary economic activity and decreased by estimated costs of finishing and costs necessary to complete the sale.

Inventories shall be shown in balance sheet in the net value, i.e. decreased by the value of write-downs. Disbursement of inventories shall be established by the first in – first out method.

(i) Normal productive capacities

Usually normal productive capacities shall be determined at the level of 80% of the maximum productive capacities. If it is justified, the application of another ratio shall not be excluded. Normal productive capacities may be estimated on the basis of historic data, e.g. for the last two or more years, if the size of the conducted activity has not changed significantly.

If the use of the expected (normal) productive capacities amounts to at least 85% of normal productive capacities, fixed indirect charges shall be assigned to costs of manufacture. If the ratio is lower than 85%, fixed indirect charges of manufacture shall be subject to a division into the eligible and ineligible ones.

10. Cash and cash equivalents

Cash and cash equivalents shall cover cash in hand and bank deposits on demand. Short-term investments, which are not subject to significant changes of value and which may be easily exchanged into a defined amount of cash assets and account for a part of the Group's liquidity management policy, shall be recorded as cash and cash equivalents for the purpose of the cash flow account.

At the balance sheet date, the currencies collected on bank accounts, in foreign currency funds and on the accounts of foreign representative offices shall be valued according to the mean rate set for a given currency by the President of the National Bank of Poland.

11. Impairment losses

The balance sheet value of the Group's assets other than inventories and deferred tax assets shall be subject to analysis for every balance sheet date in order to ascertain if there are prerequisites indicating the loss of their value. If such prerequisites exist, the Group shall estimate the recoverable value of the respective assets.

The recoverable value of goodwill, assets with indefinite utility period and intangible assets, which are not yet ready for use shall be estimated for every balance sheet date regardless of the occurrence of the prerequisites.

Impairment losses shall be recognized when the balance sheet value of the component of assets or a centre generating cash exceeds its recoverable value. Impairment losses shall be recognized in the profit and loss account.

The loss of goodwill of the centre generating cash assets is in the first instance recognized as a decrease of goodwill assigned to that centre (group of centres), and then as a decrease of balance sheet value of other assets of the given centre (group of centres) on a proportional basis.

Goodwill and intangibles with indefinite utility period were analysed at an angle of the loss of value at 1 January 2004, date of transition into the IFRS and for the consecutive balance sheet dates, even if the requisites indicating the loss of value were did not exist.

(i) Calculation of recoverable value

Recoverable value in relation to the investments kept to maturity date and receivables valued according to the adjusted purchase price shall be established as present value of future net cash flow discounted with the use of effective interest rate (Internal Rate of Return of a given asset compound). Receivables with a short maturity date shall not be discounted.

In the case of capital instruments valued according to the cost of purchase, which are not listed on active market and their fair value may not be credibly estimated in any other manner, present value of future cash flow shall be established with the application of current interest rate for similar financial assets.

(ii) Reversal of Impairment losses

In the case of the increase in the value of financial investments, which may be objectively attributed to events taking place upon the creation of impairment loss, the Group shall appropriately decrease it in correspondence to profit and loss account, with the exception of capital investments classified as available for sale.

Impairment loss shall not be subject to reversal.

In other cases impairment losses shall be reversible, if the estimates applied to establish the recoverable value have changed.

Impairment losses shall be reversible only to the amount of balance sheet value of asset component is decreased by write-downs, which would be shown in the situation, when impairment losses were not recognized.

12. Equities

According to the principles of financial statement presentation, set forth in IAS 1 "Presentation of Financial Statements", the sum of consolidated equity in total includes shareholders' equity of the parent company and minority shareholders' holding.

Parent company's share capital is the Group's share capital and is shown according to nominal value adjusted by hyperinflation results for the years from 1989 to 1996.

Share capital of subsidiaries in the amount at the date of purchase of shares, in the part corresponding to the Group's holding in share capital of those entities, shall be compensated with the purchase value of shares recorded in the parent company's balance sheet (major investor) at the date of purchase (difference accounts for goodwill). Increase (decrease) in capitals upon the date of purchase of shares in the part vested to the parent company (major investor) shall be recorded to the Group's capitals and shall be shown in the respective items of the Group's equities. The rest of share capital of consolidated entities by full method shall be recorded as minority capitals, described below.

In the case of increasing or decreasing the share capital of a subsidiary, wherein the parent company does not hold shares or holds shares disproportionate to previously held, the change of the company's equity, vested in the parent company, shall be shown as profit or loss directly recorded in equity.

Consolidation adjustments shall be recorded in the respective capital items depending on the character of adjustments.

At the date of the sale of shares of the entity under consolidation, the exchange rate differences from the consolidation, related to that entity, should be written down in profit and loss account.

In the case of the purchase of treasury shares, the payment amount together with the direct costs of transaction, shall be shown as a change in equity. Purchased shares shall be shown as a decrease in equity.

Dividends shall be recorded as liabilities in the period in which they have been approved.

Dividends acquired by the parent company for the period before the date of taking control over a subsidiary shall decrease a share purchase price. It has an influence on goodwill of the company from consolidation or on the value of the surplus of buyer's share in the acquired net assets over purchase price (of the previously negative goodwill). It should be noted that no adjustments referring dividends paid out to minority shareholders shall be made.

Dividends obtained by the parent company for the period of taking control shall be excluded from financial revenues of the parent company and shall be included in equity of the entity, which pays dividend. That inclusion shall take place after the distribution of the entity's equity into capital falling on the Group and minority capital.

Dividend elimination shall increase retained profits of the Group.

Consolidated net profit (loss) shall be presented in equity in retained profits and shall be the sum of net profit (loss) of the parent company, shares in net profits (losses) of subsidiaries valued by equity method, net profits (losses) of equities consolidated by full method and profits (losses) of minority shareholders.

Minority share

Minority shares shall be calculated as an interest of equities held by minority shareholders at the balance sheet date. That value shall comply with the value of minority shareholders' capitals, which is calculated by adding changes in the value of capitals for minority shareholders in the reporting period to the value of minority shareholders' capitals at the end of the previous period (being at the same time an opening balance). Those changes may in particular result from:

- changes in the interest of shares held by minority shareholders - e.g. purchase, sale, increase or decrease of share capital,

- changes of the value of equities not related to the changes in the interest of shares held – e.g. increase or decrease of capital not changing interest shares, surcharges to capital brought in by minority shareholders, current year's result, capitals from the revaluation if it took place in the current year, payment of bonuses from the previous year's profit.

If losses regarding shares of minorities in the consolidated subsidiary exceed the shares of minority in equity of that subsidiary, a surplus and further losses regarding minority shares shall encumber majority shares, except for situations when minority shareholders are obliged to and capable of an additional investment to cover losses. If in the further period the subsidiary shows profits, those profits shall be allocated to majority shareholders, to the date of covering losses for minority shares, previously taken over by the majority shareholder.

13. Employee benefits

Jubilee awards and retiring allowances:

According to the factory rules of remuneration, the employees of the Group's companies shall be entitled jubilee awards for a long length of service and to retiring allowances. Those liabilities stem from the rights acquired by the Company's employees in the current and in the previous years.

The value of the Group's liabilities from jubilee awards and retiring allowances shall be calculated by an authorized actuary with the application of forecast discounted unit right method to their current value after deducting fair value of all related assets.

The use of this type of provisions creates a decrease in reserves (current cost load of operation by the amounts of paid benefits with a simultaneous adjustment of provisions at the end of the period is prohibited), whilst release of the above provision shall increase other operating revenues.

14. Provisions

Provision shall be recognized if the Group bears the obligation arising from the previous events and it is probable that the fulfilment of this obligation will be related to the outflow of economic advantages from the Group. If the effect of money value in time is significant, provisions shall be established by discounting the expected future cash flows on the basis of the rate before taxes, which reflects current market estimates of changes of money value in time and risk related to a given component of liabilities.

(i) Restructuring

Provision for restructuring shall be recognized if a detailed and official restructuring plan has been accepted, and that process has been initiated or publicly announced and the credible assessment of value of future liabilities is possible.

(ii) Recultivation

According to the published and applied policy of the Group, related to environment protection, and applied legal requirements, provision for the coverage of costs of land recultivation shall be recognized if such costs appear. Provision shall be estimated on the basis of budgets defining the amount of costs related to necessary works, and then discounted.

15. Trade and other liabilities

Trade and other liabilities shall be divided into short and long-term liabilities uses the following criteria:

- those requiring payment within 12 months from a balance sheet date shall be defined as short-term liabilities,
- all liabilities, which are not trade liabilities, nor fulfil the criteria of short-term liabilities, shall be defined as long-term liabilities.

Trade liabilities shall be valuated at the balance sheet date according to amortized cost (i.e. discounted with the application of effective internal rate) and shall be increased by possible penal interest due at the valuation date.

All tradings and balances of accounts shall be agreed, and possible adjustments entered to books, and consequently recorded in the entity's financial statement. In the case of discrepancies in agreeing the balance between the entity and the contractor, the seller's argument shall be accepted, and a possible adjustment shall be entered into the current year's books upon closing the year.

Liabilities in foreign currencies shall be valuated at the mean rate valid at that date for a given currency set by the National Bank of Poland.

Penalty interest due to late payments of liabilities shall not be calculated if the authorized entity submits a written declaration on the abandonment of their calculation; otherwise interest shall be calculated and registered according to the following principles:

- linearly, on the basis of received interest notes,
- in estimated value, whereat the estimate is based on historic data reflecting the amounts of calculated interest by respective contractors, in relation to the debt position towards them.

In every case, on the calculation of interest, other major risks causing such interest to be calculated, should be taken into account.

16. Contingent liabilities – out of balance sheet

The Group shall deem a possible future obligation of making a performance, the creation of which depends on the occurrence of specific events, as contingent liabilities.

17. Revenues

(i) sale of goods and rendering services

Revenues from the sale of products and goods shall be recognized in the profit and loss account, if the major risk and benefits arising from their ownership have been transferred on the buyer. Service revenues shall be recorded in the profit and loss account proportionately to the level of their realization at the balance sheet date. The level of realization of the service shall be evaluated on the basis of the results of the performed work review. Revenues shall not be recognized if there is a major uncertainty in relation to obtaining a due remuneration, reimbursement of incurred costs or a potential return of products and goods.

(ii) Rent revenues

Revenues from investment property lease shall be recorded in the profit and loss account by straight-line basis through the life of agreement. Granted discounts shall be recorded together with rent revenues.

18. Costs

(i) Payments due to financial lease

Lease payments shall be divided into the part accounting for cost of financing and the part decreasing the liability. The part accounting for cost of financing shall be allocated to respective periods in the duration of lease with the application of the effective interest rate method.

(ii) Net costs of financing

Net costs of financing include interest paid due to debt, established on the basis of effective interest rate, dividend from preference shares, interest due from cash invested by the Group, dividend due, profits and losses from rate differences and profits and losses referring to hedge instruments, which are recorded in the profit and loss account.

Revenues from interest shall be shown in the profit and loss account on accrual basis, with the application of effective interest rate method. Income from dividends shall be recorded in the profit and loss account when the Group acquires the rights thereto. The part accounting for cost of financing arising in relation to financial lease charges shall be shown in the profit and loss account with the application of effective interest rate method.

19. Tax

Income tax shown in the profit and loss account shall include the current and deferred part. Income tax shall be recorded in the profit and loss account, except for the amounts related to the items settled directly with equity. In such a situation, it shall be recorded in equity.

Current tax constitutes tax liabilities from assessed income for a given year, established with the application of assessment rates valid at the balance sheet date and adjustment of tax regarding the previous years.

Deferred tax shall be calculated with the application of balance sheet method, on the basis of taxable temporary differences between the value of assets and liabilities established for accounting purposes, and their value established for tax purposes. Provisions shall not be made for the following taxable temporary differences: goodwill not recognized for tax purposes, initial valuation of assets or liabilities, which do not influence book and tax profit, differences related to investments in subsidiaries in the range in which it is not probable that they will be realised in a foreseeable future. Recognized deferred tax amount shall be based on the expectations, as for the manner of the realization of balance sheet value of assets and liabilities, with the application of assessment rates valid or approved at the balance sheet date.

Assets due to deferred tax shall be recognized only if it is probable that future tax profits, towards which the realization of a given asset component is possible, shall be probable. Assets due to deferred tax shall be subject to reduction, if it is possible to ascertain that the tax advantages represented by them are not likely to be realised.

20. Estimates adopted on the preparation of the financial statement

The preparation of the financial statement according to IFRS requires the Management Board to adopt certain professional judgements, assumptions and estimates, which influence the values of assets, liabilities, revenues and costs presented in the financial statement and in notes thereto. The assumptions and estimates are based on historic experience and the best knowledge of the Management Board regarding the current and future events and actions, but the actual results may vary from the anticipated ones. In major issues, the Management Board bases its estimates on the opinions of independent experts.

Estimates and adopted assumptions shall be subject to a current verification. A change of book estimates shall be recorded in the period in which the change has been made or in the current period and the future periods (if the estimate change refers to the current and future periods).

Areas in which the Management Board created estimates refer to provisions, tangible fixed assets, intangibles and financial assets. On the creation of estimates, the adopted major assumptions are presented in the respective notes of the financial statement.

21. Government subsidies

Government subsidies shall be recorded, if there is a justified certainty that the subsidy will be received and all conditions related thereto are fulfilled. If a subsidy refers to the given cost item, then it shall be recorded as revenue adequately to costs, which this subsidy is intended to compensate. If the subsidy refers to an asset component, then its fair value shall be recorded in deferred revenues, and then gradually, by equal annual write-downs, written down into the profit and loss account by the estimated asset component's application life related thereto.

22. Operations to be discontinued and fixed assets for sale

Fixed assets shall be classified as assets allocated for sale, if their balance sheet value will be realised through a transaction of sale and if they are available for sale in their current condition on the occurrence of a high probability of the transaction of sale.

Discontinued operations shall be deemed as a part of the Group disposed of or classified as allocated for disposal and representing:

- a separate main line of activity,
- a part of the plan of disposal of a separate main line of activity or geographical segment,
- subsidiary acquired only for resale.

The part of the Group shall be defined as actions and cash flows knowable in respect of operations and for the purposes of the entity's financial reporting (e.g. centres generating cash or their groups).

Those assets shall be valued in the lower of the two values: net sales price and net book value.

The group applies the principles of recording assets allocated for sale in compliance with IFRS 5.

23. Mergers of entities included in the Group

Mergers of entities included in the Group take place when the merger refers to the companies subject to control in the Group both before and upon the merger, on the assumption that such control is not short-term.

Mergers of the entities under a joint control shall be settled (for the needs of the consolidated financial statement) so that the operation has no influence on the group's consolidated financial statement.

24. Emission rights

The principles of accounting approach of emission rights shall be as follows:

- Allocated emission rights shall not be subject to the recognition in balance sheet at the date of their allocation and in the consecutive periods. Fees for the allocation of rights together with a fee for entering into the register shall be recorded as prepaid expenses, whereat, if the value of those payments is insignificant, a single settlement thereof in costs of activity is permitted. Fee shall not account for the value of those rights; this value is not established in any other manner.

- Entity obtaining the rights shall record them out of balance sheet in the installation overview; their use on the basis of the actual emission shall also be subject to out of balance sheet record.
- Lodged payments shall be activated in the sale's prime cost proportionately to their use in a given settlement period.
- At the balance sheet date the entity shall carry out the comparison of the rights allocated for a given period with their actual use and if the use in a given year exceeds the rights allocated for that year, a provision in the amount of a product of missing rights and their market price. Provision shall not be made, if the entity is able to prove that it will not be forced to buy more rights to cover their deficiency for the total of the accounting period. Provision made shall encumber the sale's prime cost.
- Should more rights be bought on the market, those rights shall be valued in the purchase price and presented as intangible assets. If at the balance sheet date the entity is able to prove that certain rights purchased on the market are appropriated for disposal and there is a large probability that the advantages of those rights will be consumed in such a manner, that part of rights shall be recorded according to historic cost and shown in the statement as investments in intangibles.
- Acquired emission rights shall not be subject to depreciation, as their residual value corresponds to purchase price. In the case of the increase in market value, the residual value also grows; thereby, there are no prerequisites for the creation of a write-down. However, at the balance sheet date those rights should be included in the test for impairments according to general principles, which in the case of their value creates a necessity to dismiss impairment losses. Write-down shall be made to the account of the remaining operating costs.
- In the case of the use of the purchased rights to cover a deficiency, which arises at the date of the settlement of annual limit, the used rights according to book value shall be settled with a provision created previously to cover the deficiency.
- In the case of the sale of granted rights, the sold rights shall be redeemed, which is reflected in the out of balance sheet record, while proceeds from sale shall be recorded on general principles, as other operating revenues. If the rights acquired are subject to sale, own cost of the sale of those rights should be recognized. In the profit and loss account, the result from the sale of rights shall be shown in the result from the sale of non-financial fixed assets.
- The use of purchase rights, as well as the recognition of cost of sale of rights shall be according to the FIFO principle.

In the context of the principles described above, it shall be noted that none of the companies of the Ciech Group exceeded the allocated number of emission rights for 2007. Therefore, there is no necessity to create provisions for covering deficiencies in the account of sale prime cost.

Application of new and revised accounting standards

The consolidated financial statement was prepared in accordance with the International Financial Reporting Standards (IFRS), in the form approved by the European Union (EU) at 31 December 2007.

The Ciech Group did not withdraw from the application of the requirements of any of the binding international Financial Reporting Standards. In the presented periods, the following International Financial Reporting Standards were not applied, as those issues are not present in the Group's activity:

IFRS 2 "Share-based Payment"
IFRS 4 "Insurance contracts"
IFRS 6 "Exploration for and Evaluation of. Mineral Resources"
IFRS 11 "Construction contracts"
IAS 26 "Accounting and Reporting by. Retirement Benefit Plans"
IAS 41 "Agriculture"

European Union presented new and amended International Financial Reporting Standards and new interpretations, valid for financial statements for 2007:

1. IFRS 7 (plus IAS 32 and IAS 30) "Financial Instruments: Disclosure and Presentation" – published with the date of application 1 January 2007.
2. IAS 1 "Amendments – Disclosure of information on capital" published at the date of application 1 January 2007.
3. IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies" – published at the date of application 1 March 2006.
4. IFRIC 8 "Scope of IFRS 2" - published at the date of application 1 May 2006.
5. IFRIC 9 "Reassessment of Embedded Derivatives" - published at the date of application 1 June 2006.
6. IFRIC 10 "Interim Financial Reporting and Impairment" – published at the date of application 1 November 2006.

European Union presented the following standards, amendments to standards and their interpretations, which are not valid for annual periods ending on 31 December 2007, but they may be applied retrospectively:

1. IFRS 8 "Operating Segments" – published at the date of application 1 January 2009, with the possibility to be applied earlier.
2. IAS 1 "(Revised) Presentation of Financial Statements" – published at the date of application 1 January 2009,
3. IAS 23 "Borrowing costs – revised" – published at the date of application 1 January 2009;
4. IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" – published at the date of application 1 March 2007;
5. IFRIC 12 "Service Concession Arrangements" – published at the date of application 1 January 2008;
6. IFRIC 13 "Customer Loyalty Programmes" – published at the date of application 1 July 2008, with the possibility to be applied earlier;
7. IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding" – published at the date of application 1 January 2008, with the possibility to be applied earlier.

The below standards and interpretations have not been yet adopted for application in the European Union:

1. IAS 1 "(Revised) Presentation of Financial Statements".
2. IAS 23 "Borrowing costs – revised".
3. IFRIC 12 "Service Concession Arrangements".
4. IFRIC 13 "Customer Loyalty Programmes".
5. IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding".

3. Information concerning the segments of activity

Within the framework of the Ciech Group, business segmentation accounts for the leading division of activities. Risk and effective rates from investments are largely affected by the differences existing between goods, products and services. The following business segments are distinguished in the Ciech Group:

Soda Segment groups together the products, in particular soda ash, manufactured by soda companies (JANIKOSODA S.A., SODA MATWY S.A., since 31 December 2006 also S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., since 31 December 2007 also Soda Deutschland Ciech Group), and sold mainly by CIECH S.A. In this segment, the Ciech Group is the sole producer in Poland.

Agrochemical Segment provides a full product offer for agriculture. Fertilizers produced by GZNF FOSFOR Y Sp. z o.o. and Alwernia S.A., as well as plant protection chemicals are present in this segment. Fertilizers of GZNF FOSFOR Y Sp. z o.o. and other domestic fertilizer producers are sold for export by CIECH S.A. Other raw materials for fertilizer production supplied to GZNF FOSFOR Y Sp. z o.o. and Alwernia S.A. are also present in this segment. Since 1 January 2007 the revenues from sales of plant protection chemicals produced by Z.Ch. Organika-Sarzyna S.A. have been included in the agrochemical segment.

Petrochemical segment contains petrochemical goods, as well as fuels and lubricants supplied to its own fuelling stations. Liquid fuels and benzene account for the main goods of the petrochemical segment.

Silicates and Glass Segment contains mainly the products of VITROSILICON S.A. and other producers exported by CIECH S.A., such as glass and soda glaze.

Inorganic segment consists of the Alwernia S.A. products, in particular Sodium tripolyphosphate and inorganic products of other producers, exported by CIECH S.A. Since 1 January 2007 the revenues from sales of the ZACHEM S.A. products are also included in the inorganic segment.

Organic segment is formed entirely by commercial goods purchased and sold by CIECH S.A. outside the Ciech Group. The main sold product of the segment are polyvinyl chlorides, Caprolactam, EPI and TDI. Since 1 January 2007 the revenues of the organic segment increased by the sale of the abovementioned products due to the incorporation of ZACHEM S.A. and Z.Ch. Organika-Sarzyna S.A. into the Ciech Group.

Pharmaceutical segment is formed by exported and imported medicines and pharmaceutical substances, in the sales of which POLFA Sp. z o.o. acts as an agent.

Power Engineering Segment includes energy produced by Elektrociepłownie Kujawskie Sp. z o.o. mainly for the needs of soda companies and in small amounts for the customers outside the Ciech Group. Since 1 January 2008, as a result of the cancellation of lease agreement and the contribution in kind of the assets of EC KUJAWY Sp. z o.o. to Soda Polska Ciech Sp. z o.o., the activity of power engineering segment was taken over by Soda Polska Ciech Sp. z o.o. Elektrociepłownie Kujawskie Sp. z o.o. carries out consulting activity.

Other operations include goods and services rendered outside the Group, mainly by CIECH S.A. and Cheman S.A. and foreign companies outside the area of basic chemistry.

Discontinued operations: the results from the sale of subsidiaries – Petrochemia Blachownia S.A., Alwernia Chrom Sp. z o.o. as well as the results from fuel activity from which Cheman S.A. is withdrawing, were shown; Assets related to that activity and impossible to be adopted into chemical activity are gradually alienated.

Geographical segments of the Group are established on the basis of the location of the Group's assets.

Transfer prices

Transfer prices shall be established on the basis of market prices or prices based on exchange quotations of goods listed on global stock exchanges.

Tables below present the data regarding revenues and profits, as well as assets and liabilities concerning respective business segments of the Ciech Group for presented periods in the financial statement:

Business segments 01.01 – 31.12.2007

<i>In thousand PLN</i>	Soda Segment	Power Generation Segment	Organic segment	Petrochemical segment	Agrochemical segment	Pharmaceutical segment	Silicates and Glass Products Segment	Inorganic segment	Discontinued operations	Other operations	Eliminations (consolidation adjustments)	IN TOTAL
Revenue from third parties	951 900	21 428	1 308 485	38 430	544 133	50 075	148 086	279 462	658	72 322	-	3 414 979
Revenue from intersegment sales	57 838	224 930	878	2 725	1 958	288	130	4 262	-	71 213	(364 222)	-
Total revenue	1 009 738	246 358	1 309 363	41 155	546 091	50 363	148 216	283 724	658	143 535	(364 222)	3 414 979
Segment result	252 704	17 523	309 793	3 901	140 785	18 057	41 254	54 179	(48)	29 887	(59 328)	808 707
Unallocated (costs) revenue												(495 065)
Operating profit												313 642
Net financial income (costs)												(28 726)
Share in profit of associates										5 062		5 062
Tax												(48 121)
Profit on discontinued operations												-
Net profit												241 857

Business segments 01.01- – 31.12.2006

<i>In thousand PLN</i>	Soda segment	Power Generation Segment	Organic segment	Petrochemical segment	Agrochemical segment	Pharmaceutical segment	Silicates and Glass Products Segment	Inorganic segment	Discontinued operations	Other operations	Eliminations (consolidation adjustments)	IN TOTAL
Revenue from third parties	813 452	24 946	482 678	44 116	339 240	49 293	119 871	250 234	14 197	36 303	-	2 174 330
Revenue from intersegment sales	58 054	118 954	166	101	48 485	325	205	1 813	-	13 474	(241 577)	-
Total revenue	871 506	143 900	482 844	44 217	387 725	49 618	120 076	252 047	14 197	49 777	(241 577)	2 174 330
Segment result	280 094	11 986	36 753	3 034	57 640	19 504	39 761	54 032	1 325	21 199	(28 061)	497 267
Unallocated (costs) revenue												(305 309)
Operating profit												191 958
Net financial income (costs)												3 546
Share in profit of associates										1 911		1 911
Tax												(28 151)
Profit on discontinued operations									26 809			26 809
Net profit												196 073

Business segments 31.12.2007

	Soda segment	Power Generation Segment	Organic segment	Petrochemical segment	Agrochemical segment	Pharmaceutical segment	Silicates and Glass Products Segment	Inorganic segment	Discontinued operations	Other operations	Eliminations (consolidation adjustments)	IN TOTAL
Segment assets	1 710 655	463 821	779 435	8 022	248 738	46 134	164 553	134 924	-	249 488	(55 955)	3 749 815
Fixed assets allocated for sale	192 411	-	-	-	-	-	-	-	-	-	-	192 411
Shares in related parties	-	-	-	-	-	-	-	-	-	51 819	-	51 819
Unallocated assets												240 217
Total assets												4 234 262

	Soda segment	Power Generation Segment	Organic segment	Petrochemical segment	Agrochemical segment	Pharmaceutical segment	Silicates and Glass Products Segment	Inorganic segment	Discontinued operations	Other operations	Eliminations (consolidation adjustments)	IN TOTAL
Segment liabilities	1 153 172	469 533	440 850	2 772	120 515	33 407	105 227	53 903	-	30 453	(46 331)	2 363 501
Liabilities related to fixed assets allocated for sale	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated liabilities												486 587
Total liabilities												2 850 088

Business segments 31.12.2006

	Soda segment	Power Generation Segment	Organic segment	Petrochemical segment	Agrochemical segment	Pharmaceutical segment	Silicates and Glass Products Segment	Inorganic segment	Discontinued operations	Other operations	Eliminations (consolidation adjustments)	IN TOTAL
Segment assets	928 266	44 705	650 321	9 305	219 912	49 922	150 537	145 542	99	143 479	(62 578)	2 279 510
Fixed assets allocated for sale	-	-	2 327	-	-	-	-	-	-	-	-	2 327
Shares in related parties	-	-	-	-	-	-	-	-	-	42 220	-	42 220
Unallocated assets												535 263
Total assets												2 859 320
	Soda segment	Power Generation Segment	Organic segment	Petrochemical segment	Agrochemical segment	Pharmaceutical segment	Silicates and Glass Products Segment	Inorganic segment	Discontinued operations	Other operations	Eliminations (consolidation adjustments)	IN TOTAL
Segment liabilities, including:	401 857	45 145	438 964	6 349	40 235	43 463	102 513	70 662	-	53 967	(50 415)	1 152 740
Liabilities related to fixed assets allocated for sale	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated liabilities												519 227
Total liabilities												1 671 967

Business segments 01.01.-31.12.2007

	Soda segment	Power Generation Segment	Organic segment	Petrochemical segment	Agrochemical segment	Pharmaceutical segment	Silicates and Glass Products Segment	Inorganic segment	Other operations	Unallocated items	Eliminations (consolidation adjustments)	IN TOTAL
Amortization	82 179	1 121	41 088	376	16 518	618	12 849	4 812	14 775	6 048	(1 065)	179 319
Non-cash costs other than amortization	16 777	528	-	-	-	-	3 814	-	643	-	-	21 762
Capital expenditures	123 613	309	73 285	-	12 626	430	12 197	4 443	10 946	12 004	(945)	248 908
Recognized impairment losses	3 901	570	12 915	-	1 648	1	196	474	246	520	(18)	20 453
Reversible impairment losses	13 447	7	4 012	-	1 201	1 209	-	1 242	6 630	2 746	-	30 494

Business segments 01.01.-31.12.2006

In thousand PLN	Soda segment	Power Generation Segment	Organic segment	Petrochemical segment	Agrochemical segment	Pharmaceutical segment	Silicates and Glass Products Segment	Inorganic segment	Other operations	Unallocated items	Eliminations (consolidation adjustments)	IN TOTAL
Amortization	56 933	1 252	695	188	11 296	622	7 718	4 959	5 510	6 781	(73)	95 881
Non-cash costs other than amortization	3 850	423	-	-	-	-	3 586	-	742	-	-	8 601
Capital expenditures	112 053	334	21 249	6	257 751	748	58 767	5 125	1 224	79 495	(594)	536 158
Recognized impairment losses	99 404	27	4 307	1 339	716	4 261	682	3 762	2 841	249	(39)	117 549
Reversible impairment losses	987	-	230	67	523	2 366	365	1 624	731	1 654	(2)	8 545

Geographical segments

Tables below present the data regarding revenues, some assets and outlays concerning respective geographical segments for presented periods in the financial statement:

01.01.-31.12.2007

In thousand PLN	Poland	European Union	Rest of Europe	Africa	Asia	Other regions	IN TOTAL
Revenues from sales	1 857 541	969 279	130 040	96 731	316 152	45 236	3 414 979
Capital expenditures	226 847	21 968	-	-	93	-	248 908

01.01.-31.12.2006

In thousand PLN	Poland	European Union	Rest of Europe	Africa	Asia	Other regions	IN TOTAL
Revenues from sales	1 128 717	765 591	118 864	14 095	135 488	11 575	2 174 330
Capital expenditures	502 801	33 357	-	-	-	-	536 158

31.12.2007

In thousand PLN	Poland	European Union	Rest of Europe	Africa	Asia	Other regions	IN TOTAL
Assets of segment	2 465 390	1 670 116	23 222	12 394	52 688	10 452	4 234 262

31.12.2006

In thousand PLN	Poland	European Union	Rest of Europe	Africa	Asia	Other regions	IN TOTAL
Assets of segment	2 498 771	301 013	28 476	1 035	29 754	271	2 859 320

4. Other revenues and costs

Other operating revenues

In thousand PLN

OTHER OPERATING REVENUES	01.01.-31.12.2007	01.01.-31.12.2006
Write down on surplus of acquired assets over cost of merger	3 410	135 759
Revenues on rent	3 125	2 289
Net profit from disposal of non-financial fixed assets	16 319	3 762
Allowance for short-term uncollectible accounts	6 039	5 091
Write-down on intangibles	77	77
Write-down on the value of tangible fixed assets	5 558	868
Cancelled liabilities	4 747	111
Penalties and compensations received	2 097	1 139
Donations received	777	6
Settlement of inventory taking	521	1 048
Repayment of receivables previously cancelled	9	-
Revenues from social activity	144	76
Refund of court fees	567	278
Subsidies	873	226
Profit from trading asset liquidation and fixed asset liquidation	526	367
Release of provisions for retiring benefits and jubilee awards	5 798	1 278
Release of provisions for restructuring	264	2 965
Release of provisions for compensations	-	-
Release of provisions for environment protection	4 564	395
Release of provisions for liabilities	5 357	380
Received cash bonuses	448	690
Written down cancelled and unrecoverable receivables	57	-
Release of provisions for recorded as short-term liabilities	908	75
Provision for bonus	-	48
Re-invoiced costs of substitute investor	-	50
Greenhouse gasses emission right	7 488	-
Other tax refund	718	-
Other	1 471	656
In total	71 862	157 634

Received subsidies

In 2007 the Ciech Group obtained the following subsidies:

- POLFA Sp. z o.o. obtained PLN 15 thousand of grant-aid within the framework of the Sectoral Operational Programme – *Improving business competitiveness, 2004-2006* from the funds of the European Regional Development Fund as the refund of costs of the exhibition in Kazakhstan.
- Z.Ch. Organika Sarzyna S.A. received grant-aid for research and development. R & D carried out by the Company within the framework of the specific projects is grant-aided by the Ministry of Science and Higher Education in the amount from 45.66% to 50% of the value thereof. In 2007 the Company received PLN 221 thousand of subsidies. The amount of subsidies shall be settled into financial result proportionately to the amortization of works. In 2007 the amount recorded in the result from subsidies for R & D was PLN 288 thousand. Furthermore, the company obtained from the Job Office a grant-aid to costs of employment in the amount of PLN 5 thousand.
- In 2006 VITROSILICON S.A. obtained a grant-aid from the European Regional Development Fund within the framework of the Sectoral Operational Programme - Improving business competitiveness appropriated for the realization of the "Plant extension through the implementation of the ecological technology of glass block production" project in the amount of PLN 3,170 thousand (whereof PLN 339 thousand was recorded in operating revenues for 2007, as a part of an annual write-down). Furthermore, in 2007 the company obtained a subsidy from the European Social Fund in the amount of PLN 7 thousand as a refund of training costs.
- In 2002 ZACHEM S.A. obtained from the Ecofund a subsidy for the Conti evaporator in the amount of PLN 4 380 thousand, whereof PLN 209 thousand was recorded in operating revenues for 2007.

No unfulfilled conditions or conditional events related to the subsidy recorded in the annual consolidated financial statement took place in the current period.

Other operating costs*in thousand PLN*

OTHER OPERATING COSTS	01.01.-31.12.2007	01.01.-31.12.2006
Costs of restructuring	3 985	58
Other operating costs regarding investment generating revenues from rent	1 376	1 138
Write-down of intangibles	-	92 079
Write-down of tangible fixed assets	2 813	5 816
Write-down of short-term receivables	6 145	14 132
Write-down of investment real properties	-	1 568
Costs of elimination of random events	1 211	746
Costs from discontinued investment	2 283	-
Amortization – welfare facilities	234	139
Created provisions recorded as short-term liabilities	1 506	5 679
Provision created for bonus	188	84
Provisions created for costs of liquidation of fixed assets	-	240
Amortization of investment real properties	659	472
Provisions created for compensations	380	1 219
Provisions created for liabilities	525	-
Provisions created for costs of restructuring	-	161
Provisions created for jubilee awards and retiring allowances	10 300	6 188
Provisions created for environment protection	8 038	3 432
Other provisions created	227	106
Costs related to idle assets and productive capacities	7 310	1 994
Costs related to the previous activity	1 648	1 293
Costs of written down development works and intangibles	1 305	391
Unplanned depreciation charges	701	-
Donations assigned	661	927
Costs of legal proceedings	438	574
Written-off receivables	513	94
Paid penalties, fines and damages	5 406	1 627
Differences in inventory taking	928	1 096
Random events	56	3
Liquidation of fixed assets	510	1 316
Liquidation of materials	1 176	515
Social activities	1 516	818
Membership premiums	484	272
Maintenance costs of rented areas	118	-
Net loss from disposal of non-financial fixed assets	2 930	590
Other	2 430	424
In total	68 233	145 191

Revenues/ net financial (costs)*in thousand PLN*

REVENUES/ NET FINANCIAL (COSTS)	01.01.-31.12.2007	01.01.-31.12.2006
Interest	9 586	9 350
Dividends	1 684	1 650
Positive rate differences	-	1 794
Release of provisions from financial liabilities	-	620
Revaluation of interest receivables (commercial and budget)	839	680
Cancelled credits and loans	908	-
Revenues from sales of debt	614	150
Received discount from promissory notes and cheques	20	26
Write-down of long-term investments and investments	8 620	401
Valuation of financial instruments	-	946
Other revaluation	57	182
Realization of financial instruments	978	-
Revenues from warranties and sureties	938	-
Net profit from sale of financial assets	3 482	2 076
Refund from liquidated companies	1 747	-
Other	106	126
Total financial revenues	29 579	18 001
Interest	40 119	11 302
Negative rate differences	5 958	-
Provisions created for financial liabilities	4	16
Write-downs of commercial and budget interest	1 834	1 240
Differences between nominal value and amount according to which redemption of securities issued by the entity	748	-
Commissions from factoring	171	4
Commissions and bank charges	51	46
Credit commissions	739	416
Costs of cancelled loans and credits	-	-
Costs from sureties and warranties	794	50
Merger costs	168	-
Loss from disposal of financial assets	5	-
Write-down of long-term investments and investments in related parties	47	232
Valuation of financial instruments	2 075	-
Nominal value of sold debts	-	1 034
Costs from discount of liabilities	4 671	-
Other	921	115
Total financial costs	58 305	14 455
Net financial costs / revenues	(28 726)	3 546

Costs by type*in thousand PLN*

COSTS BY TYPE	01.01.-31.12.2007	01.01.-31.12.2006
a) amortization	177 738	95 378
b) use of materials and energies	1 354 137	434 614
c) employee benefits	384 351	197 342
d) foreign services	443 723	294 994

Amortization of tangible fixed assets and intangibles*in thousand PLN*

WRITE-DOWNS OF INTANGIBLES	31.12.2007	31.12.2006
Prime cost of sales	7 038	1 514
Cost of general management	4 531	4 982
other operating costs	630	139
In total	12 199	6 635

in thousand PLN

WRITE-DOWNS OF TANGIBLE FIXED ASSETS	31.12.2007	31.12.2006
Prime cost of sales	135 854	78 555
Other operating costs	2 610	1 747
Cost of general management	27 577	8 518
In total	166 041	88 820

Employee costs*in thousand PLN*

EMPLOYEE BENEFITS	01.01.-31.12.2007	01.01.-31.12.2006
Remunerations	271 802	157 609
Social security and other benefits	110 474	39 043
Expenditures on jubilee awards and retiring allowances (including increase in provisions therefrom)	796	330
Other	1 279	360
Total employee benefits	384 351	197 342

Costs of research and development

Total amount of R & D outlays recorded as cost in the period amounted to PLN 2,945 thousand (PLN 1,891 thousand in a comparable period).

5. Income tax

Major components of tax encumbrance are presented as follows:

in thousand PLN

TAX SHOWN IN PROFIT AND LOSS ACCOUNT	01.01.-31.12.2007	01.01.-31.12.2006
Current tax		
Current income tax	62 497	25 444
Income tax for previous years	(317)	(4 317)
In total	62 180	21 127
Deferred tax		
Creation/ reversal of temporary differences	(14 059)	7 024
In total	(14 059)	7 024
INCOME TAX SHOWN IN PROFIT AND LOSS ACCOUNT	48 121	28 151

No current tax attributed into equity was present in the Ciech Group. The amount of deferred tax attributed into equity amounts to PLN 2,779 thousand. In the comparable period, no deferred tax attributed into equity was present, whilst the amount of deferred tax on equity amounted to PLN 311 thousand.

Agreeing on income tax calculated from gross financial result before assessment, according to the statutory assessment rate, with income tax calculated according to effective interest rate of the Group, for periods presented in the annual financial statement, shall be as follows:

EFFECTIVE ASSESSMENT RATE	01.01.-31.12.2007	01.01.-31.12.2006
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	%	in thousand PLN	%	in thousand PLN
Profit before tax		289 978		197 415
Tax on the basis of valid assessment rate	19.00%	55 096	19.00%	37 509
Difference from the application of assessment rates valid in other legal and tax regulations*	0.96%	2 790	0.01%	17
Costs not being costs of revenue *	7.09%	20 572	22.28%	43 987
Revenues not being tax deductible *	(4.89%)	(14 179)	(19.65%)	(38 783)
Change of assessment rates *	0.00%	-	0.00%	-
Income tax adjustments for previous years *	(0.18%)	(516)	(0.50%)	(994)
The use of tax losses previously not recorded in the calculation of deferred tax in previous years *	4.66%	13 511	0.00%	-
Costs being costs of revenues not shown in profit before tax*	(4.48%)	(12 981)	0.00%	-
Provision due to deferred tax (difference in amortization)*	(6.38%)	(18 511)	0.00%	-
Taxable revenues not shown in profit before tax*	0.87%	2 513	0.00%	-
Other*	(0.06%)	(174)	(6.88%)	(13 585)
In total	16.59%	48 121	14.26%	28 151

* Amounts include tax calculated on respective items

** In 2007 income tax of DALTRADE PLC (30%), POLSIN PRIVATE LIMITED (20%), S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. (16%) amounted to PLN 192 thousand (in 2006, for POLSIN PRIVATE LIMITED and DALTRADE PLC: PLN 652 thousand)

Deferred tax income

Deferred tax income stems from the following items:

in thousand PLN

ASSETS FROM DEFERRED TAX AND PROVISION FOR DEFERRED TAX	31.12.2007		
	total assets	total provision	total value
Tangible fixed assets	12 143	122 754	(110 611)
Intangibles	2 980	6 112	(3 132)
Right of perpetual usufruct of lands	-	6 018	(6 018)
Investment real properties	298	467	(169)
Other investments	57	2 937	(2 880)
Inventories	2 536	438	2 098
Trade and other receivables	1 606	11	1 595
Employee benefits	4 831	-	4 831
Provisions	23 152	17	23 135
Tax losses subject to deduction in the future periods	35	-	35
Rate differences	53	1 269	(1 216)
Liabilities	31 729	44	31 685
Other	2 813	650	2 163
Assets / provision due to deferred tax	82 233	140 717	(58 484)
Write-down of assets value	-	-	-
Assets / provision due to deferred tax shown in balance sheet	82 233	140 717	(58 484)

in thousand PLN

ASSETS FROM DEFERRED TAX AND PROVISION FOR DEFERRED TAX	31.12.2006		
	total assets	total provision	total value
Tangible fixed assets	1 975	76 873	(74 898)
Intangibles	-	6 156	(6 156)
Right of perpetual usufruct of lands	-	6 018	(6 018)
Biological assets	-	-	-
Investment real properties	298	467	(169)
Other investments	1 494	1 541	(47)

ASSETS FROM DEFERRED TAX AND PROVISION FOR DEFERRED TAX	31.12.2006		
	total assets	total provision	total value
Inventories	2 048	490	1 558
Trade and other receivables	1 098	200	898
Employee benefits	7 169	-	7 169
Provisions	21 652	20	21 632
Tax losses subject to deduction in the future periods	6 592	-	6 592
Rate differences	891	503	388
Liabilities	6 352	14	6 338
Other	2 370	910	1 460
Assets / provision due to deferred tax	51 939	93 192	(41 253)
Write-down of assets value	-	-	-
Assets / provision due to deferred tax shown in balance sheet	51 939	93 192	(41 253)

The merger of soda companies (contribution transaction) in 2007 significantly influenced the consolidated statement of SODA MAŁY and JANIKOSODA groups, and consequently on the consolidated financial statement of the Ciech Group. Upon the performed contribution valuation of tangible fixed assets as a result of the comparison of their balance sheet values to their current tax values a surplus of the net value of fixed assets over balance sheet value was ascertained. Tax value exceeds balance sheet value at 31 December 2007 by PLN 33,507 thousand. It results in the creation of tax assets and release of provision. In consequence, provision for the value of PLN 13,611 thousand was released and assets due to deferred tax for the amount of PLN 6,366 thousand was created. Consequently, financial result increased by PLN 19,977 thousand.

Temporary differences

in thousand PLN

CHANGE OF TEMPORARY DIFFERENCES IN THE PERIOD	Status at 01.01.2007	Change of temporary differences recognized in profit and loss account	Change of temporary differences recognized in equity	Rate differences	Change of the group's composition	Status at 31.12.2007
- Tangible fixed assets	(392 713)	132 481	(1 742)	470	(216 457)	(477 961)
- Intangible assets	(32 398)	245	(14)	-	10 642	(21 525)
- Right of perpetual usufruct of lands	(31 676)	-	-	-	-	(31 676)
- Investment real properties	(890)	-	-	-	-	(890)
- Other investments	(255)	(1 265)	(12 870)	-	(523)	(14 913)
- Inventories	8 189	2 854	-	-	-	11 043
- Trade and other receivables	4 727	(2 416)	-	-	4 134	6 445
- Employee benefits	37 734	(14 283)	-	-	1 343	24 794
- Provisions	113 850	(3 038)	-	18	7 418	118 248
- Other items	7 690	3 703	-	-	-	11 393
- Tax losses subject to deduction in the future periods	34 693	(34 510)	-	-	-	183
- Rate differences	2 041	(8 443)	-	-	-	(6 402)
- Liabilities	33 360	(856)	-	-	91 097	123 601
In total	(215 648)	74 472	(14 626)	488	(102 346)	(257 660)

in thousand PLN

CHANGE OF TEMPORARY DIFFERENCES IN THE PERIOD	Status at 01.01.2006	Change of temporary differences recognized in profit and loss account	Change of temporary differences recognized in equity	Rate differences	Change of the group's composition	Status at 31.12.2006
- Tangible fixed assets	(111 564)	(18 360)	-	(40)	(262 749)	(392 713)
- Intangible assets	-	-	-	-	(32 398)	(32 398)
- Right of perpetual usufruct of lands	-	-	-	-	(31 676)	(31 676)
- Investment real properties	-	1 568	-	-	(2 458)	(890)
- Other investments	15 595	(11 307)	(1 635)	-	(2 908)	(255)
- Inventories	8 061	(881)	-	-	1 009	8 189
- Trade and other receivables	3 043	1 268	-	-	416	4 727
- Employee benefits	17 093	180	-	-	20 461	37 734
- Provisions	13 263	(1 370)	-	13	101 944	113 850
- Other items	1 083	820	-	-	5 787	7 690
Tax losses subject to deduction in the future periods	-	-	-	-	34 693	34 693
- Rate differences	689	1 691	-	-	(339)	2 041
- Liabilities	41 633	(10 729)	-	-	2 456	33 360
In total	(11 104)	(37 120)	(1 635)	(27)	(165 762)	(215 648)

Paying by the Ciech Group of dividend in the interest of its shareholders does not cause any effects as regards deferred income tax.

6. Discontinued operations and fixed assets for sale

Discontinued operations

Within the framework of the realization of the strategy concerning the withdrawal of the Ciech Group from petrochemical activity, Cheman S.A. was obliged to restructure the fuel activity, which was taken over by the Company as a result of the incorporation of Ciech Petrol Sp. z o.o. On the basis of the carried out analyses, which revealed that the fuel activity conducted by Cheman S.A. is characterized by a low profitability at the level of gross margin and is insufficient to cover other costs related to its functioning, in which the following costs shall be included: sales, transport, maintenance of fuel stations, the decision on discontinuance of fuel activity was made.

In 2006 Cheman S.A. sold a fuel station in Jarocin, terminated lease agreement for fuel stations in Kalisz, Zduńska Wola, Kleszczów and Szczytniki, terminated a contract with MPK in Sieradz and finished logistic and storage activity in relation to the fuel and automotive accessories wholesale firm. In view of a different opinion of the Management board of MPK Sieradz, as for the validity of the termination of the contract by Cheman S.A. legal dispute is likely to arise. In 2006 and 2007 the company tried to gain an investor interested in the acquisition of the Base in Błaszki. Eventually, the transaction with a potential investor was not concluded due to non-payment of advance money by the buyer.

The Management Board of Cheman S.A. addressed the Management Board of CIECH S.A. and Supervisory Board of the Company with a proposal to use the base in Błaszki and create there a main clothing and warehouse centre of Cheman S.A., which the Company consented to. Thereby, a range of development actions, including the plan of modernization and structure development for the needs of clothing activity, or logistic solutions were taken. The Company is planning spend approx. PLN 1 million on those investments.

Fixed assets for sale

At 31 December Soda Deutschland Ciech Group showed in "Fixed assets appropriated for sale" the sale of caverns under numbers from S105 to S112. Additionally, this item shows the future sale of caverns, which are to be created this year under numbers from S113 to S116. The sale is planned for 2008.

With relation to the decision concerning the sale by S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. of shares in the affiliate S.C. Govcrest Srl, at 30 September 2007 the value of those shares in the amount of PLN 206 thousand was shown in fixed assets for sale. The sale of shares (41.64%) took place on 9 October 2007. Sales revenues amounted to RON 672 thousand. From the date of sale, S.C. Govcrest Srl stopped being an affiliate of CIECH S.A.

At 31 December 2006 fixed assets for sale, allocated to the CHEMIK recreation centre in Sopot, CHEMIK Health Spa in Ciechocinek and the T-7300 Production Department in ZACHEM S.A were shown with the total balance sheet value in the amount of PLN 2,327 thousand.

The sale of the CHEMIK recreation centre in Sopot and CHEMIK Health Spa in Ciechocinek was imposed by the lack of assumptions regarding the continuity of social operations, which they were related to. Those facilities were obsolete and required considerable financial outlays for their renovations.

The sale of the T-7300 Production Department resulted from a low use of productive capacities due to a low demand for plastics manufactured in the T- 7300. Furthermore, buildings and equipment included in the department were obsolete and required considerable financial outlays for their renovations.

The CHEMIK recreational centre in Sopot was sold on 2 January 2007 for PLN 9,248 thousand.

The CHEMIK Health Spa in Ciechocinek was sold on 7 February 2007 for PLN 5,183 thousand.

The T- 7300 Production Department was sold on 7 February 2007 for PLN 3,651 thousand.

The list below presents main items of fixed assets for sale:

in thousand PLN

ASSETS CLASSIFIED FOR SALE	31.12.2007	31.12.2006
Tangible fixed assets	192 411	2 327
Right of perpetual usufruct of lands	-	-
Intangibles	-	-
Inventories	-	-
Trade and other receivables	-	-
Income tax receivables	-	-
Cash and cash equivalents	-	-
In total	192 411	2 327

In January 2006 Alwernia S.A. sold its subsidiary - Alwernia Chrom Sp. z o.o. for PLN 450 thousand. In the statement for 2006 Alwernia S.A. showed profit from that transaction in the amount of PLN 264 thousand. Furthermore, on 10 January 2006 CIECH S.A. sold 100% shares of its subsidiary - Petrochemia Blachownia S.A. Consolidated profit from sale decreased by income tax was PLN 26,409 thousand. Since at 31 December 2005 both companies were shown as fixed assets for sale and their results for 4. quarter of 2005 (i.e. from the date of allocation for sale) as discontinued operations, results from the sale of both companies were shown in the presented consolidated profit and loss account as the result from sale of discontinued operations.

Due to unavailability of data arising from system conditionings no cash flows for discontinued operations regarding fuel activity were presented.

7. Profit per share

Profit per share shall be calculated through distribution of net profit for the financial year vested in ordinary shareholders of the parent company by weighted average number of issued common shares existing during the financial year.

Diluted profit per share shall be calculated through distribution of net profit for the financial year vested in ordinary shareholders of the parent company by weighted average number of issued common shares existing during the financial year together with weighted average number of common shares, which would be issued on the exchange of diluting potential common shares into common shares.

Below are presented data regarding profit and shares, which account for the basis for the calculation of core and diluted profit per share:

	31.12.2007	31.12.2006
	<i>in thousand PLN</i>	<i>in thousand PLN</i>
Net profit (loss) from continued operations vested in parent company's shareholders	241 113	169 150
Net profit (loss) from discontinued operations vested in parent company's shareholders	(927)	26 598
Net profit (loss) vested in parent company's shareholders applied for the calculation of core profit per share	240 186	195 748
Net profit (loss) vested in parent company's shareholders applied for the calculation of diluted profit per share	240 186	195 748
	31.12.2007	31.12.2006
	<i>in pcs</i>	<i>in pcs</i>
Weighted average number of issued common shares applied for the calculation of core profit	28 000 000	28 000 000

	31.12.2007	31.12.2006
	in pcs	in pcs
per share		
Influence of dilution:	-	-
Weighted average number of issued C series common shares	-	-
Weighted average number of issued common shares applied for the calculation of diluted profit per share	28 000 000	28 000 000

No transactions regarding common shares or potential common shares took place between the balance sheet date and the date of preparation of the presented annual consolidated financial statement. Below are presented data regarding the calculation of core and diluted profit per share from discontinued operations

	31.12.2007	31.12.2006.
	<i>in thousand PLN</i>	<i>in thousand PLN</i>
Net profit (loss) from discontinued operations vested in shareholders applied for the calculation of core profit per share	(927)	26 598

8. Dividends paid out and proposed for pay-out

Distribution of net profit for 2007, proposed by the Management Board of CIECH S.A., predicts dividend payout for shareholders in the amount of PLN 57,960 thousand.

By the resolution no. 7 of 21 June 2007 the Ordinary General Meeting of CIECH S.A. decided to allocate PLN 58,800 thousand from net profit earned by the Company for the financial year 2006 for dividend payout for the Shareholders. Dividend for 2006 in the amount of PLN 2.10 per share was paid out to the Shareholders, who were the holders of shares in CIECH S.A. on 10 July 2007 (dividend day). Dividend payout took place on 2 August 2007.

By the resolution no. 8 of 14 June 2006 the Ordinary General Meeting of CIECH S.A. decided to allocate PLN 22,400 thousand from net profit earned by the Company for the financial year 2005 for dividend payout for the Shareholders which accounted for PLN 0.80 per share. Dividend was paid out to the Shareholders, who were the holders of the Company's shares on 4 July 2006. Dividend payout took place on 1 August 2006.

Only common shares are present in the structure of core capital of CIECH S.A.

9. Tangible fixed assets

31.12.2007

CHANGES IN TANGIBLE ASSETS	Lands	Buildings, premises and civil engineering facilities	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total fixed assets
a) gross value of fixed assets at period beginning	133 478	723 764	873 636	124 128	25 210	103 533	1 983 749
b) increases (due to)	35 491	120 431	382 454	7 569	6 450	263 675	816 070
- purchase	45	295	11 765	2 921	1 869	115 405	132 300
- acquisition from investment	244	66 675	123 628	1 645	3 023	-	195 215
- donation	-	-	1	-	8	-	9
- modernization	-	2 257	5 367	1 010	-	-	8 634
- disclosures from inventory taking	-	239	5	-	39	-	283
- valuation to fair value /market value	-	-	210	43	225	-	478
- reclassification to another group	-	427	6	-	-	-	433
- investment outlays for fixed assets under construction	-	-	-	-	-	97 942	97 942
- investments in foreign fixed assets	-	-	-	84	-	-	84
- taken over on the basis of financial lease agreements	-	-	-	857	-	-	857
- rate differences	-	-	-	-	-	12	12
- expansion of capital group	35 147	50 538	240 259	953	1 286	50 316	378 499
- other	55	-	1 213	56	-	-	1 324
c) decreases (due to)	3 319	12 135	22 495	8 125	1 127	211 838	259 039
- sale	296	173	5 908	6 410	336	94	13 217
- liquidation	-	2 234	8 416	100	334	152	11 236
- transfer into fixed assets under construction	-	76	-	-	-	-	76
- reclassification to another group	-	3	427	-	-	207 613	208 043
- contributions in kind	616	-	-	-	-	-	616
- donations	-	-	4	-	-	-	4
- reclassification to out of balance sheet record	-	-	-	-	107	-	107
- valuation to fair value /market value	-	1 204	-	-	-	-	1 204
- rate differences	2 407	8 445	7 734	1 560	350	3 574	24 070
- other	-	-	6	55	-	405	466
d) gross value of fixed assets at period end	165 650	832 060	1233 595	123 572	30 533	155 370	2 540 780
e) accumulated amortization (redemption) at period beginning	13	128 669	242 502	45 695	9 278	-	426 157
f) amortization for period (due to)	1 330	48 368	90 677	9 088	3 203	-	152 666
- annual depreciation charge	1 341	49 729	99 734	11 338	3 899	-	166 041

CHANGES IN TANGIBLE ASSETS	Lands	Buildings, premises and civil engineering facilities	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total fixed assets
- sale of fixed assets	4	18	192	1 234	189	-	1 637
- liquidation of fixed assets	-	1 263	4 620	159	223	-	6 265
- donation of fixed assets	-	-	4	-	-	-	4
- reclassification to another category e.g. Inventories, Fixed assets under construction	-	32	-	-	127	-	159
- other (decreases)	7	-	292	58	-	-	357
- decrease due to valuation to fair value/rmarket value	-	-	2 644	409	61	-	3 114
- rate differences	-	(339)	(1 305)	(390)	(101)	-	(2 135)
- other (increases)	-	291	-	-	5	-	296
e) accumulated amortization (redemption) at period end	1 343	177 037	333 179	54 783	12 481	-	578 823
h) impairment losses at period beginning	14	14 164	23 525	395	331	763	39 192
increase (due to)	-	2 325	292	58	14	124	2 813
- impairment losses borne in the financial result	-	2 325	292	58	14	124	2 813
decrease (due to)	-	3 492	7 971	126	6	94	11 689
- sale of fixed assets	-	32	307	31	1	-	371
- liquidation of fixed assets	-	375	2 047	7	-	-	2 429
- reversal of impairment losses – attributed into financial result	-	555	4 816	88	5	94	5 558
- use of write-down	-	2 530	801	-	-	-	3 331
i) impairment losses at period end	14	12 997	15 846	327	339	793	30 316
j) net value of fixed assets at period beginning	133 451	580 931	607 609	78 038	15 601	102 770	1518 400
k) net value of fixed assets at period end	164 293	642 026	884 570	68 462	17 713	154 577	1931 641

31.12.2006

CHANGES IN TANGIBLE ASSETS	Lands	Buildings, premises and civil engineering facilities	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total fixed assets
a) gross value of fixed assets at beginning of year	3 439	395 668	522 393	62 402	13 171	56 839	1 053 912
b) increases (due to)	130 089	332 092	362 031	63 793	13 505	196 419	1097 929
- purchase	-	33	3 951	3 112	615	108 878	116 589
- acquisition from investment	352	25 214	94 369	753	2 488	-	123 176
- modernization	-	6 754	884	-	13	-	7 651
- disclosures from inventory taking	-	-	317	-	41	-	358
- valuation to fair value /market value	-	829	-	-	-	-	829
- increase of fixed assets due to the company's incorporation into consolidation	-	1 315	1 271	11 103	10	-	13 699
- costs of liquidation for initial value	-	-	-	-	-	53	53
- investment outlays for fixed assets under construction	-	-	-	-	-	80 981	80 981
- investments in foreign fixed assets	-	-	-	-	869	-	869
- taken over on the basis of financial lease agreements	-	-	-	-	-	387	387
- components given	-	853	2 179	-	-	-	3 032
- rate differences	-	59	14	4	7	-	84
- expansion of capital group	129 737	297 016	258 914	48 820	9 449	6 120	750 056
- other	-	19	132	1	13	-	165
c) decreases (due to)	50	3 996	10 788	2 067	1 466	149 725	168 092
- sale	-	2 027	657	1 215	98	80	4 077
- liquidation	-	1 662	9 641	765	705	-	12 773
- transfer into fixed assets under construction	-	129	219	-	-	20 794	21 142
- reclassification to another group	-	50	-	-	22	128 845	128 917
- donations	31	97	65	5	1	-	199
- reclassification to out of balance sheet record	-	-	137	-	625	-	762
- rate differences	19	31	26	82	15	-	173
- other	-	-	43	-	-	6	49
d) gross value of fixed assets at period end	133 478	723 764	873 636	124 128	25 210	103 533	1 983 749
e) accumulated amortization (redemption) at period beginning	8	106 073	193 354	31 945	9 061	(5)	340 436
f) amortization for period (due to)	5	22 596	49 148	13 750	217	5	85 721
- annual depreciation charge	5	24 424	57 107	5 648	1 636	-	88 820
- increase of fixed assets due to the company's incorporation into consolidation	-	170	275	2 159	8	-	2 612
- sale of fixed assets	-	631	306	709	93	-	1 739
- liquidation of fixed assets	-	1 317	8 602	723	653	(5)	11 290
- donation of fixed assets	-	7	65	5	1	-	78

CHANGES IN TANGIBLE ASSETS	Lands	Buildings, premises and civil engineering facilities	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total fixed assets
- reclassification to another category e.g. Inventories, Fixed assets under construction	-	77	84	-	22	-	183
- other (decreases)	-	90	13	-	-	-	103
- reclassification to out of balance sheet record	-	-	137	-	625	-	762
- rate differences	-	(4)	(16)	(73)	(3)	-	(96)
- expansion of capital group	-	179	680	7 453	38	-	8 350
- other (increases)	-	(51)	309	-	(68)	-	190
e) accumulated amortization (redemption) at period end	13	128 669	242 502	45 695	9 278	-	426 157
h) impairment losses at period beginning	14	5 436	2 521	87	298	663	9 019
increase (due to)	-	9 702	22 074	308	46	100	32 230
- impairment losses borne in the financial result	-	405	5 261	50	-	100	5 816
- group's expansion	-	9 297	16 813	258	46	-	26 414
decrease (due to)	-	974	1 070	-	13	-	2 057
- sale of fixed assets	-	150	247	-	-	-	397
- liquidation of fixed assets	-	14	407	-	13	-	434
- reversal of impairment losses – attributed into financial result	-	452	416	-	-	-	868
- use of write-down	-	345	-	-	-	-	345
- other	-	13	-	-	-	-	13
i) impairment losses at period end	14	14 164	23 525	395	331	763	39 192
j) net value of fixed assets at period beginning	3 417	284 159	326 518	30 370	3 812	56 181	704 457
k) net value of fixed assets at period end	133 451	580 931	607 609	78 038	15 601	102 770	1518 400

Ownership structure of intangible fixed assets is presented as follows:

in thousand PLN

BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	31.12.2007	31.12.2006
a) own	1915 133	1514 605
b) used on the basis of lease agreement, tenancy agreement or another one, including leasing agreement, including:	16 508	3 795
- financial lease agreement	16 508	3 795
Total balance sheet fixed assets	1931 641	1518 400

Table below presents net balance sheet value of the specific groups of tangible fixed assets used on the basis of financial lease agreements:

in thousand PLN

TANGIBLE FIXED ASSETS USED ON THE BASIS OF FINANCIAL LEASE AGREEMENTS	31.12.2007	31.12.2006
Technical equipment and machines	14 695	614
Vehicles	1 761	3 081
Other	52	100
IN TOTAL	16 508	3 795

In the presented period the Ciech Group received compensations due to impairment of tangible fixed assets from third parties in the amount of PLN 573 thousand (PLN 693 thousand in the comparable period).

JANIKOSODA S.A. and SODA MATWY S.A. revaluated to fair value those fixed assets, which were not included by the valuation at the date of transition into the International Financial Reporting Standards. The Management Board of CIECH S.A. states that for the purposes of IAS 8 the incorrectness for the consolidated financial statement of the Ciech Group is not relevant and therefore it is not necessary to retrospectively convert the data. The amounts of increases arising thereof were included in equity in the increases of the presented period.

Information on created, released or used impairment losses of tangible fixed assets is presented in point 13 of the additional information and explanations to the Group's annual consolidated statement.

Information on coming into being of tangible fixed assets to hedge credit and loss liabilities are presented in point 24 and 27 of the additional information and explanations to the Group's annual consolidated statement.

In the current period the changes of book estimates had no significant influence and it is not expected that they will have that influence in the future periods.

Outlays on tangible fixed assets under construction incurred in the Ciech Group in 2007 were mainly related to the realization of the following investment projects:

in thousand PLN

CIECH S.A.

Purchase or modernization of real properties	1 454
Purchase of machines and equipment	2 474
Purchase of vehicles	233
Purchase of other asset components	35

FOSFORO Group

Construction of palletization device	3 894
Purchase of ready goods	2 992
Expansion of the regional distribution centre networks	2 500
Extension of information system	511

Alwernia S.A.

Adaptation of closed down sodium chromate installation for the production of NPK compound fertilizers	1 913
Construction of the installation for the production of magnesium nitrate	994
Modernization of fixed assets in the Power Engineering Department	359
Modernization of fixed assets in the Wytwórnia Związków Fosforowych	280

Alwernia S.A.

Purchase of appliances and modernization of laboratory equipment	255
Other	562

JANIKOSODA S.A.

Modernization of carbonating column	3 701
Installation for the production of salt tablets	1 328
modernization of OP steam boilers – boilers no. 4 and no. 5.	5 055
Modernization of automatisisation and visualization measurement system	2 686
Modernization of turbogenerator no. 5	7 628
Purchase of salt evaporator's steam circulating pump	1 137
Modernization of lime kilns	3 011
Salt palletization line	2 565
Other	3 900

VITROSILICON S.A.

Construction of ready made goods' warehouses	5 896
Extension of the soda water glass production department	2 141
Modernization of computer network	1 221
Modernization of buildings and halls	942
Purchase of railway and car weight	121
Purchase of thermovision camera	157
Modernization of the glass packaging department	313
Modernization of the AF 8 automatic machine	213

SODA MAŁY Group

Project of monohydrate soda production	11 578
Extension of tableting system	2 237
Limestone screening system	1 901
Extension of salt co-packing system	1 510
Purchase of salt evaporator's steam circulating pump	1 358
Baking soda expedition system	1 224
Modernization of AKP systems	1 045
Extension of ERP system	956
Modernization of TBS turbochargers	1 606
Modernization of the installations of the Oddział Produktów Sodopochodnych [Division of Soda-derivative products]	1 332
Construction of KDS system	928
Extension of soda ash silos	3 667
Modernization and automatization of boiler room	1 515
Production system switchgears	1 062
Modernization of the plant's cable and electrical power engineering network	1 727
Modernization of lime kilns	905
Other	14 358

Z.Ch. Organika-Sarzyna S.A.

Extension of systems for the epoxy resin production	33 630
Extension of brine concentration systems	2 298
Extension of unsaturated polyester resin systems	827
Extension of systems for the cresol resin production	1 323

Z.Ch. Organika-Sarzyna S.A.

Extension of polyamide systems	597
Extension of tank (V-63m3) in the Epoxy Plant	360
Modernization of fire protection and carbon dioxide system in the Epoxy Plant	2 296
Modernization of road tanker unloading systems in the Plant Protection Chemicals Factory	252
Modernization of electrical substation	453
Purchase of machines and equipment	1 512

ZACHEM Group

Development and modernization of Zakład Pianek [Foam Plant]	8 313
Increase in chlorine production up to 71,500 t/year	5 257
Construction of DNT/TDA complex	1 723
Extension of TDI complex do 75 tt/year	1 045
Modernization of catholyte tank	1 024
Adjustment of settlement system	829
Implementation of ORACLE E-Business Suite system	648
Monitoring of sewage quality	574
Modernization of buildings and facilities after the Chemomontaż	484
Chlorine complex	288
Construction of technical gas factory on the basis of outsourcing	281
Reduction of losses on energy transfer network	264
Electronic control of access into the ZACHEM premises	251
Reduced reactor sequence for the AC R-101/B synthesis	166
Power engineering optimisation - audit	132
Installation of oxygen analyser on collector	124
Modernization of railway overpass	123
Modernization of 110 KW switchgear in the GPZ I station	110

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

Extension of RHDC system –RGRH with plate heat exchangers	2 624
Carbonating column no. 10	6 039
Absorption group no. 3	4 788
Modernization of calciner no. 2	4 780
Modernization of ADCC 2 system	5 175

CIECH POLFA Sp. z o.o.

Purchase of equipment for a prospective IT infrastructure	37
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IN TOTAL	198 097
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In 2007 no outlays on fixed assets under construction were present in Cheman S.A, DALTRADE PLC, POLSIN PRIVATE LIMITED, CIECH FINANCE Sp. z o.o., Przedsiębiorstwo Transportowo – Usługowe TRANSCLEAN Sp. z o.o.

In 2007 the amount of liabilities arising from the concluded agreements concerning the purchase of tangible fixed assets amounted to PLN 15,593 thousand (PLN 23, 910 thousand in the comparable period– 2006).

The table below presents off-balance sheet fixed assets.

in thousand PLN

OFF-BALANCE SHEET FIXED ASSETS	31.12.2007	31.12.2006
b) used on the basis of lease agreement, tenancy agreement or another one, including leasing agreement, including:	33 583	39 876
- value of lands used on a long-term lease**	23 442	26 764
- operating lease agreement	8 081	5 504
- lease agreement	1 568	1 746
- land lease	492	5 862

At the date of the preparation of financial statement the registered office of CIECH S.A. was located in Warsaw, ul. Powązkowska 46/50. The value of the building with the right of perpetual use of lands, related to this real property, in the amount of PLN 15,898 thousand was shown in the balance sheet assets in "Fixed assets". In relation to the change of the Company's registered office (since 2008 the Company has been renting the premises in the IO-1 building, ul. Puławska 182), allocation and investment plans regarding those lands and the building located therein, in March 2008 that real property was reclassified into "Investment real properties". At the same time, at the balance sheet date the Management Board carried out the analysis of the abovementioned real properties in respect of impairment. The carried out test revealed that no impairment was recorded.

10. Investment real properties

in thousand PLN

INVESTMENT REAL PROPERTIES	31.12.2007	31.12.2006
Gross value at period-beginning	27 716	25 607
- acquisition by purchase	-	615
- transfer from tangible fixed assets	62	50
- liquidation	-	565
- extension of the Capital Group's composition	-	4 121
- sale of real property	-	2 119
- other increases	-	7
Gross value at period-end	27 778	27 716
Accumulated amortization and impairment losses at period-beginning	10 535	10 055
- depreciation for the period	659	472
- impairment losses	-	1 568
- transfer from tangible fixed assets	-	1
- sale of real property	-	1 075
- liquidation	-	495
- Rate differences	41	-
- other increases	-	9
Accumulated amortization and impairment losses at period-end	11 235	10 535
Net value at the beginning of period	17 181	15 552
Net value at the end of period	16 543	17 181

The following investments are present in the Ciech Group:

CIECH S.A.

- Office building with accompanying infrastructure, located in Warsaw, ul. Jasna 12. This facility, being the former registered office of CIECH S.A., is currently entirely rented.
- Land with investment, related with the construction of a residential and office complex, located in Warsaw, ul. Krasińskiego, corner with ul. Powązkowska.
- Two fuel stations, located in Szczytniki, Mniszków; since 1998 entirely rented,
- Complex of warehouse buildings, located in Dąbrowa Górnicza, ul. Chemiczna.

Alwernia Chemical Company S.A.

- The Company rents production, storage and office buildings located on the premises of Z.Ch. Alwernia S.A. in Alwernia, previously used by the Company for its own purposes, and deriving a profit in the form of rent.

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

- Employee hotel allocated for rent both for the employees of S.C. Uziñele Sodice Govora – Ciech Chemical Group S.A., as well as third parties. Letting for employees is on market conditions.

Z. Ch. Organika-Sarzyna S.A.

- 39 buildings and lands located on the premises of Z.Ch. Organika-Sarzyna S.A. formerly used by the Company for its own purposes, currently rented to derive a profit from rental rate.

The fair value of investment real properties in the Ciech Group's companies at 31 December 2007 amounted to PLN 56,499 thousand.

As at the date of the preparation of the annual consolidated financial statement no restrictions as regards the Ciech Group's possessing investment real properties, deriving economic profits from rent or the disposal of the abovementioned real properties. Investment real properties do not account for credit, loan or transaction covers.

11. Right of perpetual usufruct of lands

The table below presents the value of the right of perpetual usufruct obtained by the Ciech Group against payment.

in thousand PLN

RIGHT OF PERPETUAL USUFRUCT OF LANDS	31.12.2007	31.12.2006
Gross value at period-beginning	33 691	1 143
Purchase	52	857
Sales	-	296
Increase of the Capital Group	-	31 905
Valuation to fair (market) value	-	82
Gross value at period-end	33 743	33 691
Accumulated amortization at period beginning	481	410
Depreciation for the period	419	39
Increase of the Capital Group	-	25
Other	-	7
Accumulated amortization at period-end	900	481
Net value – Opening balance sheet	33 210	733
Net value – Closing balance sheet	32 843	33 210

The right of perpetual usufruct of lands, obtained by administrative allocation meets the criteria of operating lease in accordance IAS 17 "Leasing", shall not be recorded in the books, but presented off-balance sheet.

12. Intangibles

31.12.2007

CHANGE OF INTANGIBLES (ACCORDING TO GROUPS)	Costs of completed research and development	Goodwill	Obtained concessions, patents, licences etc., including;	Computer software	Intangible assets	IN TOTAL
a) gross value of intangibles at period-beginning	11 262	159 818	84 171	56 289	927	256 178
b) increases (due to)	1 719	369 917	3 234	3 192	71 870	446 740
- purchase	-	351 835	2 108	2 108	1 020	354 963
- assignment from development works	893	-	115	115	-	1 008
- acquisition from investment	84	543	768	726	1	1 396
- increase in intangibles due to valuation to market value	-	-	14	14	-	14
- expansion of group	-	16 746	229	229	67 746	84 721
- outlays for intangibles under realization	742	-	-	-	3 103	3 845
- valuation due to put options	-	793	-	-	-	793
c) decreases (due to)	1 072	543	300	84	1	1 916
- sale	2	-	-	-	-	2
- liquidation	-	-	28	28	-	28
- write down intangibles	299	543	196	-	-	1 038
-outlays for intangibles under realization	771	-	-	-	-	771
- Rate differences	-	-	76	56	1	77
a) gross value of intangibles at period-end	11 909	529 192	87 105	59 397	72 796	701 002
e) accumulated amortization at period beginning	2 345	31 473	27 043	26 572	719	61 580
f) amortization for period (due to)	1 942	-	9 796	7 217	206	11 944
- amortization (annual write-down)	1 942	-	10 050	7 255	207	12 199
- liquidation	-	-	223	27	-	223
- reclassification to out of balance sheet record	-	-	1	1	-	1
- Rate differences	-	-	(30)	(10)	(1)	(31)
e) accumulated amortization (redemption) at period end	4 287	31 473	36 839	33 789	925	73 524
h) impairment losses at period beginning	205	94 695	1 936	1 936	101	96 937
- increase	-	-	-	-	-	-
- decrease	205	-	-	-	77	282
- reversal of impairment losses – attributed into financial result	-	-	-	-	77	77
- use of impairment losses	205	-	-	-	-	205
i) impairment losses at period end	-	94 695	1 936	1 936	24	96 655

CHANGE OF INTANGIBLES (ACCORDING TO GROUPS)	Costs of completed research and development	Goodwill	Obtained concessions, patents, licences etc., including;	Computer software	Intangible assets	IN TOTAL
j) net value of intangibles at period-beginning	8 712	33 650	55 192	27 781	107	97 661
k) net value of intangibles at period-end	7 622	403 024	48 330	23 672	71 847	530 823

31.12.2006

CHANGE OF INTANGIBLES (ACCORDING TO GROUPS)	Costs of completed research and development	Goodwill	Obtained concessions, patents, licences etc., including;	Computer software	Intangible assets	IN TOTAL	
a) gross value of intangibles at period-beginning		2 756	36 088	43 401	43 260	2 618	84 863
b) increases (due to)		8 506	126 077	44 625	16 884	(1 650)	177 558
- purchase		-	-	10 561	10 559	(1 667)	8 894
assignment from development works		120	-	200	179	-	320
- acquisition from investment		-	-	2 343	2 343	6	2 349
- received donations		-	-	3 486	3 486	-	3 486
- increase in intangibles due to merger		-	-	18	18	-	18
- expansion of group		8 386	126 077	27 714	149	1	162 178
- outlays for intangibles under realization		-	-	213	60	10	223
- other		-	-	90	90	-	90
c) decreases (due to)		-	2 347	3 855	3 855	41	6 243
- sale		-	-	639	639	-	639
- liquidation		-	-	3 150	3 150	-	3 150
write down intangibles		-	-	38	38	-	38
- reclassification to out of balance sheet record		-	-	28	28	-	28
- valuation due to put options		-	2 347	-	-	-	2 347
- Other		-	-	-	-	41	41
a) gross value of intangibles at period-end		11 262	159 818	84 171	56 289	927	256 178
e) accumulated amortization at period beginning		2 283	31 473	24 012	23 963	575	58 343
f) amortization for period (due to)		62	-	3 031	2 609	144	3 237
amortization (annual write-down)		61	-	6 439	6 370	135	6 635
- liquidation		-	-	3 150	3 150	-	3 150
- sale		-	-	639	639	-	639
- other (increases)		1	-	-	-	-	1
- reclassification to out of balance sheet record		-	-	28	28	-	28
- expansion of group		-	-	446	93	9	455

CHANGE OF INTANGIBLES (ACCORDING TO GROUPS)	Costs of completed research and development	Goodwill	Obtained concessions, patents, licences etc., including;	Computer software	Intangible assets	IN TOTAL
- other (decreases)	-	-	37	37	-	37
e) accumulated amortization (redemption) at period end	2 345	31 473	27 043	26 572	719	61 580
h) impairment losses at period beginning	205	4 576	-	-	154	4 935
- increase	-	90 119	1 936	1 936	24	92 079
- Other	-	-	-	-	24	24
- impairment losses borne in the financial result	-	90 119	1 936	1 936	-	92 055
- decrease	-	-	-	-	77	77
- reversal of impairment losses – attributed into financial result	-	-	-	-	77	77
i) impairment losses at period end	205	94 695	1 936	1 936	101	96 937
j) net value of intangibles at period-beginning	268	39	19 389	19 297	1 889	21 585
k) net value of intangibles at period-end	8 712	33 650	55 192	27 781	107	97 661

All items of intangibles belong to the Ciech Group. The most important items of intangibles in the Ciech Group are as follows:

- Oracle information system with balance sheet value of PLN 19,027 thousand, including:
 - o CIECH S.A. – balance sheet value: PLN 4,433 thousand (this item includes ERP Oracle System with net book value of PLN 3,803 thousand and Oracle Upgrade System with net book value of PLN 630 thousand) – those components shall be amortized for the period of approx. 4 years,
 - o SODA MATWY S.A. – Finance, Purchase and Sale modules with balance sheet value of PLN 8,233 thousand – the remaining amortization period is 6.5 years, production module with balance sheet value of PLN 1,203 thousand - the remaining amortization period is 7 years;
 - o Cheman S.A. - balance sheet value of PLN 2,232 thousand, the remaining amortization period is 34 months;
 - o JANIKOSODA S.A. – Finance, Purchase and Sale modules with net book value of PLN 2,008 thousand – the remaining amortization period is 21 months, Production, Renovation modules with net balance sheet value of PLN 546 thousand, the remaining amortization period is 25 months; - intangibles held by JANIKOSODA S.A. were contributed in kind to Soda Polska CIECH Sp. z o.o.
 - o S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - balance sheet value of PLN 328 thousand, the remaining amortization period is 45 months;
- Customer relations management system with balance sheet value of PLN 1,084 thousand, the remaining amortization period is 26 months,
- Licence – integrated IFS system with balance sheet value of PLN 744 thousand, the remaining amortization period is 12 months,
- Licence to use the Microsoft Enterprise software – balance sheet value of PLN 874 thousand, the remaining amortization period is 54 months,
- OFFICE licence – balance sheet value of PLN 18 thousand, the remaining amortization period is 8 months;

Information on created, released and used impairment losses of intangibles is presented in point 13 of the additional information and explanations to the annual consolidated statement. Intangibles do not account for liability covers. In the presented periods, the Ciech Group did not revalue the intangibles.

In the current period the changes of book estimates had no significant influence and it is expected that they will not exert that influence in the future periods.

The amount of contractual liabilities concerning the purchase of intangibles in the future amounts to PLN 452 thousand (was PLN 849 thousand in the comparable period - 2006).

Except goodwill, the Ciech Group does not hold other intangibles with a determined application life. Information on impairment losses in relation to goodwill shown in the consolidated statement is presented in point 14 of the additional information and explanations of the annual consolidated financial statement.

Research and development

Research and development carried out by the Ciech Group are directed at the growth of economic potential; they mainly refer to the modernization of technological processes, reduction of product manufacturing costs or optimisation of technical and technological parameters.

Detailed information on major achievements in research and development is presented in the Management Board's activity report in point 16.

Individually manufactured intangibles

The tables below present information on individually manufactured intangibles

INDIVIDUALLY MANUFACTURED INTANGIBLES	<i>in thousand PLN</i>
gross value at 01.01.2007	6 740
incurred outlays	960
write down of intangibles	301

INDIVIDUALLY MANUFACTURED INTANGIBLES	<i>in thousand PLN</i>
gross value at 31.12.2007	7 399
redemption – value at period-beginning	864
redemption for the period	1670
redemption at period-end	2534
impairment losses at period-beginning	205
impairment losses at period-end	-
gross value at 31.12.2007	4 865
individual manufactured intangibles for the period of 01.01-31.12.2006	
<i>in thousand PLN</i>	
gross value at 01.01.2006	1 216
incurred outlays	120
write down of intangibles	-
- expansion of capital group	12 110
gross value at 31.12.2006	13 446
redemption – value at period-beginning	831
redemption for the period	33
- expansion of capital group	9 560
redemption at period-end	10 424
impairment losses at period-beginning	205
impairment losses at period-end	-
gross value at 31.12.2006	2 817

13. Impairment of assets

Table below presents information on created, released and used impairment losses of respective assets.

in thousand PLN

IMPAIRMENT WRITE-DOWNS	31.12.2007	31.12.2006
1. Intangible assets		
a) status at period-beginning	96 937	4 935
b) setting-up, including:	-	92 079
c) reverse/released, including:	77	77

IMPAIRMENT WRITE-DOWNS	31.12.2007	31.12.2006
d) use, including:	205	-
e) status at period-end	96 655	96 937
2. Tangible fixed assets		
a) status at period-beginning	39 192	9 019
b) setting-up, including:	2 813	5 816
c) reverse, including:	5 558	868
d) use, including:	6 131	1 189
e) change of the group's composition	-	26 414
f) status at period-end	30 316	39 192
3. Long-term receivables		
a) status at period-beginning	1 256	-
b) reclassification of write-downs of short-term receivables	666	-
c) change of the group's composition	-	1 256
d) status at period-end	590	1 256
4. Investment real properties		
a) status at period-beginning	1 568	-
b) setting-up, including:	-	1 568
c) status at period-end	1 568	1 568
5. Long-term investments and investments in entities valuated using equity method		
a) status at period-beginning	15 844	15 387
b) setting-up, including:	47	232
c) reverse, including:	8 620	401
d) use, including:	2 712	78
e) rate differences	-	(3)
f) change of the group's composition	-	707
g) status at period-end	4 559	15 844
6. Inventories		
a) status at period-beginning	10 962	4 692
b) setting-up, including:	9 614	2 482
c) reverse, including:	7 096	1 428
d) use, including:	875	546
e) rate differences	(315)	-
f) change of the group's composition	-	5 762

IMPAIRMENT WRITE-DOWNS	31.12.2007	31.12.2006
g) status at period-end	12 290	10 962
7. Short-term receivables		
a) status at period-beginning	129 181	97 264
b) setting-up, including:	7 979	15 372
c) reverse, including:	9 143	5 771
d) use, including:	15 725	4 932
e) rate differences	(260)	(321)
f) change of the group's composition	3 410	27 569
g) status at period-end	115 442	129 181
8. Short-term investments		
a) status at period-beginning	2 992	2 992
g) status at period-end	2 992	2 992

Creating write-downs of short-term receivables took place in relation to the non-use of IT licence.

Creating write-downs of tangible fixed assets in relation to economic loss of utility.

Reversal of write-downs of tangible fixed assets took place as a result of a reuse of fixed assets.

The use of write-downs of tangible fixed assets took place in relation to the liquidation and consumption and sale of fixed assets.

Creating write-downs of investment real properties took place as a result of valuation to fair value.

Creating write-downs of value of short-term investments and investments in entities valued with the use of equity method took place mainly due to a weak financial standing of the companies and low equities supported by the DCF analysis.

Reversal of write-downs of long-term investments and investments in entities valued with the use of equity method took place in relation to the company valuation.

Use of write-downs of long-term investments and investments in entities valued with the use of equity method took place in relation to the company liquidation.

Creating write-down of inventories took place in relation to impairment due to the damage and for slow moving inventories, and for inventories whose value exceeds the net sales price possible to obtain.

Reversal of write-downs of inventory value stems from the consumption or sale of inventories while pursuing economic activity.

The use of write-downs of inventory value took place due to inventory liquidation.

Write-downs of short-term receivables were set up for negotiated dues, contested debts, interest receivables, overdue receivables, doubtful debts and for debts from companies put into liquidation.

Reversal of write-downs of short-term receivables took place as a result of debt repayment.

The use of write-downs for trade receivables took place as a result of writing down the receivables in relation to the ineffective execution and in relation to the bankruptcy of companies for which write-down was set up.

Creating write-down for short-term receivables due to a weak financial standing of the companies.

14. Examination of impairment in respect of goodwill

At 31 December 2006 goodwill presented in the consolidated financial statement was allocated to the following entities generating cash:

Gross value	Soda segment	Agrochemical segment	Organic segment	Silicates and glass segment	IN TOTAL
S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.	90 119				90 119
Z. Ch. Organika-Sarzyna S.A.		16 806	16 806		33 612
VITROSILICON S.A.				39	39
IN TOTAL	90 119	16 806	16 806	39	123 770

Write-downs of value	Soda segment	Agrochemical segment	Organic segment	Silicates and glass segment	IN TOTAL
S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.	(90 119)				(90 119)
Z. Ch. Organika-Sarzyna S.A.					-
VITROSILICON S.A.					-
IN TOTAL	(90 119)	-	-	-	(90 119)

Net value	Soda segment	Agrochemical segment	Organic segment	Silicates and glass segment	IN TOTAL
S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.					-
Z. Ch. Organika-Sarzyna S.A.		16 806	16 806		33 612
VITROSILICON S.A.				39	39
IN TOTAL	-	16 806	16 806	39	33 651

The created goodwill was allocated to the particular segments on the basis of share of the revenues of particular segments in total revenues of each of the abovementioned companies. Sales revenues realised by S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. are in 90% generated in the soda segment. In the case of Z.Ch. Organika-Sarzyna S.A., total revenues are, first of all, generated by two main business segments – agrochemical segment (sale of plant protection chemicals) and organic segment (sale of resins and plastics). Both segments hold approx. 50% share in sales revenues of this company.

According to the IFRS, goodwill is subject to annual tests for impairment. On the basis of the carried out tests, write-down of goodwill, created on the settlement of the acquisition of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. was set up. Write-down of that company's goodwill was borne in the financial result of 2006.

Goodwill presented in the consolidated financial statement for 2007 changed due to the following:

- GZNF FOSFORY Sp. z o.o purchased the organized part of KORAGRO Sp. z o.o. with the registered office in Korfantów. As a result of the purchase goodwill in the amount of PLN 543 thousand was created, which then was entirely covered by impairment losses.

- As a result of the Soda Deutschland Ciech Group acquisition settlement goodwill in the amount of PLN 16,746 thousand was created. Furthermore, goodwill in the amount of PLN 351,835 thousand was transferred from the level of lower-grade group to the level of consolidation carried out by CIECH S.A. However, it should be noted that the companies incorporated in the Soda Deutschland Ciech Group are included by provisional settlement permitted by IFRS 3. Currently, the works on establishing goodwill of respective items of the taken over assets, liabilities and contingent liabilities are carried out. Upon including the results of those valuations in the consolidated financial statement the presented above goodwill will be changed. Upon the completion of provisional settlement, tests regarding a possible loss will also be carried out.
- According to the adopted approach, changes of the value of put option liability issued on shares of Z. Ch. Organika-Sarzyna S.A., except for discount reversal, shall be treated as purchase price adjustment and shall adjust goodwill recognized in the consolidated financial statement at the time of the initial approach, i.e. on 31 December 2006. Therefore, within 2007, goodwill on that company was adjusted by PLN 792 thousand.

All changes of goodwill within the financial year 2007 is presented in the list below:

Gross value of change within 2007	Soda segment	Agrochemical segment	Organic segment	Silicates and glass segment	IN TOTAL
S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.					-
Z. Ch. Organika-Sarzyna S.A. (change of put option estimate)		396	396		792
Soda Deutschland Ciech Group (goodwill from a lower level)	351 835				351 835
Soda Deutschland Ciech Group	16 746				16 746
GZNF FOSFOR Y Sp. z o.o.		543			543
VITROSILICON S. A.					-
IN TOTAL	368 581	939	396	-	369 916

Write-downs of changes within 2007	Soda segment	Agrochemical segment	Organic segment	Silicates and glass segment	IN TOTAL
S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.					-
Z. Ch. Organika-Sarzyna S.A.					-
Soda Deutschland Ciech Group (goodwill from a lower level)					-
Soda Deutschland Ciech Group					-
GZNF FOSFOR Y Sp. z o.o.		(543)			(543)
VITROSILICON S. A.					-
IN TOTAL	-	(543)	-	-	(543)

Net value	Soda segment	Agrochemical segment	Organic segment	Silicates and glass segment	IN TOTAL
S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.					-
Z. Ch. Organika-Sarzyna S.A.		17 202	17 202		34 404
Soda Deutschland Ciech Group(goodwill from a lower level)	351 835				351 835
Soda Deutschland Ciech Group	16 746				16 746
GZNF FOSFORY Sp. z o.o.					-
VITROSILICON S. A.				39	39
In Total	368 581	17 202	17 202	39	403 024

15. Investments in related parties

CIECH S.A. holds 45.29% indirect share in Polskie Towarzystwo Ubezpieczeniowe SA (PTU S.A.), whereat the indirect share in the Total number of votes at the General Meeting of Shareholders amounts to 45.89%. This company is valued by equity method at the level of lower-grade groups – JANIKOSODA Group (22.71% direct share in PTU S.A.) and SODA MAŁY Group (22.71% indirect share in PTU S.A.).

On 2 January 2008, CIECH S.A. obtained the information on putting a final signature under the "Agreement of the Shareholders of Polskie Towarzystwo Ubezpieczeń S.A." dated at 30 January 2008 concluded by subsidiaries of CIECH S.A.: Janikowskie Zakłady Sodowe JANIKOSODA S.A. and Inowrocławskie Zakłady Chemiczne SODA MAŁY S.A. with Polskie Towarzystwo Reasekuracji S. A. The agreement defines terms and conditions of the cooperation of the parties as the shareholders of Polskie Towarzystwo Ubezpieczeń S.A. Soda companies jointly hold approx. 46%, and Polskie Towarzystwo Reasekuracji S.A. approx. 23% votes at the General Meeting of Shareholders of Polskie Towarzystwo Ubezpieczeń S.A. The agreement regulates the manner of the realization of the right to vote by Soda Companies and Polskie Towarzystwo Reasekuracji S.A. at the General Meeting of Polskie Towarzystwo Ubezpieczeń S.A. in particular with reference to dismissing and appointing members of the Supervisory Board and the principles of establishing the composition of the Supervisory Board. The agreement was concluded for the period until 31 December 2008 and shall come into force upon obtaining required administrative consents by all parties. The agreement does not impose on soda companies any obligation to dispose of shares of Polskie Towarzystwo Ubezpieczeń S.A. in the interest of Polskie Towarzystwo Reasekuracji S.A., and a right of Polskie Towarzystwo Reasekuracji S.A. to acquire shares of Polskie Towarzystwo Ubezpieczeń S.A.

The Supervisory Board was appointed on 4 February 2008, and the General Meeting of Shareholders was called on 22 February 2008, which is the preparation to the cessation of the Commissary Administration in the Company. The Commissary Administration was established in relation to the impossibility of proper functioning of the Company's organs, and not in relation to the Company's bad economic condition. At the end of the financial year the goodwill of PTU S.A. exceeded book value.

The table below presents the abridged information regarding investments in PTU S.A.:

Polskie Towarzystwo Ubezpieczeniowe S.A.	31.12.2007	31.12.2006
	<i>in thousand PLN</i>	<i>in thousand PLN</i>
Share (45.29% at the end of 2007; 45.19% at the end of 2006) in the entity's balance sheet		
Intangible assets	3 476	4 495
Investments	329 836	284 898
Receivables	78 895	93 382

Polskie Towarzystwo Ubezpieczeniowe S.A.	31.12.2007	31.12.2006
Other asset components	5 701	4 837
Accruals	33 976	26 476
TOTAL ASSETS	451 884	414 087
Equity	103 820	83 498
Technical and insurance provisions	360 930	318 307
Share of re-insurers in technical and insurance provisions (negative value)	(97 354)	(88 587)
Estimated recourses recovery (negative value)	(3 400)	(2 547)
Other provisions	8 820	6 590
Other liabilities and special funds	61 408	77 501
Accruals	17 661	19 325
Total liabilities	451 884	414 087

Polskie Towarzystwo Ubezpieczeniowe S.A.	01.01-31.12.2007	01.01-31.12.2006
Share (45.29% at the end of 2007; 45.19% at the end of 2006) in the entity's balance sheet	<i>in thousand PLN</i>	<i>in thousand PLN</i>
Technical result of property and personal insurances or technical result of life insurances	(3 530)	(7 281)
Investment revenues	21 127	18 147
Unrealised investment profits	22	521
Investment expenses	933	1 165
Unrealised losses on investments	98	192
Net investment revenues after on considering costs, assigned to technical property and personal insurances	1 478	1 607
Other operating revenues	1 497	672
Other operating costs	(1 853)	(1 066)
Profit (loss) on operating activities	14 754	8 029
Gross profit (loss)	14 754	8 029
Income tax	(3 307)	(1 984)
Net profit / (loss)	11 447	6 045

Until 31 December 2006 CIECH S.A. held 50% direct share in the Przedsiębiorstwo Transportowo-Uslugowe TRASCLEAN Sp. z o.o. dealing with rendering international transport of liquid chemicals. ZACHEM S.A. was another shareholder of the company. After acquiring 80% shares in December 2006 and issuing put options for the remaining 20% shares in ZACHEM S.A., CIECH S.A. became the owner of the remaining 50% shares in the Przedsiębiorstwo Transportowo-Uslugowe TRASCLEAN Sp. z o.o. Until 31 December 2006 the Przedsiębiorstwo Transportowo-Uslugowe TRASCLEAN Sp. z o.o. was valued in the consolidated financial statement by equity method, at 31 December 2006 the transition into full consolidation method took place in relation with the change in the level of control over the company.

Balance sheet value of investments in the related entities valued by equity method is:

- at 31 December 2007:
- Polskie Towarzystwo Ubezpieczeniowe S.A. PLN 51,078 thousand
- at 31 December 2006:
- Polskie Towarzystwo Ubezpieczeniowe S.A. PLN 42,220 thousand

CIECH S.A. holds 50% indirect share in Kaverngesellschaft Stassfurt mbH. That company is a co-dependent company and valued by equity method at the level of a lower grade group – Soda Deutschland Ciech Group (50% direct share in Kaverngesellschaft Stassfurt mbH).

The table below presents the abridged information regarding investments in Kaverngesellschaft Stassfurt mbH:

Kaverngesellschaft Stassfurt GmbH	Status at
<i>In thousand PLN</i>	31.12.2007
ASSETS	
Tangible fixed assets	3 009
Total assets	3 009
Inventories	115
Trade and other receivables	763
Cash and cash equivalents	1 988
Total current assets	2 866
Total assets	5 874
LIABILITIES	
Equity	
Share capital	90
Other reserve capitals	358
Retained earnings	1 232
Total equity	1 680
Liabilities	
Liabilities due to credits and loans and other debt instruments	-
Provisions (other long-term)	247
Total long-term liabilities	247
Trade and other liabilities	3 912
Income tax liabilities	36
Total short-term liabilities	3 947
Total liabilities	4 195
Total liabilities	5 874

All mentioned entities are companies not listed at the stock exchange, therefore there is no quoted fair value of those investments. Balance sheet dates and reporting periods of affiliated companies are identical, as in the case of the Group's, i.e. the balance sheet date is 31 December, reporting period is from 1 January to 31 December.

On the selection of entities for consolidation the Management Board of the parent company applied the significance criterion (according to the IFRS concept assumptions) of their financial data for the realization of the obligation of a true and reliable image of the asset and financial position and financial result of the Group.

Entities not valued by equity method	Net sales revenues from sale of goods and products and financial operations of a given entity (thousand PLN)	Balance sheet of a given entity (thousand PLN)	Liabilities (in thousand PLN)	Net profit / (loss) (thousand PLN)
CIECH S.A.				
Suomen Unipol Oy	47 683	16 126	12 553	906
ORGANIKA –SARZYNA group				
Z. Ch. Silikony Polskie Sp. z o.o.	18 381	21 635	2 157	333
Komunalna Biologiczna Oczyszczalnia Ścieków – Sp. z o.o.	2 660	14 557	297	15
Bud- Org Sp. z o.o.	3 456	1 765	816	218
Gumokor- Organika Sp. z o.o.	930	584	116	11
ORGANIKA – PROJEKT Sp. z o.o.	653	270	61	4
DREWREM- ORGANIKA Sp. z o.o.	961	202	111	5
EL- CHEM Sp. z o.o.	11 515	7 398	5 494	208
WOD-REM Sp. z o.o.	6 755	2 585	722	144
NS Automatyka Sp. z o.o.	8 322	3 132	567	713
ZACHEM Group				
BUDPUR Sp. z o.o.	3 527	890	388	184
Przedsiębiorstwo Transportowo Spedycyjne TRANSCHEM Sp. z o.o.	4 956	1 850	1 544	6
Zakład Remontowo- Produkcyjny Metalpur Sp. z o.o.	4 592	1 245	279	96
Natural Chemical Products Sp. z o.o.	34 331	14 119	8 929	379
Total value	148 722	86 358	34 034	3 222

Entities not valued by equity method	Direct shares of CIECH S.A. in the company	Shares of CIECH S.A. (Direct +indirect)	Share in Total number of votes at General Meeting	Purchase value	Write-downs of purchase value	Equity at 31.12.2007 vested in Ciech Group
				in thousand PLN	in thousand PLN	in thousand PLN

Entities not valued by equity method	Direct shares of CIECH S.A. in the company	Shares of CIECH S.A. (Direct +indirect)	Share in Total number of votes at General Meeting	Purchase value	Write-downs of purchase value	Equity at 31.12.2007 vested in Ciech Group
				in thousand PLN	in thousand PLN	in thousand PLN
CIECH S.A.						
Suomen Unipol Oy	15.00%	24.78%	24.78%	132	-	885
ORGANIKA SARZYNA Group						
Z. Ch. Silikony Polskie Sp. z o.o.	-	30.00%	24.00%	5 209	-	5 763
Komunalna Biologiczna Oczyszczalnia Ścieków- Sp. z o.o.	-	56.62%	45.29%	8 358	-	8 065
Bud-Org Sp. z o.o.	-	24.85%	19.88%	43	-	228
Gumokor- Organika Sp. z o.o.	-	24.81%	19.84%	16	-	116
ORGANIKA-PROJEKT Sp. z o.o.	-	24.49%	19.59%	18	-	51
DREWREM-ORGANIKA Sp. z o.o.	-	24.14%	19.31%	8	-	18
EL-CHEM Sp. z o.o.	-	24.73%	19.78%	92	-	471
WOD-REM Sp. z o.o.	-	24.94%	19.95%	146	-	465
NS Automatyka Sp. z o.o.	-	22.44%	17.95%	115	-	475
ZACHEM Group						
BUDPUR Sp. z o.o.	-	27.73%	22.18%	63	-	139
Przedsiębiorstwo Transportowo Spedycyjne TRANSCHEM Sp. z o.o.	-	27.81%	22.25%	89	54	79
Zakład Remontowo-Produkcyjny Metalpur Sp. z o.o.	-	24.52%	19.62%	26	-	204
Natural Chemical Products Sp. z o. o.	-	44.03%	35.23%	214	-	2 279
Total value	-	-	-	14 529	54	19 238

No restrictions of the affiliated entities' capabilities as regards transferring funds to a significant investor of Ciech S.A. in the form of dividends or loan repayments were recorded in 2007 and in the comparable period.

16. Business entity merger – provisionally established initial settlement

16.1. Provisionally established initial settlement – Soda Deutschland Ciech

On 19 December 2007 CIECH S.A. concluded the acquisition of 100% shares in Soda Deutschland Ciech GmbH. According to the agreement of returnable acquisition of shares, CIECH S.A. sold 10% of shares in the Company to Mr Jochem Ohm and undertook to repurchase them in the following tranches:

- 2% shares – after 31 March 2008 for the price equal to EUR 3 million,
- 6% shares – after 29 December 2008, upon the fulfilment of the contractual conditions (obtaining a permit for production, realization of investment plan and confirmation of complying with the emission norm and the realization of the so-called cavern project). Purchase price shall amount to EUR 2 million and 50% of profit from the realization of the so-called cavern project.
- 2% shares – after 31 December 2009 – upon the fulfilment of the contractual conditions (realization of the so-called third cavern project). Purchase price shall amount to EUR 1 million and 50% of profit from the realization of the so-called cavern project.

Analysing the economic character of the concluded agreement the Management Board of CIECH S.A. admitted that the first tranche constituted a part of the Soda Deutschland Ciech GmbH acquisition costs and should be taken into account on recording the purchase in compliance with the IFRS 3 "Mergers of commercial entities". Two following tranches, on inferring their conditionments (i.e. obtaining permits for production, realization of the investment plan or the realization of the so-called cavern project) are a form of remuneration for the services rendered by Mr Ohm in the interest of the Company, resulting in the fulfilment of the conditions. In the opinion of the Management Board of CIECH S.A. the future expenditures, to be incurred for the realization of those tranches, should be recorded as remuneration costs of the period, in which the conditions causing the obligation of their payment arise (i.e. the conditions set forth in the agreement are fulfilled).

Due to the existence of repurchase option, the shares sold to Mr Jochem Ohm should not be recorded as minority shares. In compliance with the above approach, the presented consolidated financial statement was prepared with the assumption that CIECH S.A. purchased 100% shares of Soda Deutschland Ciech.

Under the IFRS 3 "Mergers of commercial entities" point 61, CIECH S.A. having no information on fair values of the taken over assets and liabilities of the company, decided to implement the so-called provisionally established initial settlement. The cause of implementing the provisional settlement is the fact that the company's acquisition took place shortly before the balance sheet date, which due to a short period of time precluded the completion of conducting the valuation to fair value before the date of approval of the consolidated statement for 2007. Provisional was carried out on the basis of estimated value of assets and liabilities of the taken over entity.

Upon the analysis of the financial data of the acquired entity for the period from the date of purchase (i.e. since 19 December 2007) to the balance sheet date, it was agreed that that data has no significant influence on the consolidated profit and loss account for 2007 and for the calculated goodwill, or the surplus of the taken over net assets over the merger cost. Therefore, in the case of the abovementioned company, the settlement of the acquisition in the consolidated financial statement of the Ciech Group took place on 31 December 2007.

The estimated value of the taken over assets and liabilities of the Soda Deutschland Ciech Group at 31 December 2007 (merger settlement date) is presented as follows:

Soda Deutschland Ciech Group	<i>Value recorded at the time of take-over = Estimated value</i>
Tangible fixed assets	378 499
Intangibles	419 810
Other long-term investments	8 479
Long-term receivables	-
Investments in related entities valuated by equity method	741
Total assets	807 529
Current assets	

Soda Deutschland Ciech Group	<i>Value recorded at the time of take-over = Estimated value</i>
Inventories	13 174
Short-term investments	2 056
Trade and other receivables	257 761
Cash and cash equivalents	10 209
Fixed assets for sale	192 411
Total current assets	475 611
Total assets	1 283 140
Liabilities due to credits and loans and other debt instruments	220 834
Employee benefits	4 227
Provisions (other long-term)	3 833
Other long-term liabilities	207 033
Deferred tax provision	28 656
Total long-term liabilities	464 583
Liabilities due to credits and loans and other debt instruments	362 449
Trade and other liabilities	395 547
Income tax liabilities	9 771
Provisions (short-term provisions for employee and other provisions)	51 126
Total short-term liabilities	818 893
Total liabilities	1 283 476
Net asset value	(336)
Net value of taken over assets	(336)
Goodwill	16 746

Cost of Soda Deutschland Ciech Group's merger:

Purchase price	16 410
Net cash taken over with entity	10 209
Cash paid	(4 101)

Outflow of net cash

6 108

Goodwill created as a result of provisional settlement amounts to PLN 16,746 thousand.

16.2. Completion of provisional settlement for S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. was set up, ZACHEM S.A., Z.Ch. Organika-Sarzyna S.A.

In the 4. quarter of 2006 CIECH S.A. acquired majority packets of shares in the following companies:

- on 30 November 2006 the acquisition of 93.14% shares in S.C. Uzinele Sodice Govora S.A. (present name S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.) took place;
- on 20 December 2006 the acquisition of 80% shares and issuance of put options for the remaining 20% shares in ZACHEM S.A. took place;
- on 20 December 2006 the acquisition of 80% shares and issuance of put options for the remaining 20% shares in Z.Ch. Organika-Sarzyna S.A. took place;

In the case of ZACHEM S.A. and Z.Ch. Organika-Sarzyna S.A., CIECH S.A. made an irrevocable offer to the State Treasury to purchase all shares of those companies (put option) belonging to the State Treasury and additionally it undertook to buy back shares issued gratuitously to authorized persons in accordance with Article 36 of the Act on Commercialisation, Restructuring and Privatisation of the State Enterprises of 30 August 1996. According to IAS 32 "Financial instruments: disclosure and presentation", if the parent company is obliged to buy back shares of its subsidiaries from minority shareholders, an obligation of recognition if a financial obligation arises at the moment of issuing a put option regardless of the probability of the realization of that option. Financial liability should be recognized in the amount of the current value of the future payment for shares in relation to the realization of the issued option. Furthermore, due to a direct relation between the fact of issuance of the put option and the purchase of 80% of shares, it is reasonable to record those transactions as joint transactions being a part of subsidiary purchase and the application of IFRS 3 "Mergers of commercial entities" for their settlement. In compliance with the above approach, the presented consolidated financial statement, and comparable statements were prepared with the assumption that CIECH S.A. purchased 100% shares of YACHEM S.A. and Organika-Sarzyna S.A. The value of the liability arising from the issuance of put options, which contralaterally increased the merger cost, was also recognized in the consolidated financial statement.

Upon the analysis of the financial data of the acquired entity for the period from the date of purchase to the balance sheet date, it was agreed that that data has no significant influence on the consolidated profit and loss account for 2006 and for the calculated goodwill, or the surplus of the taken over net assets over the merger cost. Therefore, in the case of the abovementioned companies, the settlement of the acquisition in the consolidated financial statement of the Ciech Group took place on 31 December 2006.

Under the IFRS 2006 "Mergers of commercial entities" point 61, CIECH S.A. having no information on fair values of the taken over assets and liabilities of the company, decided to implement the so-called provisionally established initial settlement during the preparation of the consolidated financial statement of the Ciech Group. The cause of implementing the provisional settlement is the fact that the company acquisition took place shortly before the balance sheet date, which due to a short period of time precluded the completion of conducting the valuation to fair value before the date of approval of the consolidated statement for 2006 for publication. In compliance with IFRS 3 point 62, the entity carrying out the settlement may apply estimated values for 12 months from merger date.

Within 2007 the identification of and establishing fair value of all identifiable assets, liabilities and contingent liabilities was carried out. Merger cost was also subject to verification. Balance sheet data at 31 December 2006, as well as result data for 2006 presented in this report comprise all adjustments of the currently shown estimated values, arising from the completion of the provisional settlement.

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

On 30 November 2006 CIECH S.A. and the Romanian government agency AVAS signed an annex to the privatisation agreement concluding the purchase of the majority packet of the Romanian soda company - S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. Signing the annex resulted in coming into force of the additional agreements guaranteeing CIECH S.A. the ownership right to 93.14% shares in that company (share in votes at the General Meeting also amounts to 93.14%).

In relation to the conducted in 2007 process of the allocation of purchase price in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., tangible fixed assets, investment real properties, long-term investments (shares) and inventories were subject to valuation. Furthermore, provisions for employee benefits and provisions for recultivation were valued and recorded in the balance sheet. Additionally, displaced value was recorded in the date of redemption of restructured liability towards CET Govora in discounted value, according to the below meaning of the economic content of that transaction.

On 8 January 2007 the agreement between S.C. CET Govora S.A. heat and power plant on the one side and S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. and CIECH S.A. on the other side was signed, concerning:

- the purchase by Ciech S.A. of the indebtedness of S.C. CET S.A. from S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. for energy supplies (EUR 18 million) and
- debt restructuring in compliance with the agreement, the repayment by Ciech S.A. of debt towards S.C. CET Govora S.A. shall take place within 9 years with a one-year grace period.

Furthermore, on 26 February 2007 CIECH S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. concluded an agreement of restructuring the debt acquired on 8 January 2007. According to the agreement, the S.C. Uzinele Sodice Govora S.A.'s repayment of debt towards Ciech S.A. shall also be within 9 years with a one-year grace period.

Restructuring of the S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. debt and signing the abovementioned agreements is a consequence of the Memorandum of Agreement signed on 8 August 2006 between CIECH S.A. and S.C. CET Govora S.A., taking control over S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. in December 2006 and including it to the consolidated statement of the Ciech Group on 31 December 2006. The agreement signed on 8 January 2007 officially confirmed the facts arising from signing the abovementioned Memorandum of Agreement.

Differences between estimated values adopted for the provisional settlement and fair values of the taken over assets and liabilities of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. at 31 December 2006 are as follows:

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	<i>Estimated value</i>	<i>Adjustments related to valuation to fair value</i>	<i>Fair value</i>
Tangible fixed assets	48 287	100 288	148 575
Intangibles	5	(1)	4
Investment real properties	41	293	334
Other long-term investments	402	372	774
Total assets	48 735	100 952	149 687
Current assets			
Inventories	9 667	-	9 667
Income tax receivables	-	(1)	(1)

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	<i>Estimated value</i>	<i>Adjustments related to valuation to fair value</i>	<i>Fair value</i>
Trade and other receivables	82 192	2 468	84 660
Cash and cash equivalents	6 367	(1 833)	4 534
Total current assets	98 226	634	98 860
Total assets	146 961	101 586	248 547
Liabilities due to credits and loans and other debt instruments	77 466	-	77 466
Employee benefits	6 968	(532)	6 436
Provisions (other long-term)	44 107	5 336	49 443
Other long-term liabilities	1 092	55 208	56 300
Deferred tax provision	49	(50)	(1)
Total long-term liabilities	129 682	59 962	189 644
Trade and other liabilities	172 143	(106 207)	65 936
Liabilities due to credits and loans and other debt instruments	-	40 451	40 451
Provisions (short-term provisions for employee and other provisions)	11 418	(4 860)	6 558
Total short-term liabilities	183 561	(70 616)	112 945
Total liabilities	313 243	(10 654)	302 589
Net asset value	(166 282)		(54 042)
Net value of taken over assets	(154 875)		(50 334)
Goodwill	194 660		90 119

Costs of merger of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.

Purchase price	39 785
Net cash taken over with entity	4 534
Cash paid	(39 087)
Outflow of net cash	(34 553)

Goodwill created as a result of provisional settlement amounts to PLN 90,119 thousand. Information on the allotment of the created goodwill to specific centres generating costs is presented in point 14 of the additional information and explanations.

In the effect of the completion of the provisional settlement, the consolidated equity vested in the parent company's shareholders decreased by PLN 7,699 thousand due to their necessity to take over of larger negative capitals vested in minority shareholders.

The following list shows the results of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. achieved in 2006:

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	01.01-31.12.2006 (in thousand PLN)
Revenues from sales	137 700
Financial result	(76 180)

2. ZACHEM Group

On 20 December 2006 CIECH S.A. purchased from Nafta Polska S.A. 80% shares in ZACHEM S.A. At the same time in compliance with the signed agreement concerning the purchase of shares ZACHEM S.A., CIECH S.A. made an irrevocable offer to the State Treasury to purchase all shares (put option) belonging thereto, valid from the date of making the offer to the date of its expiration. At 31 December 2006 the State Treasury owns 740,000 in ZACHEM S.A., accounting for 5% of capital and that amount may be increased by the shares which are to remain the State Treasury's property upon the issuance of shares to the employees entitled thereto, pursuant to Article 36 of the Act on Commercialisation, Restructuring and Privatisation of the State Enterprises of 30 August 1996. The option shall be valid for 10 years, whereat the acceptance of the purchase offer may take place at least upon 180 days from the date of the agreement concerning the purchase of 80% shares in ZACHEM S.A. i.e. on 26 June 2007. The realization price is subject to revaluation for 36 months from the date of submitting the offer. The price of shares agreed in the agreement concerning the purchase of 80% shares in ZACHEM S.A. shall constitute the basis of revaluation, and arithmetical mean of interest rates for 12-month loan in PLN on the Warsaw Interbank Offered Rate (WIBOR 12M).

Additionally, pursuant to § 13 Appendix 14 to the agreement concerning the purchase of 80% shares in ZACHEM S.A, CIECH S.A. undertook to buy back the shares issued gratuitously to entitled persons in accordance with Article 36 of the Act on Commercialisation, Restructuring and Privatisation of the State Enterprises of 30 August 1996. Application for the buy-back of shares may be submitted within 60 days from second, third and fourth anniversary of the purchase of shares in ZACHEM S.A. by CIECH S.A. The entitled persons shall hold maximum of 2,220,000 shares in ZACHEM S.A. The guaranteed buy-back price amounts to 75% of the price agreed in the agreement concerning the purchase of 80% shares in ZACHEM S.A and is subject to revaluation.

The lists below present the assumption accepted for the calculation of liability value at 31 December 2006:

Put options – State Treasury

Number of shares held by the State Treasury	740 000 pieces
Price per share	6.76 PLN
Value of packet held by the State Treasury	5 002 thousand PLN

On the calculation of liability value the assumption that the State Treasury brings in shares for buy-out in the final revaluation period (upon 3 years), i.e. by 20 December 2009 was accepted. Valuation at 31 December 2006 shall take place according to nominal value, and price growth of the realization of put options arising from the lapse of time shall be treated as cost of financing.

Put options – employees

Number of shares held by employees	1,665,000 pieces
Price per share	6.76 PLN
Nominal value of packet held by employees	11,255 thousand PLN
Adopted discount ratio	0,9215
Current liability value	10 372 thousand PLN

On the calculation of liability value the assumption stating that due to no price revaluation the employees put shares for buy-out on the first possible date, i.e. 20 December 2008 was taken.

Since ZACHEM S.A. has two subsidiaries (ZACHEM UCR Sp. z o.o. and ZACHEM Barwniki Sp. z o.o.) which are subject to consolidation by full method, the consolidated data of ZACHEM Group was adopted for the settlement during the preparation of the consolidated financial statement.

In relation to the process of allocation of purchase prices in the ZACHEM Group in 2007, tangible fixed assets, costs of completed development works, long-term investments (shares) and inventories were subject to valuation. Furthermore, provision for recultivation was valued and recorded in the balance sheet. Respective provisions and deferred tax assets were created towards the introduced adjustments of valuation to fair value.

Differences between estimated values adopted for the provisional settlement with fair values of the taken over assets and liabilities of the ZACHEM Group at 31 December 2006 are as follows:

ZACHEM Group	<i>Estimated value</i>	<i>Adjustments related to valuation to fair value</i>	<i>Fair value</i>
Tangible fixed assets	224 858	203 526	428 384
Intangibles	43	2 178	2 221
Other long-term investments	3 556	2 204	5 760
Deferred income tax assets	10 264	(10 264)	-
Total assets	238 721	197 644	436 365
Current assets			
Inventories	28 534	353	28 887
Income tax receivables	244	-	244
Trade and other receivables	86 348	-	86 348
Cash and cash equivalents	14 171	-	14 171
fixed assets for sale	2 327	-	2 327
Total current assets	131 624	353	131 977
Total assets	370 345	197 997	568 342

ZACHEM Group	<i>Estimated value</i>	<i>Adjustments related to valuation to fair value</i>	<i>Fair value</i>
Liabilities due to credits and loans and other debt instruments	75 222	-	75 222
Employee benefits	11 242	-	11 242
Provisions (other long-term)	19 959	47 591	67 550
Deferred tax provision	-	13 650	13 650
Total long-term liabilities	106 423	61 241	167 664
Trade and other liabilities	137 244	-	137 244
Liabilities due to credits and loans and other debt instruments	24 323	-	24 323
Income tax liabilities	2 063	-	2 063
Provisions (short-term provisions for employee and other provisions)	17 331	73	17 404
Total short-term liabilities	180 961	73	181 034
Total liabilities	287 384	61 314	348 698
Minority interest	52		52
Net asset value	82 909		219 592
Net value of taken over assets	82 909		219 592
Goodwill	1 847		(134 836)

Cost of merger of the ZACHEM Group

Purchase price	84 756
Costs incurred in relation to taking up 80% of shares	69 382
Put options (State Treasury) 5%	5 002
Put options (Employees) 15%	10 372
Net cash taken over with entity	14 171
Cash paid	(69 383)
Outflow of net cash	(55 212)

The surplus of the taken over net assets over the cost of merger in the amount of PLN 134,836 thousand was recorded in the profit and loss account for 2006 in "Other operating revenues".

The list below presents the results of the ZACHEM Group achieved in 2006:

ZACHEM Group	01.01-31.12.2006 (in thousand PLN)
Revenues from sales	760 582
Financial result	44 209

3. Z.Ch. Organika-Sarzyna S.A.

On 20 December 2006 CIECH S.A. purchased from Nafta Polska S.A. 80% shares in Z.Ch. Organika-Sarzyna S.A. At the same time in compliance with the signed agreement, CIECH S.A. made an irrevocable offer to the State Treasury to purchase all shares (put option) belonging thereto, valid from the date of making the offer to the date of its expiration. At 31 December 2006 the State Treasury holds 424,500 shares in Z.Ch. Organika-Sarzyna S.A, accounting for 5% of capital and that amount may be increased by the shares which are to remain the State Treasury's property upon the issuance of shares to the employees entitled thereto, pursuant to Article 36 of the Act on Commercialisation, Restructuring and Privatisation of the State Enterprises of 30 August 1996. The option shall be valid for 10 years, whereat the acceptance of the purchase offer may take place at least upon 180 days from the date of the agreement concerning the purchase of 80% shares in Z.Ch. Organika-Sarzyna S.A., i.e. on 20 June 2007. The realization price is subject to revaluation for 36 months from the date of submitting the offer. The price of shares agreed in the agreement concerning the purchase of 12M shares in Organika-Sarzyna S.A. shall constitute the basis of revaluation, and arithmetical mean of interest rates for 12-month loan in PLN on the Warsaw Interbank Offered Rate (WIBOR).

Additionally, on the basis of the records of Chapter 10 Appendix 13 to the agreement concerning the purchase of 80% shares in Z.Ch. Organika-Sarzyna S.A, CIECH S.A. undertook to buy back the shares issued gratuitously to the entitled persons in accordance with Article 36 of the Act on Commercialisation, Restructuring and Privatisation of the State Enterprises of 30 August 1996. Application for buy-back may be submitted upon the cessation of the statutory restrictions between 1 and 30 April every year. The entitled persons shall hold maximum of 1,273,500 shares in Z.Ch. Organika-Sarzyna S.A. The guaranteed buy-back price amounts to:

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

The lists below present the assumption accepted for the calculation of liability value at 31 December 2006:

Put options – State Treasury

Number of shares held by the State Treasury	424,500 pieces
Price per share	36.00 PLN

Value of packet held by the State Treasury 15,282 thousand PLN

On the calculation of liability value the assumption that the State Treasury brings in shares for buy-out in the final revaluation period (upon 3 years), i.e. by 20 December 2009 was accepted. Valuation at 31 December 2006 shall take place according to nominal value, and price growth of the realization of put options arising from the lapse of time shall be treated as cost of financing.

Put options – employees

Number of shares held by employees	1,273,500 pieces
Price per share	35.00 PLN
Nominal value of packet held by employees	44,573 thousand PLN
Accepted discount rate	0.7840
Current liability value	34,943 thousand PLN

On the calculation of liability value the assumption that due to the price revaluation between 30 April 2008 and 30 April 2013 the employees put shares for buy-out upon the final date of revaluation, i.e. for PLN 35 per share.

In relation to the conducted in 2007 process of the allocation of purchase price in S.C. Organika – Sarzyna S.A., tangible fixed assets, costs of completed development works, long-term investments (shares) and inventories were subject to valuation. The right to perpetual usufruct of lands was valued and recorded in the balance sheet. Furthermore, provision for recultivation was valued and recorded in the balance sheet. Respective provisions and deferred tax assets were created towards the introduced adjustments of valuation to fair value.

Furthermore, in Z.Ch. Organika-Sarzyna S.A. intangibles were identified and valued. Those are: CHWASTOX trademark with the related MCPA production technology (in the amount of PLN 8,560 thousand) and customer relations valued on the basis of the current history of cooperation in the amount of PLN 18,805 thousand. It is expected that both application life of the CHWASTOX brand and production technology related thereto, and application life of customer relations shall be 10 years (a gradual customer outflow at the level of 10% annually is assumed).

Differences between estimated values adopted for the provisional settlement with fair values of the taken over assets and liabilities of Z.Ch. Organika-Sarzyna S.A. at 31 December 2006 is presented as follows:

Z. Ch. Organika-Sarzyna S.A.	<i>Estimated value</i>	<i>Adjustments related to valuation to fair value</i>	<i>Fair value</i>
Tangible fixed assets	74 227	57 867	132 094
Right of perpetual usufruct	-	31 676	31 676
Intangibles	3 441	30 220	33 661
Investment real properties	1 329	2 458	3 787
Other long-term investments	21 005	604	21 609
Deferred income tax assets	5 391	(5 391)	-
Total assets	105 393	117 434	222 827
Current assets			
Inventories	60 083	2 231	62 314
Trade and other receivables	58 787	-	58 787
Cash and cash equivalents	34 419	-	34 419
Total current assets	153 289	2 231	155 520
Total assets	258 682	119 665	378 347
Employee benefits	8 370	-	8 370
Provisions (other long-term)	20 669	6 490	27 159
Deferred tax provision	-	18 501	18 501
Total long-term liabilities	29 039	24 991	54 030
Trade and other liabilities	55 555	-	55 555
Income tax liabilities	1 899	-	1 899
Provisions (short-term provisions for employee and other provisions)	4 113	(108)	4 005
Total short-term liabilities	61 567	(108)	61 459
Total liabilities	90 606	24 883	115 489
Net asset value	168 076		262 858
Net value of taken over assets	168 076		262 858
Goodwill	128 393		33 611

Costs of merger of Z.Ch. Organika-Sarzyna S.A.

Purchase price	296 469
Costs incurred in relation to taking up 80% of shares	246 244
Put options (State Treasury) 5%	15 282
Put options (Employees) 15%	34 943
Net cash taken over with entity	34 419
Cash paid	(245 322)
Outflow of net cash	(210 903)

Goodwill created as a result of provisional settlement amounts to PLN 33,611 thousand. Information on the allotment of the created goodwill to specific centres generating costs is presented in point 14 of the additional information and explanations.

The following list shows the results of Z.Ch. Organika-Sarzyna S.A. achieved in 2006:

Z.Ch. Organika-Sarzyna S.A.	01.01-31.12.2006 (in thousand PLN)
Revenues from sales	427 321
Financial result	25 419

17. Long-term receivables

in thousand PLN

LONG-TERM RECEIVABLES	31.12.2007	31.12.2006
A) from related parties	-	-
b) from other entities (due to)	24	37
- hire purchase of fixed assets	24	32
- lease (deposits)	-	5
Net long-term receivables	24	37
c) write-downs on receivables	590	1 256
- write-downs of receivables- created in the current period	-	-
Gross long-term receivables	614	1 293

18. Other long-term investments

in thousand PLN

LONG-TERM FINANCIAL ASSETS	31.12.2007	31.12.2006
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a) in subsidiaries not subject to consolidation and co-subsidiaries and related parties not valuated by equity method	46 187	31 488
- shares	46 187	31 488
b) in other entities	31 157	11 156
- shares	14 919	11 053
- other securities (according to type):	3	-
- other	3	-
- loans granted	1 791	-
- other long-term financial assets (according to type):	14 444	103
- bank deposits	14 361	33
- other	83	70
Total long-term financial assets	77 344	42 644

Information on created, released and used impairment losses of intangibles and other long-term investments is presented in point 13 of the additional information and explanations to the annual consolidated statement.

Information on credit and loan liability collaterals, established on long-term financial assets are presented in points 24 and 27 of the additional information and explanations to the annual consolidated statement.

19. Inventories

in thousand PLN

INVENTORIES	31.12.2007	31.12.2006
Materials (balance sheet value)	111 282	107 934
Semi-finished products and products under construction (balance sheet value)	23 187	27 216
Finished products (balance sheet value)	106 956	75 889
Goods (balance sheet value)	43 138	34 724
Total inventories	284 563	245 763
Inventories in fair value decreased by sales costs	284 563	245 763
Value of inventories with a limited disposal possibility (pledge)	66 692	40 600

The value of inventories recognized as cost in 2007 amounted to PLN 4,012,117 thousand (PLN 2,594,594 thousand in the comparable period), that amount does not include consolidation adjustments consisting in the elimination of inter-group tradings.

Information on created, released and used impairment losses of intangibles and other long-term investments is presented in point 13 of the additional information and explanations to the annual consolidated statement.

Information on the established pledges on inventories in order to secure credit and loan liabilities are presented in points 24 and 27 of the additional information and explanations to the annual consolidated statement.

20. Trade and other receivables*in thousand PLN*

SHORT-TERM RECEIVABLES	31.12.2007	31.12.2006
a) from related parties	11 737	15 739
a1) trade receivables, maturing:	11 727	15 737
- up to 12 months(net value)	11 727	15 737
a2) dividend receivables	-	-
a3) other receivables	10	2
b) receivables from other entities	958 058	683 598
b1) trade receivables, maturing:	592 361	570 460
- up to 12 months(net value)	592 361	506 711
- up to 12 months(net value)	-	63 749
b2) prepayments on inventories (net)	3 948	2 499
b3) prepayments on fixed assets (net)	4 499	8 463
b4) prepayments for intangible assets (net)	74	380
b5) escrow receivables	233 722	-
b6) prepaid expenses, including:	10 856	8 827
- rents	19	-
- Insurances	2 479	1 538
- not invoiced costs due to partially received but not invoiced services	537	189
- purchase costs	26	75
- taxes and fees	225	64
- VAT	6 340	4 221
- External services	616	1 284
- advertising and marketing	51	108
- Subscriptions	110	114
- bank agios	61	972
- other	392	262
b7) due to taxes, subsidies, customs, insurance and other liabilities (net value)	101 564	85 055
b8) other receivables	11 034	7 914
Total net short-term receivables	969 795	699 337
Allowance for bad debts	115 442	129 181
Total gross short-term receivables	1 085 237	828 518

Write-downs of receivables from related parties amounted to:

- PLN 19 thousand at 31 December 2007:
- PLN 278 thousand at 31 December 2006:

in thousand PLN

TRADE AD OVERDUE RECEIVABLES – DIVIDED INTO UNPAID RECEIVABLES	31.12.2007	31.12.2006
a) up to 1 month	61 951	65 577
b) over 1 month up to 3 months	18 016	19 453
b) over 3 months up to 6 months	4 208	7 273
b) over 6 months up to 1 year	3 186	16 030
e) over 1 year	66 599	64 111
Total overdue trade receivables (gross)	153 960	172 444
f) write-downs on Total overdue trade receivables	72 205	76 274
Total overdue trade receivables (net)	81 755	96 170

in thousand PLN

DISPUTABLE RECEIVABLES (SHORT AND LONG-TERM)	31.12.2007	31.12.2006
a) due to works and service, including:	10 009	11 843
- receivables, from which no write-downs were created	-	85
- receivables not shown as "receivables claimed at court"	1 000	9 598
b) other	161	161
IN TOTAL	10 170	12 004

The conditions of the transaction with related parties are presented in point 31.4 of the additional information and explanations to the annual consolidated statement.

In commercial contracts concluded by the Ciech Group, various dates for payment of trade receivables are applied, depending on the transaction type, market characteristics and commercial conditions. The most commonly applied payment dates are as follows: 14, 30, 60 and 90 days.

21. Short-term investments

in thousand PLN

SHORT-TERM INVESTMENTS	31.12.2007	31.12.2006
a) in subsidiaries	-	-
b) in co-affiliates	-	-
c) in related parties	-	-
d) in major investor	-	-
e) in parent company	-	-
f) in other entities	2 066	614
- loans granted	2 056	-
- other short-term financial assets (according to type)	10	614
- derivatives	10	614
Total net short-term financial assets	2 066	614
- Write-downs of short-term financial assets	2 992	2 992
Total gross short-term financial assets	5 058	3 606

22. Cash and cash equivalents*in thousand PLN*

CASH AND CASH EQUIVALENTS	31.12.2007	31.12.2006
Bank accounts (current accounts)	81 181	102 442
Short-term deposits	27 962	28 845
Cash in hand	586	500
Other cash (collaterals)	14 767	13 833
Cash and cash equivalents, value shown in balance sheet	124 496	145 620
Overdraft facilities	28 888	14 311
Cash and cash equivalents, value shown in cash flow account	95 608	131 309

23. Capitals

Initial capital

Initial capital	31.12.2007	31.12.2006
	<i>in pcs</i>	<i>in pcs</i>
common bearer shares (A series), nominal value – PLN 5 each	20 816	20 816
common bearer shares (B series), nominal value – PLN 5 each	19 775 200	19 775 200
common bearer shares (C series), nominal value – PLN 5 each	8 203 984	8 203 984
IN TOTAL	28 000 000	28 000 000

On 16 February 2005 the nominal initial capital was increased by PLN 41,019 thousand as a result of issuance of 8,203,984 new common shares (C series) with a nominal value of PLN 5 each.

Shares of all series are common shares and are not no additional rights, privileges and restrictions regarding dividend distribution and capital refund are related thereto.

Common shares – issued and paid in full	<i>in pcs</i>	<i>in thousand PLN</i>
At 1 January 2005	19 796 016	123 096
Common shares issued on 16 February 2005	8 203 984	41 019
At 30 June 2006	28 000 000	164 115
At 31 December 2006	28 000 000	164 115
At 31 December 2007	28 000 000	164 115

According to IAS 29 "Financial Reporting in Hyperinflationary Economies" at the date of transition into the International Financial Reporting Standards, i.e. at 1 January 2004, initial capital of CIECH S.A. (parent company) was calculated due to hyperinflation for the years from 1989 to 1996. Hyperinflation adjustment contralaterally decreased the value of retained profits. The value of equity remains unchanged.

The table below presents the calculation of hyperinflation adjustment:

period	Initial capital <i>in thousand PLN</i>	inflation ratio	Initial capital after calculation <i>in thousand PLN</i>
1989	106	3.511	370
1990	370	6.858	2 540
1991	2 540	1.703	4 326
1992	4 326	1.430	6 186
1993	6 186	1.353	8 370

period	Initial capital in thousand PLN	inflation ratio	Initial capital after calculation in thousand PLN
1994	8 370	1.322	11 065
1995	11 065	1.278	14 141
January 1996	14 141	1.034	14 622
February 1996	14 622	1.015	14 842
March 1996	14 842	1.015	15 064
April 1996	15 064	1.022	15 396
May 1996	15 396	1.014	15 611
21 May 1996	<i>issuance of common shares (B series) from supplementary capital</i>		98 876
June 1996	114 487	1.010	115 632
July 1996	115 632	0.999	115 516
August 1996	115 516	1.005	116 094
September 1996	116 094	1.019	118 300
October 1996	118 300	1.014	119 956
November 1996	119 956	1.013	121 515
December 1996	121 515	1.013	123 095
1 Jan. 2004			123 095
30 Jun. 2004			123 095
31 Dec. 2004			123 095
16 Feb. 2005	<i>issuance of common shares (C series)</i>		41 020
31 Dec. 2005			164 115
31 Dec. 2006			164 115
31 Dec. 2007			164 115
Revaluated initial capital at 31/12/2007			164 115
Initial capital at 31/12/2007 before revaluation			140 001
Hyperinflation adjustment			24 114

Capital from the issuance of shares above nominal value

Capital from the issuance of shares above nominal value was created through the surplus achieved at the issuance of C series shares above their nominal value.

Treasury shares

In this position of capitals, treasury shares (as negative value) held by parent company and consolidated subsidiaries are shown.

Until 27 November 2007, a subsidiary, Z.Ch. Organika-Sarzyna S.A. owned 95,100 shares in CIECH S.A.

On 27 November 2007 Z. Ch. Organika-Sarzyna S.A. sold all common bearer shares of CIECH S.A. for PLN 112.50 each as a result of a transaction concluded on the Warsaw Stock Exchange in Warsaw within the framework of a regular session. The transaction was completed in compliance with the resolutions of the Management Board and Supervisory Board of Z.Ch. Organika-Sarzyna S.A. within the framework of correcting the capital situation of the companies included in the Ciech Group. Currently Z.Ch. Organika-Sarzyna S.A. does not own shares in CIECH S.A.

At 31 December 2006 Z.Ch. Organika-Sarzyna S.A. held 95,100 shares of the parent company - CIECH S.A.

Other reserve capitals

The table below shows other reserve capital balances, which comprised the following items:

in thousand PLN

OTHER RESERVE CAPITALS (ACCORDING TO THEIR ALLOCATION)	31.12.2007	31.12.2006
Mutual (investment) fund	66	66
Dividend fund	417	417
Commercial risk fund	3 330	3 330
Fund for purchase of soda companies	15 200	15 200
Consolidated adjustments	(749)	(749)
Development fund	60 169	60 419
Other funds	-	-
Other reserve capitals	78 433	78 683

Foreign exchange differences after the conversion of foreign entities

Balance of this capital item shall be adjusted by foreign exchange differences arising from the conversion of the financial statements of foreign subsidiaries, i.e. POLSIN PRITAVE LIMITED., DALTRADE PLC, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., Soda Deutschland Ciech Group.

Minority shares

At 31 December 2007 S.C.Uzinele Sodice Govora – Ciech Chemical Group S.A. shows negative equities. Minority shareholders are not obliged to cover the Company's losses. The surplus of losses regarding minority shares over their share in equity encumbered majority shares in the annual consolidated financial statement.

24. Long-term liabilities due to credits and loans and other debt instruments

in thousand PLN

LONG-TERM LIABILITIES	31.12.2007	31.12.2006
a) liabilities due to credits and loans and other debt instruments	766 059	316 863

- credits and loans	456 195	315 644
- financial lease liabilities	10 128	1 219
- liabilities due to debt security issuance	299 736	-
- other	-	-
b) other long-term liabilities	313 545	124 599
- assignment of receivables	46 209	55 208
- unsettled surplus of taken over net assets over cost of merger (provisional settlement)*	-	-
- put option liabilities	57 649	65 599
- environmental protection liabilities	1 254	-
- liabilities towards State Treasury	-	-
- investment liabilities	109 644	-
- subsidies	2 322	2 700
- short-term refundable lease	96 467	-
- other	-	1 092
IN TOTAL	1 079 604	441 462

in thousand PLN

LONG-TERM LIABILITIES, WITH PAYOFF PERIOD REMAINING FROM BALANCE SHEET DATE	31.12.2007	31.12.2006
a) from 1 to 3 years	207 294	171 801
b) from 3 to 5 years	446 812	78 634
c) over 5 years	425 498	191 027
IN TOTAL	1 079 604	441 462

LONG-TERM LIABILITIES DUE TO CREDITS AND LOANS

LONG-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loan according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
SODA MĄTWY Group								
PEKAO S.A.	Warsaw	15,000	PLN	5,294	PLN	WIBOR 1M+ bank margin	31.12.2009	Borrower's declaration on undergoing an execution up to 150% of credit amount, power of attorney to borrower's bank account, assignment of receivables from borrower's clients in the amount equal to 150% of credit value.
PKO BP	Bydgoszcz	15 000	PLN	14 945	PLN	WIBOR 1M+ bank margin	25.03.2012	Clause concerning deductions of cash from bank account in the case of failure to repay all bank receivables, Borrower's declaration on undergoing an execution, transfer of receivables due to commercial agreements up to the level of PLN 25 million (salt).
CitiBank Handlowy	Warsaw	40,000	PLN	19,125	PLN	WIBOR 3M+ bank margin	31.01.2011	Total common mortgage in the amount of PLN 40 million, Total bail mortgage up to the amount of PLN 10 million, assignment of trade receivables in the amount of PLN 15 million, alienation of goods designated as for identities created as a result of project realization, with assignment of rights from insurance policy, declaration of support issued by CIECH S.A.
IN TOTAL SODA MĄTWY Group		70,000	PLN	39,364	PLN			
VITROSILICON S.A.								
BOŚ S.A.	Poznań	16 769	EUR 4036	1 893	EUR 528	WIBOR 1M+ bank margin	16.11.2009	Transfer of receivables, blank bills, civil guarantee of Janikosoda S.A. in Janikowo. According to the concluded agreements, the value of collaterals is PLN 3,300,000.

LONG-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loan according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
BOŚ S.A.	Poznań	3 500	PLN	1 556	PLN	Variable interest rate based on rediscount rate. APR is 0.4 of rediscount rate, not less than 3% annually	15.12.2010	Blank bill, power of attorney to dispose of bank accounts in BOŚ S.A., registered pledge on warehouse inventories of finished products, assignment of receivables, common mortgage of Zary. According to the concluded agreements, the value of collaterals is PLN 4,800,000.00.
Bank Millennium S.A.	Zielona Góra	1 440	PLN	126	PLN	WIBOR 1M+ bank margin	03.06.2009	Alienation of LAROX water glass filter, peristaltic pump by LAROX, alienation of reactor for soda water glass production, alienation of machines and appliances, power of attorney to bank account in Bank Millennium, declaration on undergoing an execution. According to the concluded agreements, the value of collaterals is PLN 1,768,107.79.
Bank Millennium S.A.	Zielona Góra	16 500	PLN	10 155	PLN	WIBOR 1M+ bank margin	03.12.2012	Registered pledge on subject of credit, registered pledge on fixed assets, common mortgage in Ilowa, power of attorney to bank account in Bank Millennium, declaration on undergoing an execution. According to the concluded agreements, the value of collaterals is PLN 30,754,763.07.
Bank Millennium S.A.	Warsaw	9 000	PLN	6 000	PLN	WIBOR 1M+ bank margin	27.12.2012	Total bail mortgage with the highest priority with assignment of rights from insurance policy, registered pledge on fixed assets purchased within the framework of investment with assignment of rights from insurance policy, declaration on undergoing an execution, Borrower's power of attorney to Bank account. According to the concluded agreements, the value of collaterals is PLN 21,673,744.71.
Bank Millennium S.A.	Zielona Góra	1 320	PLN	654	PLN	WIBOR 1M+ bank margin	30.12.2012	Declaration on undergoing an execution, power of attorney to collect funds from Borrower's bank account, common mortgage in Ilowa with assignment of rights from insurance policy. According to the concluded agreements, the value of collaterals is PLN 1,500,000.00.

LONG-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loan according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
Bank Millennium S.A.	Zielona Góra	2 020	PLN	1 155	PLN	WIBOR 1M+ bank margin	30.12.2012	Declaration on undergoing an execution, power of attorney to collect funds from Borrower's bank account, alienation of fixed assets with assignment of rights from insurance policy, common mortgage in Żary with assignment of rights from insurance policy (temporary collateral), alienation of steam generator with assignment of rights from insurance policy, alienation of water glass production system with assignment of rights from insurance policy. According to the concluded agreements, the value of collaterals is PLN 2,717,658.59.
VITROSILICON S.A. in Total		69 736	PLN	21 539	PLN			
CIECH S.A.								
Bank PEKAO SA	ul. Towarowa 25A	33 126	EUR 8,000 + VAT	5 731	EUR 1600	EURIBOR 3M+ bank margin	31.12.2009	Assignment of receivables from commercial contracts with the value of PLN 123,238 thousand; Declaration on undergoing an execution; power of attorney for the bank to dispose of accounts
Bank PEKAO SA	ul. Towarowa 25A							
Bank Handlowy S.A.	Warsaw, ul. Senatorska 17	216 000	PLN	170 647	PLN	WIBOR 3+ bank margin	13.12.2014	Registered pledge on shares in Janikowskie Zakłady Sodowe JANIKOSODA S.A. with nominal value of PLN 44,344 thousand.
Bank Millennium S.A.	Warsaw, ul. Jerozolimskie 123a							
CIECH S.A. in Total.		249 126	PLN	176 378	PLN			
ZACHEM Group								

LONG-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loan according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
WIOŚ	Toruń	3 278	PLN	2 049	PLN	0.7 rediscount rate valid on the date of signing or on the first day of the year	2012	Blank bill guaranteed by Transclean Sp. z o.o. in Bydgoszcz, Petromechanika Sp. z o.o. in Płock, - transfer of receivables from: - ZACHEM Barwniki Sp. z o.o. - PEKAO Styła SJ (Agreement concerning transfer of receivables of 06 Oct. 2006)
ZACHEM Group in Total		3 278	PLN	2 049	PLN			
Transclean Sp. Z O.O.								
PEKAO S.A.		900	PLN	512	PLN	WIBOR 1M+ bank margin	10.10.2010	Pledge on fixed assets being the subject of investment; promissory note; power of attorney to dispose of funds on bank accounts
Transclean Sp. z o.o. in Total		900	PLN	512	PLN			
Soda Deutschland Ciech Group								
HSH Bank	Stassfurt	10700	EUR	38 327	PLN	EURIBOR 3M + bank margin	30.06.2014	Pledge of fixed assets, inventories
HSH Bank	Stassfurt	5300	EUR	18 985	PLN	EURIBOR 3M + bank margin	30.06.2015	Pledge of fixed assets, inventories
HSH Bank	Stassfurt	14300	EUR	51 223	PLN	EURIBOR 3M + bank margin	30.06.2014	Pledge of fixed assets, inventories
HSH Bank	Stassfurt	5000	EUR	17 910	PLN	EURIBOR 3M + bank margin	30.06.2014	Pledge of fixed assets, inventories
HSH Bank	Stassfurt	7200	EUR	25 790	PLN	EURIBOR 3M + bank margin	30.06.2015	Pledge of fixed assets, inventories
HSH Bank	Stassfurt	5000	EUR	17 910	PLN	EURIBOR 3M +bank margin	30.06.2015	Pledge of fixed assets, inventories

LONG-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loan according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
HSH Bank	Stassfurt	4000	EUR	14 328	PLN	EURIBOR 3M + bank margin	30.06.2016	Pledge of fixed assets, inventories
HSH Bank	Stassfurt	5000	EUR	17 910	PLN	EURIBOR 3M + bank margin	30.06.2016	Pledge of fixed assets, inventories
Tibor von Wiedebach	Munich	3900	EUR	13 970	PLN	EURIBOR 3M + margin	30.06.2010	No hedge
Soda Deutschland Ciech Group in Total		60 400		216 353				
IN TOTAL		393 040		456 195				

LONG-TERM LIABILITIES DUE TO CREDITS AND LOANS								
Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2006								
GZNF FOSFORO Sp. z o.o.								
ING Bank Śląski S.A.	Katowice	18 266	PLN	18 266	PLN	WIBOR 1M+ bank margin	31.12.2010	Assignment of Rights from Insurance Policies Agreement – PLN 5,000 thousand.; Assignment of receivables– 80% assigned in the interest of Bank in compliance with the global assignment agreements; Registered pledge – 80% pledged inventories in compliance with Registered Pledge Agreement; Declaration of undergoing an execution up to PLN 60,000 thousand with executory formula until 30 June 2011
IN TOTAL								
GZNF FOSFORO Sp. z o.o.		18 266	PLN	18 266	PLN			
SODA MAŁY S.A.								
CitiBank Handlowy	Bydgoszcz	40 000	PLN	18 852	PLN	WIBOR 3M+ bank margin	31.01.2011	Total common mortgage in the amount of PLN 40 million, Total bail mortgage up to the amount of PLN 10 million, assignment of trade receivables in the amount of PLN 15 million, alienation of goods designated as for identities created as a result of project realization in the amount of PLN 42,964 thousand, with assignment of rights from insurance policy, declaration of support issued by CIECH S.A.
(SODA MAŁY S.A. in Total		40 000	PLN	18 852	PLN			
JANIKOSODA S.A.								
Bank Polska Kasa Opieki S.A.	Warsaw, ul. Grzybowska 53/57	15 000	PLN	10 588	PLN	WIBOR 1M+ bank margin	31.12.2009	Borrower's declaration on undergoing an execution up to 150% of credit amount, power of attorney for borrower's bank account, assignment of receivables from borrower's clients in the amount equal to 150% of credit value.
JANIKOSODA S.A. in Total		15 000		10 588				
VITROSILICON S.A.								

LONG-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
BOŚ S.A.	Poznań	16 769	EUR 4036	4 233	EUR 1105	WIBOR 1M+ bank margin	16.11.2009	Mortgage in Niechorze, transfer of receivables, blank bills, civil guarantee of Janikosoda S.A. in Janikowo.
		1 440	PLN	558	PLN	WIBOR 1+ bank margin	03.06.2009	Alienation of LAROX water glass filter, peristaltic pump by LAROX, alienation of reactor for soda water glass production, alienation of machines and appliances, power of attorney to bank account in Bank Millennium, declaration on undergoing an execution.
Bank Millennium S.A.	Zielona Góra							
BOŚ S.A.	Poznań	3 500	PLN	2 333	PLN	Variable interest rate based on rediscount rate, no less than 3% APR	15.12.2010	Blank bill, power of attorney to dispose of bank accounts in BOŚ S.A., registered pledge on warehouse inventories of finished products, glass blocks. Assignment of receivables, common mortgage in Żary.
BRE Bank SA	Zielona Góra	4 000	PLN	2 254	PLN	WIBOR 1M+ bank margin	03.11.2009	Blank bill, registered pledge on inventories, registered pledge on fixed assets.
Fortis Bank SA	Warsaw	9 000	PLN	7 345	PLN	WIBOR 1M+ bank margin	27.12.2012	Total bail mortgage with the highest priority, with assignment of rights from insurance policy, registered pledge on machines and appliances purchased by borrower of this asset with assignment of rights from insurance policy, arrangement on subordination in relation to this credit by CIECH S.A.
Bank Millennium S.A.	Warsaw	9 000	PLN	7 375	PLN	WIBOR 1M+ bank margin	27.12.2012	Total bail mortgage with the highest priority with assignment of rights from insurance policy, registered pledge on fixed assets purchased within the framework of investment with assignment of rights from insurance policy, declaration on undergoing an execution, Borrower's power of attorney to Bank account.

LONG-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
Bank Millennium S.A.	Zielona Góra	16 500	PLN	12 693	PLN	WIBOR 1M+ bank margin	03.12.2012	Registered pledge on subject of credit, registered pledge on fixed assets, common mortgage in kłowa, power of attorney to bank account in Bank Millennium, declaration on undergoing an execution.
VITROSILICON S.A. in Total		60 209	PLN	36 791	PLN			
CIECH S.A.								
Bank PEKAO SA	Warszawa, ul. Grzybowska 80/82	33 126	EUR 8,000 + VAT	12 260	EUR 3200	EURIBOR 3M+ bank margin	31.12.2009 gradually at the end of every quarter	Assignment of receivables from commercial contracts with the value of PLN 123,238 thousand; Declaration on undergoing an execution; power of attorney for the bank to dispose of accounts
Bank PEKAO SA	Warszawa, ul. Grzybowska 80/82	216 000	PLN	193 703	PLN	WIBOR 3M+ bank margin	14.12.2014	Registered pledge on shares in Janikowskie Zakłady Sodowe JANIKOSODA S.A. with nominal value of PLN 40,349 thousand.
CIECH S.A. in Total		249 126	PLN	205 963	PLN			
ZACHEM S.A.								
PEKAO S.A.	Warsaw	122293	EUR 31 031	22371	EUR 5 839	EURIBOR 3M+ bank margin	2008	Deposit mortgage for the Total amount of EUR 45,000 thousand on real property located in Bydgoszcz, ul. Wojska Polskiego 65, KW [land and mortgage register] 63606; registered pledge on technological line extended in consequence of investments with assignment of rights from insurance agreements of the entire technological line for TDI production (PLN 140.2 million); assignment of rights to damages arising from insurance agreements of assets allocated to KW 63606; declaration of ZACHEM S.A. on voluntary undergoing of execution up to the amount of PLN 200 thousand; Assignment of receivables from commercial contracts: agreement no. 14/2006 transfer of receivables (CIECH S.A.); agreement no. 15/2006 transfer of receivables (BORGHI), agreement of receivable transfer no. 13/CKK 2006 (General Assignment); power of attorney of

LONG-TERM LIABILITIES DUE TO CREDITS AND LOANS								
Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
								ZACHEM S.A. to dispose of bank accounts maintained in the 1. Branch of Bank Polska Kasa Opieki S.A. in Bydgoszcz.
Regional Fund for Environmental Protection and Water Management	Toruń	3278	PLN	2595	PLN	0.7 rediscount rate valid on the date of signing	30.09.2012	Blank promissory note guaranteed by: - Przedsiębiorstwo Transportowo – Usługowe TRANSCLEAN Sp. z o.o. in Bydgoszcz; - PETRO- Mechanika Sp. z o.o. in Płock; -transfer of receivables (receivable transfer agreement of 06 Oct. 2006) from: Zachem Barwniki Sp. z o.o. and Pianol Styła Sj
ZACHEM S.A. in Total		125 571		24 966				
Przedsiębiorstwo Transportowo-Uslugowe TRANSCLEAN Sp. z o.o.								
								Borrower grants an irrevocable power of attorney to Bank to balance all receivables and claims Banku arising from the agreement, debit the Borrower's current account and other accounts. Registered pledge on the subject of investment – vehicles co-financed from granted credit (3 truck tractors, 3 containers for transportation of chemicals and 3 chassis) with assignment of rights from AC insurance agreement.
RAIFFEISEN BANK POLSKA	Warsaw, Branch in Bydgoszcz	1 236	PLN	218	PLN	WIBOR 1M+ bank margin	30.08.2008	Borrower undertakes to carry out through its accounts in the Bank at least 50 % tradings arising from its business undertaking. Borrower undertakes to submit in the Bank the confirmation of Insurance Institution on acknowledging the assignment of rights from AC insurance agreement within 7 days from the date of signing the Agreement of assignment of rights from insurance agreement.
Przedsiębiorstwo Transportowo –Usługowe Transclean Sp. z o.o. in Total		1 236		218				
IN TOTAL		494 408		315 644				

LONG-TERM LIABILITIES DUE TO ISSUED DEBT INSTRUMENTS

Debt financial instrument according to type	Nominal value in thousand PLN	Terms of interest	Redemption date
CIECH S.A.			
Bonds	300 000	WIBOR 3M+ bank margin	14.12.2012
CIECH S.A. in Total	300 000		

LONG-TERM CREDIT AND LOAN REPAYMENT SCHEDULE

Credits (in thousand PLN)	In Total 31.12.2007	from 1 to 2 years	from 2 to 5 years	over 5 years
Currency – type and interest				
CIECH S.A.				
EURIBOR 3M + bank margin; EUR	5 731	5 731		-
WIBOR 3M+ bank margin; PLN	170 647	22 205	66 617	81 825
SODA MATWY Group				
PEKAO S.A., tied investment credit, PLN – WIBOR 1M+ 0.55% margin	5 294	5 294		
PKO S.A., tied investment credit, PLN – WIBOR 1M+ 0.45% margin	14 945	3 753	11 192	
Bank Handlowy S.A., tied investment credit, PLN – WIBOR 3M+ 0.70% margin	19 125	8 500	10 625	-
VITROSILICON S.A.				
BOŚ SA, investment credit, EURIBOR 1M + 0,85%	1 893	1 893		
BOŚ S.A. investment credit, variable interest rate based on rediscount rate. APR is 0.4 of rediscount rate, not less than 3% annually	1 556	778	778	-
Bank Millennium S.A., investment credit, WIBOR 1M + 0.70	126	126	-	-
Bank Millennium S.A., investment credit, WIBOR 1M + 0.70	10 155	2 538	7 617	-
Bank Millennium S.A., investment credit, WIBOR 1M + 0.95	6 000	1 500	4 500	-
Bank Millennium S.A., investment credit, WIBOR 1M + 0.95	654	273	381	-
Bank Millennium S.A., investment credit, WIBOR 1M + 0.95	1 155	418	737	-
ZACHEM Group				
WIOŚ loan, 0.7 rediscount rate valid on the date of signing or on the first day of the year	2 049	1 639	410	
Soda Deutschland Ciech Group				
HSH Bank EURIBOR 3M + bank margin	38 328	2 300	19 930	16 098
HSH Bank, EURIBOR 3M + bank margin	18 985	-	-	18 985
HSH Bank, EURIBOR 3M + bank margin	51 222	3 073	26 636	21 513
HSH Bank, EURIBOR 3M + bank margin	17 910	537	4 657	12 716
HSH Bank, EURIBOR 3M + bank margin	25 790	-	-	25 790
HSH Bank, EURIBOR 3M + bank margin	17 910	-	-	17 910
HSH Bank, EURIBOR 3M + bank margin	14 328	-	-	14 328
HSH Bank, EURIBOR 3M + bank margin	17 910	-	-	17 910
Tibor von Wiedebach, loan, EURIBOR + margin	13 970	-	13 970	-
Transclean Sp. z o.o.				
PEKAO S.A.; WIBOR 1M + 1%	512	300	212	
IN TOTAL	456 195	60 858	168 262	227 075

Credits (in thousand PLN)	In Total 31.12.2006	from 1 to 2 years	from 2 to 5 years	over 5 years
Currency – type and interest				
CIECH S.A.				
EUR, EURIBOR 3M+ bank margin	12 260	6 130	6 130	-
WIBOR 3M+ bank margin	193 703	22 297	66 890	104 516
FOSFORNY Group				
PLN; in current account; WIBOR 1M+bank margin	18 266	11 500	6 766	-
SODA MAŁY S.A.				
PLN – tied credit of CitiBank Handlowy – WIBOR 3M +bank margin	18 852	8 500	10 352	-
JANIKOSODA S.A.				
PEKAO S.A.; PLN – WIBOR 1M+ bank margin	10 588	10 588	-	-
VITROSILICON S.A.				
BOŚ S.A., EUR, investment credit, EURIBOR 1M+ bank margin	4 233	2 209	2 024	-
Bank Millennium S.A., investment credit, WIBOR 1M +bank margin	7 375	1 500	4 500	1 375
Bank Millennium S.A., investment credit, WIBOR 1M +bank margin	558	432	126	-
BOŚ S.A., investment credit, variable interest rate based on rediscount rate, APR is 0.4, not less than 3% annually	2 333	778	1 555	-
BRE Bank, PLN, investment credit, WIBOR 1M +bank margin	2 254	1 200	1 054	-
Bank Millennium S.A., investment credit, WIBOR 1M +bank margin	12 693	2 538	7 614	2 541
Fortis Bank S.A., investment credit, WIBOR 1M +bank margin	7 345	1 500	4 500	1 345
ZACHEM S.A.				
WIOŚ, loan, 0.7 rediscount rate valid on the date of signing	2 595	1 092	1 503	-
PEKAO S.A.; credit; EURORIBOR 3M+ bank margin	22 371	22 371	-	-
Przedsiębiorstwo Transportowo-Uslugowe TRANSCLEAN Sp. z o.o.				
Raiffeisen Bank Polska S.A., credit WIBOR 1M + bank margin	218	218	-	-
IN TOTAL	315 644	92 853	113 014	109 777

25. Provisions

in thousand PLN

CHANGE OF OTHER LONG-TERM PROVISIONS (ACCORDING TO TYPES)	31.12.2007	31.12.2006
a) status at period-beginning	163 352	21 609
- other liabilities*	44 107	7 089
- provision for environment protection	119 245	14 520
b) increases (due to)	12 330	145 987
- - provision for environment protection	4 954	1 835
- reclassification from short-term provisions	3 543	-
- group's expansion	3 833	144 152
c) use (due to)	-	738
- provision for environment protection	-	738
d) release (due to)	82 855	3 506
- reclassification for short-term provisions	78 041	3 267
- provision for environment protection	3 626	239
- Rate differences	1 188	-
e) status at the period-end	92 827	163 352
- other liabilities	3 833	44 107
- provision for environment protection	88 994	119 245

* Specification of provision for liabilities: PLN 44,107 thousand provision for liabilities towards state budget in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. (in 2007 reclassified to short-term provisions)

in thousand PLN

CHANGE OF OTHER SHORT-TERM PROVISIONS (ACCORDING TO TYPES)	31.12.2007	31.12.2006
a) status at period-beginning	58 096	32 224
- provision for restructuring	1 477	4 471
- provision for damages	19 882	17 615
- provisions for liabilities	7 173	1 042
- due to environment protection	17 673	8 430
provision for bonus	10 114	64
- provision for costs of fixed assets liquidation	1 671	550
- provision for losses in inventory taking	-	52
- other	106	-
b) increases (due to)	133 575	32 259
- provision for damages	380	1 219
- provisions for liabilities	529	16
- provision for restructuring	-	161
- reclassification from long-term provisions	78 041	3 267
due to environment protection	3 084	1 597
- provision for bonus	188	84
- provision for costs of fixed assets liquidation	-	240
- group's expansion	51 126	25 569
- other	227	106
c) use (due to)	26 124	2 218
- payments of provision for damages	943	-
- payments of provision for liabilities	50	-
- payments of provision for restructuring	-	190
- due to environment protection	9 186	1 535
- provision for bonus	10 114	64
- provision for costs of fixed assets liquidation	183	377
- provision for losses in inventory taking	-	52
- Rate differences	5 542	-
- other	106	-
d) release (due to)	10 669	4 169
provisions for liabilities	5 901	1 000
- provision for restructuring	264	2 965
- change of the group's composition	23	-
- due to environment protection	938	156
- reclassification from long-term provisions	3 543	-
- provision for bonus	-	48
e) status at the period-end	154 878	58 096
- provision for damages	18 271	19 882
- provisions for liabilities*	92 022	7 173
provision for restructuring	1 190	1 477
- due to environment protection	41 759	17 673
- provision for bonus	188	10 114
- provision for costs of fixed assets liquidation	1 248	1 671
- other	200	106

* Specification of provision for liabilities: PLN 38,464 thousand provision for liabilities towards state budget in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. (in 2007 reclassified from long-term provisions to short-term provisions), PLN 27,943 thousand. Provision related to liabilities of Soda Deutschland Ciech Group towards Municipal Water-pipe Network Managing Entity, PLN 5,086 thousand provision for tax on sold lands in Soda Deutschland Ciech Group, PLN 13,253 thousand provision for potential liabilities of Soda Deutschland Ciech Group towards Vattenfall Group.

CIECH S.A.***Provisions for legal proceedings***

At 31 December 2007 the status of provisions in the parent company's books amounted to PLN 17,171 thousand (presented in "provisions for damages"). It is related to a possible claim (main receivable with interest liabilities) for court cases described in point 28.1.1 of this consolidated financial statement.

Additionally, a provision for other risks related to business activity in the amount of PLN 272 thousand was created.

SODA MATWY Group***Provision for costs of land recultivation***

In the statement of SODA MATWY the provision for costs of land recultivation was recognized; it was calculated according to planned outlays until 2040 in compliance with the anticipated inflation ratio: 3% until 2010 and 2.5% after 2010 adjusted by discount ratio calculated as the average of ratio at the beginning and end of each annual period. Outlays related thereto shall be in the range of PLN 600-1,700 thousand until 2040. The amount of the provision recognized in the statement is PLN 12,973 thousand, out of which short-term provision accounts for PLN 1,702 thousand.

Provision was calculated on the basis of the estimate of expected outlays therefrom. Due to a long time horizon the respective outlays may be shifted in time and there is a risk related to price changes of the respective categories of services purchased by the entity for those purposes.

Also ***short-term provision for costs of paid damages*** at the level of PLN 1,100 thousand was recognized.

Alwernia S.A.***Provisions for environment protection***

Alwernia S.A. shows in its statement the following provisions for environment protection:

- provision for cleaning of infiltrates in the amount of PLN 6,717 thousand (provision also takes into account the costs of cleaning waters from underneath the dumps). Provision was created for 40 years and is settled gradually in the amount of incurred expenditures,
- provision for dump recultivation in the amount of PLN 3,207 thousand. provision was created for costs of landfill in compliance with the integrated permit held for 10 years, i.e. until 30 April 2017 and for costs of landfill close-down estimated on the basis of the initial cost calculation. Landfill closing date is planned for 2017,
- provision for costs of post-magnesium mud disposal in the amount of PLN 346 thousand.

Provision for costs of fixed assets liquidation

The company created a provision of PLN 105 thousand i.e. in the amount of anticipated costs of liquidation, realization date is 2008.

Furthermore, ***provision for compensations due to agreement shortening*** in the amount of PLN 151 thousand was created.

FOSFORY Group***Provision for environment protection***

in consequence of the Pomorskie Voivode's decision on the closure of the Wiślinka landfill on 31 December 2009, the Company was obliged to prepare a technical project of dump closure. As a result of detailed analyses and surveys carried out by Geosyntex Sp. z o.o. in Gdynia and Pracownia Modelowania Hydrogeologicznego [Hydrogeological Modelling Laboratory] in Chwaszczyna, the Company prepared the methodology of landfill securing and recultivation and estimated the costs of provision, which was received on the basis of the obtained offers and the comparison of market prices for the performance of works in the similar scope. Provisions for the costs of landfill recultivation were estimated on the basis of the abovementioned analysis and were discounted by inflation ratios. The provision for recultivation of land and water environment in the area of the Wiślinka landfill created in the amount of PLN 7,154 thousand includes all damages and covers the expenditures for the restoration of natural environment arising from the current decisions and knowledge at 31 December 2007.

Provision for liabilities

The Company shows in its statement a provision for liabilities due to real property lease deposits in the amount of PLN 42 thousand brought in by tenants at the date of occupancy. The provision was estimated on the basis of possible amounts of claim established according to the documentation in possession and number of persons holding the right to claim returns.

Z.Ch. Organika- Sarzyna S.A.

Provision for environment protection

In the area of Z.Ch. Organika – Sarzyna S.A. there is pollution of subsurface water and land environment from the past activities. On the basis of specialist knowledge arising from the results of land and water environment monitoring and examinations and analyses conducted with experts, the Company has a full cognition as for the level and size of environmental damages, including subsurface waters in the Quaternary water-bearing layer and lands. Therefore, the sources of pollution – systems used in the past as well as areas of subsurface water and land contamination were identified. The complete analysis of the condition of land and water environment in the area of Z.Ch. Organika-Sarzyna S.A. was carried out in the "Przegląd ekologiczny środowiska gruntowo-wodnego – Land and Water Environment Ecological Review", which was prepared in the set date, i.e. until 30 November 2007 pursuant to the decision of 19 October 2006 issued by the Podkarpackie Voivode.

The ecological review determined the following:

- size of land and water contamination,
- directions and manners of recultivation
- scope of subsurface water and land monitoring in the Plant's area

The review also included the "The schedule of recultivation works of the land and water environment and their cost in 2007-2015". It is assumed that the consideration of the land and water inspection will take place in the first quarter of 2008 by the Governor of the Podkarpackie Voivodeship.

To sum up, the provision created for the recultivation of land and water environment in the Plant's area, landfill and storage reservoir includes all damages and the necessity to restore natural environment arising from the current decisions and the knowledge of the Company's Management Board at 31 December 2007. Cost calculation of provisions for recultivation was carried out on the basis of "Land and Water Environment Ecological Review in the area of Z.Ch. Organika – Sarzyna S.A." with work schedule for 2007-2015, prepared by the team of geologists of the Kruszewo - Przedsiębiorstwo Produkcji Kruszywa i Usług Geologicznych [Aggregate Production and Geological Services Company] in Rzeszów with the participation of the experts from the Polish Geological Institute in November 2007.

Total value of the created provisions for recultivation within the framework of environment protection according to the status at 31 December 2007 amounts to:

- provision in the amount of PLN 916 thousand for costs related to the spent cooling water reservoir recultivation, provision was calculated on the basis of investor cost estimate, it is a short-term provision, the reservoir recultivation was planned for the 2. half-year of 2007 and was changed for 2008,
- the provision for costs of landfill recultivation in the amount of PLN 866 thousand were calculated on the basis of offer cost estimate of recultivation works, account for a long-term provision. Recultivation is planned for 2012, discounted by a 2% inflation ratio.
- provision for costs of land and water recultivation in the amount of PLN 25,000 thousand include a short-term provision of PLN 2,197 thousand, and long-term provision of PLN 22,803 thousand. Those provisions were estimated on the basis of the object/financial project with the work schedule for 2007-2015 for the expected expenditures, discounted by a 3% inflation ratio until 2010 and 2% from 2011.

Provision for liabilities

Additionally, the provision including tax liability in the amount of PLN 138 thousand, which may arise from the decision of the Tax Office Director in Rzeszów, regarding the interpretation of the application of tax law was created.

ZACHEM Group

Provision for costs of fixed assets liquidation

The provision was calculated as a rate per metre of building demolition multiplied by number of metres – date of economic profit outflows – 2008. The provision's value is PLN 1,143 thousand.

Provision for environment recultivation (discounted value of future expenditures related to the reparation of damages in natural environment – date of economic profit outflows – by 2016)

Since on the date of the financial statement preparation for 2006, ZACHEM S.A. had no complete specification of all damages in the natural environment, the provision created in 2006 constituted an approximate estimate of the future known damages at the date of liability balance preparation.

To ensure the correctness and reliability of the prepared statement and the credible picture of the Company's financial standing, in 2007 the Management Board ordered to external companies the preparation of reports determining the major areas of environmental damages. Those preparations were carried out as a result of:

- the preparation of geological survey projects and their approval by the President of Bydgoszcz,
- conducting survey to determine the level and scope of land and subsurface water contamination, preparation of geological documentation and its submission for the President of Bydgoszcz,
- determination of the purposefulness of area recultivation or subsurface water treatment in surveyed areas on the basis of survey results,
- preparation of technical and economic assumptions for the qualified areas' recultivation and preparation and submission for approval to the President of Bydgoszcz of objective documentation regarding the recultivation.

On the basis of the above actions, the Company:

- valued necessary repairs of the diagnosed damages,
- made decisions concerning the method of recultivation,
- prepared credible cost estimates for the tasks,
- prepared the initial work schedules,
- specified costs divided into tasks and years,
- analysed the legal status as for the possible third party claims concerning the repair of damages caused in the natural environment, with particular reference to the landfill near ul. Lisia,
- analysed the levels of goods and services' prices which constitute the valuation basis at the analysis preparation date with relation to the prices applied in 2006,
- credibly estimated the provisions for recultivation which take into account the changes in time value of money,

In 2007 the Company created a provision for recultivation in the amount of PLN 68,684 thousand and assets from deferred income tax arising from those provisions in the amount of PLN 13,050 thousand.

ZACHEM S.A. applies the following methods of area recultivation:

- biological recultivation,
- technical recultivation, including:
 - neutralization
 - sediment or waste disposal.

The selection of recultivation method in majority depends on the following aspects:

- type, level and place of contamination,
- possibilities of waste disposal,
- possibilities of landfill failure (unsealing of protective and drainage layers),
- legal solutions in force.

Choosing the recultivation method the company refers mainly to its efficiency, as a risk elimination derivative: modification of law and uncontrolled dispersion of contamination.

At the same time, ZACHEM S.A.:

- carried out a succession of liabilities arising from the status of the managing body of Isolated Landfill near ul. Lisia in the interest of Transand Firma Transportowo-Budowlana Jerzy Gotowski on the basis of the Kujawsko – Pomorskie Voivode. In consequence of this action, according to the Act on waste, Transand which became a successor to rights and responsibilities arising from the decision approving the landfill working instruction, is in charge of fulfilling the obligations related to the use of the Landfill near ul. Lisia and a possible closure thereof, including its recultivation.
- signed, with an intention to close the landfill in 2016, an agreement concerning disposal of all sediments from the Isolated Waste Landfill until 2010. Taking the decision on disposal of all sediment until 2010, despite holding the integrated permit for the use of that landfill until 2016, the Company took into account the expectations of growth as for recultivation costs above inflation assumptions, due to the intensification of the state policy as regards environment protection. In the management Board's opinion, the conclusive disposal of sediments eliminates a future risk related to the contamination of ground waters in the case of landfill unsealing, as well as it entirely eliminates the costs related to the future monitoring of its condition. In 2016 the biological recultivation of the post-landfill area was carried out.

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

Provision for State Treasury liabilities

As a result of the privatisation of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. , Begacom, AVAS (National Privatisation Agency) and the National Chamber of Healthcare , signed the so-called Joint orders packet, which enables the change of liability repayment schedule and redemption of outstanding social insurance premiums, fines and interest upon the fulfilment of the respective conditions until the end of 2008. At the end of 2007 the Company showed the provision in the amount of PLN 38,464 thousand.

Provision for recultivation

S.C.Uzinele Sodice Govora – Ciech Chemical Group S.A. shows the provision for area recultivation in the amount of PLN 4,890 thousand.

Additionally, the Company created a provision for other liabilities in the amount of PLN 2,204 thousand.

Soda Deutschland Ciech Group

Provision for liabilities

The provision for liabilities of Soda Deutschland Ciech Group towards the Municipal Water-pipe Network Managing Entity was created in the amount of PLN 27,943 thousand. It is the provision for the liability arising from the use of municipal sewage system in the years 1998 -2007.

Provision for possible liabilities towards Vattenfall Group.

VASA KG (the owner of heat and power plant managed under the agreement by KWG GmbH) is conducting litigation with Vattenfall Group as regards the principles of establishing prices of the previous energy supplies. A positive settlement of the litigation in the interest of Vattenfall Group may directly influence the Soda Deutschland Ciech Group, thereby, the provision for possible liability was created in the amount of PLN 13,253 thousand at the end of 2007 in the consolidated financial statement.

Other provisions

PLN 5,086 thousand was appropriated for the provision for tax from sold lands.

Chemman S.A.

Provision for restructuring

In Chemman S.A. the estimated provision for restructuring was created in the amount of PLN 1,245 thousand; it is related to possible contractual costs (lease agreement for a fuel station in Sieradz), which may be incurred by the Company. The Company is negotiating the amount of possible costs, which it will have to incur.

Provisions for legal proceedings of the entire Ciech Group are presented in points 28.1.1 and 28.1.2. of this annual consolidated statement.

The amount of provisions is an estimated value and may be subject to change during the actual realization.

26. Employee benefits

in thousand PLN

LONG-TERM PROVISIONS FOR EMPLOYEE BENEFITS

	31.12.2007	31.12.2006
a) status at period-beginning	54 970	25 821
- provision for retiring benefits and jubilee awards	54 970	25 821
b) increases (due to)	11 131	31 170
- provision for retiring benefits and jubilee awards	6 891	3 889
- reclassification from short-term provision	13	3
- group's expansion	4 227	27 278
c) use (due to)	-	-
d) release (due to)	10 900	2 021
provision for retiring benefits and jubilee awards	4 908	1 171
- reclassification for short-term provisions	5 139	850
- Rate differences	853	-
e) status at the period-end	55 201	54 970
- provision for retiring benefits and jubilee awards	55 201	54 970

in thousand PLN

CHANGE OF SHORT-TERM PROVISION FOR RETIRING BENEFITS AND SIMILAR (ACCORDING TO TYPES)

	31.12.2007	31.12.2006
a) status at period-beginning	7 342	3 755
- provision for retiring benefits and jubilee awards	7 342	3 755

CHANGE OF SHORT-TERM PROVISION FOR RETIRING BENEFITS AND SIMILAR (ACCORDING TO TYPES)

	31.12.2007	31.12.2006
b) increases (due to)	8 548	5 741
- provision for retiring benefits and jubilee awards	3 409	2 299
- group's expansion	-	2 592
- reclassification from long-term provision	5 139	850
c) use (due to)	4 787	2 044
- provision for retiring benefits and jubilee awards	2 470	402
- payment of benefits	2 317	1 642
d) release (due to)	903	110
- provision for retiring benefits and jubilee awards	890	107
- reclassification from long-term provision	13	3
e) status at the period-end	10 200	7 342
provision for retiring benefits and jubilee awards	10 200	7 342

Provisions for employee benefits include provisions for retiring benefits and jubilee awards. Valuation of employee benefits shall be carried out on the basis of actuarial valuations. Annual financial discount rate in the amount of 5.6% was applied in order to calculate the current value of future liabilities from employee benefits. In accordance with the recommendations of IAS 19, the applied discount rate shall be established in nominal value. At the same time, future inflation in the amount of 2.5% per annum was taken into account.

Employee retention rate shall be established on the basis of historic data, adjusted by plans of employment restructuring.

No employee share programmes, retirement pensions and other benefits after employment period are conducted in the Ciech Group. Information regarding employee benefits for key management personnel is presented in point 31.6 of the additional information and explanations to the annual consolidated statement of the Ciech Group.

27. Short-term liabilities

in thousand PLN

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS AND OTHER DEBT INSTRUMENTS	31.12.2007	31.12.2006
a) towards subsidiaries	-	-
b) towards co-affiliates	-	-
c) towards related parties	-	-
d) towards major investor	-	-
e) towards parent company	-	-
f) towards other entities	453 494	316 819
- credits and loans, including:	452 523	316 819
- long-term repayments	39 602	42 168
- liabilities due to debt security issuance	971	-
IN TOTAL	453 494	316 819

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS				Terms of interest	Date of redemption	Collaterals
		Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment				
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
Alwernia S.A.								
BRE Bank SA	Cracow	7000	PLN	4930	PLN	WIBOR O/N+ bank margin	21.11.2008	Blank bill, registered pledge on inventories; global assignment of receivables, bail mortgage, letter of comfort of CIECH S.A.
BRE Bank SA	Cracow	7000	PLN	7000	PLN	WIBOR O/N+ bank margin	21.11.2008	Blank bill, global assignment of receivables in the amount PLN 655 thousand, letter of comfort of CIECH S.A., assignment of insurance policy
ING Bank Śląski	Katowice	10000	PLN	6515	PLN	WIBOR 1M+ bank margin	25.02.2008	Registered pledge on inventories, global assignment of receivables, assignment of insurance policy
Alwernia S.A.		24 000	PLN	18 445	PLN			
Chemana S.A.								
Bank PEKAO SA	Warsaw	3 400	PLN	3 108	PLN	PEKAO S.A.; WIBOR 1M + 0.8%	31.07.2008	Blank promissory note guaranteed by CIECH S.A. up to PLN 4 million; power of attorney to bank account of CIECH S.A. in PEKAO S.A.
Kredyt Bank S.A.	Warsaw	4 000	PLN	3 930	PLN	WIBOR O/N+ 0.8%	31.08.2008	Blank promissory note guaranteed by CIECH S.A. up to PLN 4 million
Kredyt Bank S.A.	Warsaw	4 000	PLN	4 000	PLN	WIBOR O/N+ 0.8%	31.08.2008	Blank promissory note guaranteed by CIECH S.A. up to PLN 4 million
Chemana S.A. in Total		11 400	PLN	11 038	PLN			
FOSFORNY Group								
ING Bank Śląski S.A.	Katowice	50 000	PLN	23 457	PLN	WIBOR 1M+ bank margin	31.12.2010	I. Assignment of Rights from Insurance Policies Agreement – PLN 5 million, Assignment of receivables - 80% assigned in the interest of Bank in compliance with the global assignment agreements; Registered pledge – 80% of pledged inventories in compliance with Registered Pledge Agreement; Declaration of undergoing an

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								execution up to PLN 60 million with executory formula until 30 June 2011
BRE Bank SA	Warsaw	4 500	PLN	4 500	PLN	WIBOR 1M+ bank margin	30.06.2008	Common mortgage up to PLN 4,500 thousand; Total bail mortgage on real properties located in Człuchow, ul. Mickiewicza –KW 8881, KW 13592 in perpetual usufruct of Fosfory with ownership right to buildings and on real properties located in Głędowo – KW 9039 up to PLN 100 thousand; Blank promissory note availed by Fosfory with promissory note declaration; Assignment of receivables; Declaration of undergoing an execution up to PLN 5 million with executory formula until 31 December 2009 Bail mortgage up to PLN 18,600 thousand on real property located in Gdańsk, ul. Kujawska 2, recorded in KW 36; Assignment of rights from insurance policy of the above real property at least to the amount of mortgage entry i.e. PLN 18,600 thousand; Blank promissory note with promissory note declaration; Deduction from current account clause; Declaration of undergoing an execution up to PLN 30,000 thousand with executory formula until 25 Oct. 2011; Drawer's declaration of undergoing an execution up to PLN 30,000 thousand with executory formula until 25 Oct. 2011.
PKO BP S.A.	Warsaw	15 000	PLN	9 356	PLN	WIBOR 1M+ bank margin	25.10.2008	

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
Nordea Bank Polska S.A.	Warsaw	5 000	PLN	4 968	PLN	WIBOR 1M+ bank margin	30.09.2008	Blank promissory note with promissory note declaration up to the amount of PLN 6 million; Power of attorney to account; Bail mortgage up to the amount of PLN 6 million on real property located in Gdańsk, ul. Kujawska – KW 36; Transfer of rights from insurance policy of the above real property; Declaration of undergoing an execution up to PLN 6 million with executory formula until 30 Sept.2011
FOSFORY Group in Total		92 367	PLN	42 281	PLN			
CIECH POLFA Sp. z o.o.								
BRE BANK S.A.Oddział Regionalny (Regional Branch)	Warsaw	3 000	PLN	3 000	PLN	WIBOR 1M + 1%	14.03.2008	Inflows into own account plus blank bill
BRE BANK S.A.Oddział Regionalny (Regional Branch)	Warsaw	2 000	PLN	2 000	PLN	WIBOR 1M + 1%	22.02.2008	Inflows into own account plus blank bill
CIECH POLFA Sp. z o.o. in Total		5 000	PLN	5 000	PLN			
SODA MATWY Group								
PEKAO S.A.	Warsaw	15 000	PLN	5 296	PLN	WIBOR 1M+ 0.55% bank margin	31.12.2009	Borrower's declaration on undergoing an execution up to 150% of credit amount, power of attorney for borrower's bank account, assignment of receivables from borrower's clients in the amount equal to 150% of credit value.

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
PKO BP S.A.	Bydgoszcz	6 000	PLN	5 997	PLN	WIBOR 1M+ 0.44% bank margin	7.08.2008	Clause concerning deductions of cash from bank account in the case of failure to repay all bank receivables, Borrower's declaration on undergoing an execution, transfer of receivables due to commercial agreements regarding the sale of soda derivative products.
PKO BP S.A.	Bydgoszcz	10 000	PLN	9 981	PLN	WIBOR 1M+ 0.44% bank margin	7.08.2008	Clause concerning deductions of cash from bank account in the case of failure to repay all bank receivables, Borrower's declaration on undergoing an execution, transfer of receivables due to commercial agreements up to the level of PLN 50 million (vacuum salt).
CitiBank Handlowy	Warsaw	40 000	PLN	8 500	PLN	WIBOR 3M+ 0.70% bank margin	31.01.2011	Total common mortgage in the amount of PLN 40 million, Total bail mortgage up to the amount of PLN 10 million to hedge interest and other costs of credit, assignment of trade receivables in the amount of PLN 15 million, alienation of goods designated as for identities created as a result of project realization, with assignment of rights from insurance policy, declaration of support issued by CIECH S.A.
SODA MATWY Group in Total		71 000	PLN	29 774	PLN			
VITROSILICON S.A.								
BOŚ S.A.	Poznań	16 769	EUR 4036	2 084	EUR 582	EURIBOR 1M +0.85	16.11.2009	Transfer of receivables, blank bills, civil guarantee of Janikosoda S.A. in Janikowo. According to the concluded agreements, the value of collaterals is PLN 3,300,000.
BOŚ S.A.	Poznań	3 500	PLN	784	PLN	Variable interest rate based on rediscount rate. APR is 0.4 of rediscount rate, not less than 3% annually	15.12.2010	Blank bill, power of attorney to dispose of bank accounts in BOŚ S.A., registered pledge on warehouse inventories of finished products, assignment of receivables, common mortgage of Żary. According to the concluded agreements, the value of collaterals is PLN 4,800,000.

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
Bank Millennium S.A.	Zielona Góra	5 000	PLN	1 893	PLN	WIBOR 1M + 0.65	27.12.2008	Blank promissory notes, registered pledge on inventories with assignment of rights from insurance policy, power of attorney to dispose of accounts in Bank Millennium, declaration on undergoing an execution. According to the concluded agreements, the value of collaterals is PLN 3 million.
Bank Millennium S.A.	Zielona Góra	1 440	PLN	432	PLN	WIBOR 1M + 0.7%	03.06.2009	Alienation of LAROX water glass filter, peristatic pump by LAROX, alienation of reactor for soda water glass production, alienation of machines and appliances, power of attorney to bank account in Bank Millennium, declaration on undergoing an execution. According to the concluded agreements, the value of collaterals is PLN 1,768,107.79.
Bank Millennium S.A.	Zielona Góra	16 500	PLN	2 538	PLN	WIBOR 1M + 0.7%	03.12.2012	Registered pledge on subject of credit, registered pledge on fixed assets, common mortgage in Ilowa, power of attorney to bank account in Bank Millennium, declaration on undergoing an execution. According to the concluded agreements, the value of collaterals is PLN 30,754,763.07.
Bank Millennium S.A.	Warsaw	9 000	PLN	1 500	PLN	WIBOR 1M + 0.95%	27.12.2012	Total bail mortgage with the highest priority with assignment of rights from insurance policy, registered pledge on fixed assets purchased within the framework of investment with assignment of rights from insurance policy, declaration on undergoing an execution, Borrower's power of attorney to Bank account. According to the concluded agreements, the value of collaterals is PLN 21,673,744.71.

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
Bank Millennium S.A.	Zielona Góra	1 320	PLN	228	PLN	WIBOR 1M+0.95%	30.12.2012	Declaration on undergoing an execution, power of attorney to collect funds from Borrower's bank account, common mortgage in Iłowa with assignment of rights from insurance policy. According to the concluded agreements, the value of collaterals is PLN 1,500,000.00
Bank Millennium S.A.	Zielona Góra	722	PLN	115	PLN	WIBOR 1M+0.95%	30.12.2012	Declaration on undergoing an execution, power of attorney to collect cash from Borrower's bank account, registered pledge on glass block production line According to the concluded agreements, the value of collaterals is PLN 23,049,616.14. It is a collateral joint with credit for the amount of 16,5 million
Bank Millennium S.A.	Zielona Góra	2 020	PLN	349	PLN	WIBOR 1M+0.95%	30.12.2012	Declaration on undergoing an execution, power of attorney to collect funds from Borrower's bank account, alienation of fixed assets with assignment of rights from insurance policy, common mortgage in Żary with assignment of rights from insurance policy (temporary collateral), alienation of steam generator with assignment of rights from insurance policy, alienation of water glass production system with assignment of rights from insurance policy. According to the concluded agreements, the value of collaterals is PLN 2,717,658.59
BRE Bank SA	Zielona Góra	2 500	PLN	1 131	PLN	WIBOR O/N+ 0.60%	30.10.2008	Blank promissory note. According to the concluded agreements, the value of collaterals is PLN [translator's note: missing data].
BRE Bank SA	Zielona Góra	7 000	PLN	6 000	PLN	WIBOR 1M+0.60%	31.10.2008	Blank promissory note, registered pledge on inventories. According to the concluded agreements, the value of collaterals is PLN 3.5 million
BRE Bank SA	Zielona Góra	4 000	PLN	2 254	PLN	WIBOR 1M+1%	03.11.2009	Blank promissory note, common and bail mortgage in Czyżówek. According to the concluded agreements, the value of collaterals is PLN 3,168,836.45

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
BRE Bank SA	Zielona Góra	4 515	PLN	4 515	PLN	WIBOR 1M+1%	28.12.2012	Blank promissory note, common and bail mortgage in Czyżówek. According to the concluded agreements, the value of collaterals is PLN 5,193,000.00
Fortis Bank SA	Warsaw	9 000	PLN	7 500	PLN	WIBOR 1M+0.95%	27.12.2012	Total bail mortgage with the highest priority, with assignment of rights from insurance policy, registered pledge on machines and appliances purchased by borrower of this asset with assignment of rights from insurance policy, arrangement on subordination in relation to this credit by CIECH S.A. According to the concluded agreements, the value of collaterals is PLN 23,865,399.64
Fortis Bank SA	Warsaw	12 000	PLN	10 010	PLN	WIBOR 1M+0.60%	24.11.2008	Blank promissory note, assignment of receivables from contractors, Declaration on undergoing an execution According to the concluded agreements, the value of collaterals is PLN 59,300,000.00
Fortis Bank SA	Warsaw	950	PLN	254	PLN	WIBOR 1M+1%	05.02.2013	common and bail mortgage in Pobiedziska, transfer of receivables from insurance policy on real property, Borrower's declaration on undergoing an execution According to the concluded agreements, the value of collaterals is PLN 1,103,615.00
VITROSILICON S.A. in Total		96 236	PLN	41 587	PLN			
CIECH S.A.								
Bank PEKAO SA	Warszawa, ul. Towarowa 25A	33 126	EUR 8,000 + VAT	5 731	EUR 1600	EURIBOR 3M +bank margin	31.12.2009	Assignment of receivables from commercial contracts with the value of 125% of credit amount; Declaration on undergoing an execution; power of attorney for the bank to dispose of accounts
Bank PEKAO SA	Warszawa, ul. Towarowa 25A	216 000	PLN	22 205	PLN	WIBOR 3M+ bank margin	13.12.2014	Registered pledge on shares in Janikowskie Zakłady Sodowe JANIKOSODA S.A. with nominal

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
Bank Handlowy S.A.	Warszawa, ul. Senatorska 16	value of PLN 44,344 thousand.						
Bank Millennium S.A.	Warszawa, ul. Jerozolimskie 123a							
Bank Handlowy S.A.	Warszawa, ul. Senatorska 16	42 000	PLN	8 024	PLN	WIBOR 1M +bank margin	10.06.2008	Declaration on undergoing an execution up to PLN 42 million
BRE Bank SA	Warszawa, ul. Królewska 12	20 000	PLN	8 734	PLN	WIBOR 1M +bank margin	19.02.2008	Blank promissory note, not confirmed global assignment of receivables
Fortis Bank Polska S.A.	Warszawa, ul. Postępu 15	50 000	PLN	33 199	EUR 9242	WIBOR 1M +bank margin	20.06.2008	Blank promissory note, Declaration on undergoing an execution up to PLN 75 million
				50	PLN			
ING Bank Śląski S.A.	Warsaw, Plac Trzech Krzyży 10/14	30 000	PLN	16	PLN	WIBOR 1M +bank margin	automatically renewed every month	Blank promissory note, Declaration on undergoing an execution
				23 459	EUR 6 549			
DnB Nord S.A.	Warsaw, Kruczkowskiego 8	50 000	PLN	49 060	PLN	WIBOR 1M +bank margin	15.06.2008	Declaration on undergoing an execution up to PLN 75 million PLN
PEKAO S.A.	Warsaw, ul. Towarowa 25A	50 000	PLN	15 701	PLN	WIBOR 1M +bank margin	30.11.2008	Declaration on undergoing an execution up to PLN 75 million PLN
Bank Millennium S.A.	Warsaw, ul. Jerozolimskie 123a	30 000	PLN	8 945	PLN	WIBOR 1M +bank margin	19.03.2009	Unconfirmed assignment of contracts, power of attorney to accounts, Declaration on undergoing an execution
ING Bank Śląski S.A.	Warsaw, Plac Trzech Krzyży 10/14	14 328	EUR 4,000	5 659	EUR 1,580	EURIBOR 1M + bank margin	7.05.2008	Right to deduct unpaid amounts from current account

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
CIECH S.A. in Total		535 454		180 783				
ZACHEM Group								
PEKAO S.A. credit	Warsaw	123 503	EUR 33,514	20 782	EUR 5802	EURLIBOR 3M+2%	2008	Bail mortgage up to EUR 45 million on real property located in Bydgoszcz, ul. Wojska Polskiego 65, KW 63606; registered pledge on technological line extended as a result of investment with assignment of rights from insurance agreements of the entire technological line for TDI production (PLN 140.2 million); - assignment of transfer of receivables of 125% credit amount– transfer of receivables from CIECH S.A. due to Trade Operator Agreement as of 25 Oct. 2006; transfer of receivables agreement no. 2/2007 - Assignment of rights to damages arising from insurance agreements of assets allocated to KW 63606; - declaration of ZACHEM S.A. on voluntary undergoing of execution up to the amount of PLN 200,000,000.00; - powers of attorney ZACHEM S.A. to dispose of bank accounts maintained in the 1. Branch of Bank Polska Kasa Opieki S.A. in Bydgoszcz - letter of comfort issued by CIECH S.A. Blank bill guaranteed by Transclean Sp. z o.o. in Bydgoszcz, Petromechanika Sp. z o.o. in Płock, - transfer of receivables from: - ZACHEM Barwniki Sp. z o.o. - Pianpol Styła SJ (Agreement concerning transfer of receivables of 6 Oct. 2006) - ZACHEM Barwniki Sp. z o.o. * Pianpol Styła SJ
WIOŚ loans	Toruń	3 278	PLN	546	PLN	0.7 rediscount rate valid on the date of signing or on the first day of the year	2012	
ZACHEM Group in Total		126 781		21 328				
Transclean Sp. Z O.O.								

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
RAIFFEISEN BANK POLSKA	Warsaw, Branch in Bydgoszcz	1 236	PLN	218	PLN	WIBOR 1M + 1.15	30.06.2008	Collaterals: 1) Borrower grants an irrevocable power of attorney to Bank to balance all receivables and claims arising from the agreement, debit the Borrower's current account and other accounts. 2) Registered pledge on subjects of investment
PEKAO S.A.	Bydgoszcz Branch	900	PLN	280	PLN	WIBOR 1M + 1%	10.10.2010	Pledge on fixed assets being the subject of investment; promissory note; power of attorney to dispose of funds on bank accounts
Transclean Sp. z o.o. in Total		2 136	PLN	498	PLN			
Z.Ch. Organika- Sarzyna S.A.								
Bank PEKAO SA I O/Leżajsk	Leżajsk	10 000	PLN	8 202	PLN	WIBOR 1M+ bank margin	30.04.2008	Power of attorney to deduct credit due with interest, commissions and other costs incurred by the Bank in relation to granted credit from bank accounts maintained in 1. Branch of Bank PEKAO SA in Leżajsk
Bank Handlowy S.A w Warszawie O/Rzeszów	Rzeszów	15 000	PLN	7 264	PLN	WIBOR 1M+ bank margin	Rolled every 90 days, until 11 July 2008	Obligation to carry out inflows in the amount of 66% of credit use at the end of a given month through accounts in the Bank Handlowy every month
Bank Millennium SA O/Warszawa	Warsaw	10 000	PLN	3 985	PLN	WIBOR 1M+ bank margin	17.04.2008	Power of attorney to accounts maintained in Bank Millennium SA.; declaration on undergoing an execution up to 150% of financing
Z.Ch. Organika- Sarzyna S.A.		35 000	PLN	19 451	PLN			
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.								
ING	Ramnicu Valcea	32 241	EUR 9 million	32 241	EUR 9 million	EURIBOR 1M +0.35%	06.09.2008	Guarantee of CIECH S.A.
CitiBank	Sibiu	28 644	EUR 8 million	28 644	EUR 8 million	EURIBOR 1M +0.65%	11.12.2008	Guarantee of CIECH S.A.

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2007								
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.		60 885		60 885				
Soda Deutschland Ciech Group								
HSH Bank	Stassfurt	15 435	EUR 4,309	15 435	EUR 4309	EURIBOR 3M + bank margin		Pledge of fixed assets, inventories
BTV	Stassfurt	4 972	EUR 1,388	4 972	EUR 1388	EURIBOR 3M + bank margin	31.12.2010	No hedge
Eichorn Soda Deutschland Ciech Group, in Total	Stassfurt	1 046	EUR 292	1 046	EUR 292	EURIBOR 3M + bank margin	31.12.2010	No hedge
IN TOTAL		1 060 259		452 523				

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2006								
Alwernia S.A.								
BRE Bank SA	Warsaw	7000	PLN	6665	PLN	WIBOR+ bank margin	21.11.2007	Pledge on inventories in the amount of PLN 11 million, assignment of receivables, mortgage PLN 1,341 thousand on tangible fixed assets, blank bill; letter of comfort of CIECH S.A.
BRE Bank SA	Warsaw	5000	PLN	5000	PLN	WIBOR + bank margin		Blank bill, assignment of receivables, assignment of insurance policy; letter of comfort of CIECH S.A.
ING Bank Śląski	Katowice	10000	PLN	7335	PLN	WIBOR + bank margin		Pledge on inventories, assignment of receivables, assignment of insurance policy
Alwernia S.A. in Total		22000	PLN	19000	PLN			
Chemian S.A.								
Bank PEKAO SA	Warsaw	4 000	PLN	3 185	PLN	WIBOR 1M+ bank margin	31.07.2007	Blank promissory note guaranteed by CIECH S.A. up to PLN 4,000 thousand; power of attorney to bank account of CIECH S.A. in PEKAO S.A.
Kredyt Bank S.A.	Warsaw	4 100	PLN	2 657	PLN	WIBOR O/N + bank margin	31.08.2007	Blank promissory note guaranteed by CIECH S.A. up to PLN 3.75 million; Registered pledge on inventories of commercial goods located in the Distribution Centre in Poznań with assignment of insurance policy
Kredyt Bank S.A.	Warsaw	4 900	PLN	4 900	PLN	WIBOR O/N + bank margin	31.08.2007	Blank promissory note guaranteed by CIECH S.A. up to PLN 4.5 million; Registered pledge on inventories of commercial goods located in the warehouse in Warsaw, ul. Jagiellońska 3. declaration on undergoing an execution.
Chemian S.A. in Total		13 000	PLN	10 742	PLN			
GZNF FOSFOR Sp. z o.o.								

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2006								
ING Bank Śląski S.A.	Katowice	50 000	PLN	2 656	PLN	WIBOR 1M+ bank margin	31.12.2010	Assignment of Rights from Insurance Policies Agreement – PLN 5 million; Assignment of receivables– 80% assigned in the interest of Bank in compliance with the global assignment agreements; Registered pledge – 80% pledged inventories in compliance with Registered Pledge Agreement; Declaration of undergoing an execution up to PLN 60 million with executory formula until 2011 June
BRE Bank SA	Warsaw	10 000	PLN	8 749	PLN	WIBOR 1M+ bank margin	30.03.2007	Blank promissory note with promissory note declaration issued by GZNF Fosfory Sp. z o.o., Total bail mortgage up to PLN 11million on real properties in Gdańsk by the Kaszubski Canal and ul. Ku Ujściu –KW 97755, KW 67051, KW 60385 and in Gdańsk, ul. Kujawska 2 and Kujawska 5A, 6, 7 – KW 36 with assignment of rights from real property insurance policy, assignment of fixed assets alienation – worth PLN 16,959 thousand, Declaration of undergoing an execution up to PLN 11 million with executory formula until 20 March 2008
BRE Bank SA	Gdańsk	1 500	PLN	553	PLN	WIBOR 1M+ bank margin	29.06.2007	Blank promissory note availed by Fosfory with promissory note declaration; Assignment of receivables; Declaration of undergoing an execution up to PLN 2 million with executory formula until 30 Sept. 2009

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2006								
BRE Bank SA	Gdańsk	4 500	PLN	4 500	PLN	WIBOR 1M+ bank margin	29.06.2007	Common mortgage up to PLN 4.5 million; Total bail mortgage on real properties located in Czulchow, ul. Mickiewicza –KW 8881, KW 13592 in perpetual usufruct of Fosfory with ownership right to buildings and on real properties located in Głędowo – KW 9039 up to PLN 100 thousand; Blank promissory note availed by Fosfory with promissory note declaration; Assignment of receivables; Declaration of undergoing an execution up to PLN 5 million with executory formula until 29 June 2008
Bank Millennium	Warsaw	6 367	PLN	6 368	PLN	WIBOR 1M+ bank margin	20.12.2007	Blank promissory note with promissory note declaration up to the amount of PLN 15,918 thousand; irrevocable power of attorney to account; Bail mortgage up to the amount of PLN 3.4 million on real property located in Gdańsk, ul. Kujawska – KW 63657, KW 71229, KW 60410 with assignment of rights from real property insurance policy; bail mortgage up to PLN 4.1 million on real property in Gdańsk, ul. Ku Ujściu 45 – KW 40476 with assignment of rights from real property insurance policy. Declaration on undergoing an execution up to PLN 15,918 thousand with executory formula until 27 Apr. 2009

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2006								
PKO BP	Warsaw	5 000	PLN	4 946	PLN	WIBOR 1M+ bank margin	26.10.2007	Bail mortgage up to PLN 6.300, thousand on real property located in Gdańsk, ul. Kujawska 2, recorded in KW 36; Assignment of rights from insurance policy of the above real property at least to the amount of mortgage entry i.e. 6,300 thousand; Blank promissory note with promissory note declaration; Deduction from current account clause; Declaration of undergoing an execution up to PLN 10,000 thousand with executory formula until 29 Sept. 2008; Drawer's declaration of undergoing an execution up to PLN 10,000 thousand with executory formula until 29 Sept. 2008.
Nordea Bank Polska S.A.	Warsaw	5 000	PLN	4 974	PLN	WIBOR 1M+ bank margin	29.09.2007	Blank promissory note with promissory note declaration up to PLN 6 million. power of attorney to account; Bail mortgage up to PLN 6.000, thousand on real property located in Gdańsk, ul. Kujawska – KW 36 transfer of rights from insurance policy of the above real property; Declaration of undergoing an execution up to PLN 5 million with executory formula until 30 Sept. 2009
GZNF FOSFOR Sp. z o.o.		82 367	PLN	32 746	PLN			
JANIKOSODA S.A.								
PKO BP SA	Bydgoszcz	10 000	PLN	123	PLN	WIBOR 1M+ bank margin	07.08.2008	Clause concerning deductions of cash from bank account in the case of failure to repay all bank receivables, assignment of rights due to commercial agreements up to the level of PLN 50 million (vacuum salt).
Bank Polska Kasa Opieki S.A.	Warszawa, ul. Grzybowska 53/57	15 000	PLN	4 412	PLN	WIBOR 1M+ bank margin	31.12.2009	Borrower's declaration on undergoing an execution up to 150% of credit amount, power of attorney for borrower's bank account, assignment of receivables from borrower's clients in the amount equal to 150% of credit value.

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2006								
JANIKOSODA S.A. in total		25 000	PLN	4 535	PLN			
CIECH POLFA Sp. z o.o.								
BRE BANK SA Regional Branch in Warsaw	Warsaw	2 900	PLN	2 900	PLN	WIBOR 1M+ bank margin	14.02.2007	Inflow into account, Blank promissory note.
BRE BANK SA Regional Branch in Warsaw	Warsaw	1 100	PLN	1 100	PLN	WIBOR 1M+ bank margin	30.03.2007	Inflow into account, Blank promissory note.
BRE BANK SA Regional Branch in Warsaw	Warsaw	1 500	PLN	1 500	PLN	WIBOR 1M+ bank margin	6.03.2007	Inflow into account, Blank promissory note.
BRE BANK SA Regional Branch in Warsaw	Warsaw	2 000	PLN	-	PLN	WIBOR 1M+ bank margin	26.04.2007	Inflow into account, Blank promissory note.
CIECH POLFA Sp. z o.o. in total		7500	PLN	5500	PLN			
SODA MATWY S.A.								
CitiBank Handlowy	Bydgoszcz	40 000	PLN	9 375	PLN	WIBOR 3M+ bank margin	31.10.2007	Total common mortgage in the amount of PLN 40 million, total bail mortgage up to the amount of PLN 10 million, assignment of trade receivables in the amount of PLN 15 million, alienation of goods designated as for identities created as a result of project realization, with assignment of rights from insurance policy, declaration of support issued by CIECH S.A.
(SODA MATWY S.A. in total		40 000	PLN	9 375	PLN			
VITROSILICON S.A.								
BOŚ S.A.	Poznań	16 769	EUR 4036	2 233	EUR 583	WIBOR 1M+ bank margin	16.11.2009	Mortgage in Niechorze, transfer of receivables, blank bills, civil guarantee of Janikosoda S.A. in Janikowo.

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2006								
Bank Millennium S.A.	Zielona Góra	5 000	PLN	670	PLN	WIBOR 1M+ bank margin	27.12.2006	Blank promissory notes, registered pledge on inventories with assignment of rights from insurance policy, power of attorney to dispose of accounts in Bank Millennium, declaration on undergoing an execution.
Bank Millennium S.A.	Zielona Góra	3 200	PLN	800	PLN	WIBOR 3M+ bank margin	25.10.2007	Registered pledge on glass furnace in Żary, Blank promissory note, powers of attorney to dispose of accounts in Bank Millennium, declaration on undergoing an execution.
Bank Millennium S.A.	Zielona Góra	1 440	PLN	432	PLN	WIBOR 1M+ bank margin	03.06.2009	Alienation of LAROX water glass filter, peristaltic pump by LAROX, alienation of reactor for soda water glass production, alienation of machines and appliances, power of attorney to bank account in Bank Millennium, declaration on undergoing an execution.
Bank Millennium S.A.	Zielona Góra	16 500	PLN	2 538	PLN	WIBOR 1M+ bank margin	03.12.2012	Registered pledge on subject of credit, registered pledge on fixed assets, common mortgage in łłowa, power of attorney to bank account in Bank Millennium, declaration on undergoing an execution.
BOŚ S.A.	Poznań	3 500	PLN	786	PLN	Variable interest rate based on rediscount rate, no less than 3% APR	15.12.2010	Blank bill, powers of attorney to dispose of bank accounts in BOŚ S.A., registered pledge on warehouse inventories of finished products, assignment of receivables, common mortgage of Żary.
Fortis Bank SA	Warsaw	7 000	PLN	-	PLN	WIBOR 1M+ bank margin	06.12.2007	Blank promissory note.
BRE BANK SA	Zielona Góra	2 500	PLN	561	PLN	WIBOR 1M+ bank margin	30.10.2007	Blank promissory note.
BRE BANK SA	Zielona Góra	7 000	PLN	5 200	PLN	WIBOR 1M+ bank margin	31.10.2007	Blank promissory note, registered pledge on inventories.

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2006								
Fortis Bank SA	Warsaw	9 000	PLN	1 500	PLN	WIBOR 1M+ bank margin	27.12.2012	Total bail mortgage with the highest priority, with assignment of rights from insurance policy, registered pledge on machines and appliances purchased by borrower of this asset with assignment of rights from insurance policy, arrangement on subordination in relation to this credit by CIECH S.A.
Bank Millennium S.A.	Warszawa	9 000	PLN	1 500	PLN	WIBOR 1M+ bank margin	27.12.2012	Total bail mortgage with the highest priority with assignment of rights from insurance policy, registered pledge on fixed assets purchased within the framework of investment with assignment of rights from insurance policy, declaration on undergoing an execution, Borrower's power of attorney to Bank account.
BRE BANK SA	Zielona Góra	4 000	PLN	1 200	PLN	WIBOR 1M+ bank margin	03.11.2009	Blank bill, registered pledge on inventories, registered pledge on fixed assets.
Bank PEKAO SA	Warsaw	5 000	PLN	3 359	PLN	WIBOR 1M+ bank margin	30.11.2007	Declaration on undergoing an execution; power of attorney for borrower's bank account in PEKAO S.A., global transfer of receivables.
VITROSILICON S.A. in total		89 909	PLN	20 779	PLN			
CIECH S.A.								
Bank PEKAO SA	ul. Grzybowska 80/82	33 126	EUR 8,000	6 130	EUR 1,600	EURIBOR 3M +bank margin	31.12.2009	Assignment of receivables from commercial contracts with the value of PLN 123,238 thousand; Declaration on undergoing an execution; power of attorney for the bank to dispose of accounts
Bank PEKAO SA	ul. Grzybowska 80/82	216 000	PLN	22 676	PLN	WIBOR 3M+ bank margin	14.12.2014 gradually at the end of every quarter	Registered pledge on shares in Janikowskie Zakłady Sodowe JANIKOSODA S.A. with nominal value of PLN 40,349 thousand.
BRE BANK SA	ul. Królewska 12	20 000	PLN	11 093	PLN	WIBOR 1M+ bank margin	19.02.2007	Blank promissory note, not confirmed global assignment of receivables

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2006								
Fortis Bank Polska S.A.	ul. Postępu 15	30 000	PLN	28 184	PLN	WIBOR 1M+ bank margin	10.08.2007	Blank promissory note, Declaration on undergoing an execution
ING Bank Śląski S.A.	Warsaw, Plac Trzech Krzyży 10/14	30 000	PLN	29 613	PLN	WIBOR 1M+ bank margin	automatically renewed every month	Blank promissory note, Declaration on undergoing an execution
Bank Millennium S.A.	Al. Jerozolimskie 123a	30 000	PLN	24 448	PLN	WIBOR 1M+ bank margin	03.05.2007	Power of attorney to accounts, Declaration on undergoing an execution
Bank Handlowy S.A.	ul. Senatorska 16	35 000	PLN	26 328	PLN	WIBOR 1M+ bank margin	01.09.2007	Declaration on undergoing an execution up to PLN 42 million
CIECH S.A. in total		394 126		148 472				

ZACHEM S.A.

PEKAO S.A.	Warsaw	122 293	EUR 31 031	23 777	EUR 5839	EURIBOR 3M+ bank margin	2007	Deposit mortgage up to EUR 45 million on real property located in Bydgoszcz, ul. Wojska Polskiego 65, KW 63606; registered pledge on technological line extended in consequence of investments with assignment of rights from insurance agreements of the entire technological line for TDI production (PLN 140.2 million); assignment of rights to damages arising from insurance agreements of assets allocated to KW 63606; declaration of ZACHEM S.A. on voluntary undergoing of execution up to the amount of PLN 200 thousand; Assignment of receivables from commercial contracts: agreement no. 14/2006 transfer of receivables (CIECH S.A.); agreement no. 15/2006 transfer of receivables (BORGHI), agreement of receivable transfer no. 13/CKK/2006 (General Assignment); power of attorney of ZACHEM S.A. to dispose of bank accounts maintained in the 1. Branch of Bank Polska Kasa Opieki S.A. in Bydgoszcz.
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SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2006								
WIOŚ	Toruń	3 278	PLN	546	PLN	0.7 rediscount rate valid on the date of signing	2007	Blank bill guaranteed by Transclean Sp. z o.o. in Bydgoszcz, Petromechanika Sp. z o.o. in Płock, - transfer of receivables from: Zachem Barwniki Sp. z o. o and Pianpol Styła SJ
ZACHEM S.A. in total		125 571		24 323				
Przedsiębiorstwo Transportowo-Uslugowe TRANSCLEAN Sp. z o.o.								
RAIFFEISEN BANK POLSKA	Warsaw, Branch in Bydgoszczy	1 236	PLN	436	PLN	WIBOR 1M+ bank margin	31.12.2007	Borrower grants an irrevocable power of attorney to Bank to balance all receivables and claims arising from the agreement, debit the Borrower's current account and other accounts. Registered pledge on the subject of investment – vehicles co-financed from granted credit (3 truck tractors, 3 containers for transportation of chemicals and 3 chassis) with assignment of rights from AC insurance agreement. Borrower undertakes to carry out through its accounts in the Bank at least 50 % tradings arising from its business undertaking. Borrower undertakes to submit in the Bank the confirmation of Insurance Institution on acknowledging the assignment of rights from AC insurance agreement within 7 days from the date of signing the Agreement of assignment of rights from insurance agreement.

SHORT-TERM LIABILITIES DUE TO CREDITS AND LOANS

Entity's business name with indication of legal form	Registered office	Amount of credit/loans according to agreement		Amount of credit/loan remaining for repayment – long-term part		Terms of interest	Date of redemption	Collaterals
		in thousand PLN	currency	in thousand PLN	currency			
31.12.2006								
Bank Zachodni WBK S.A.	Warszawa, 2. Branch in Bydgoszcz	1 577	PLN	460	PLN	WIBOR 1M+ bank margin	31.12.2007	Inflows into o current account; inflows may not be assigned in the interest of other parties; Blank promissory note with promissory note declaration authorization to dispose of bank account maintained in BZ WBK; Authorization to dispose of bank account maintained in BZ WBK; Registered pledge on 3 trucks and 2 tank trailers; Assignment of rights from insurance policy of the above trucks and trailers; Alienation of 4 trucks and 3 tank trailers until a new registered pledge is established; Assignment of rights from insurance policy of the above trucks and trailers until a new registered pledge is established; Registered pledge on 2 trucks and 2 tank trailers.
Przedsiębiorstwo Transportowo- Usługowe TRASCLEAN Sp. z o.o. in total		2 813		896				
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.								
Indien England	Romania	40 451		40 451				Mortgage on assets
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.		40 451		40 451				
IN TOTAL		802 737		316 819				

SHORT-TERM LIABILITIES DUE TO ISSUED DEBT INSTRUMENTS

Debt financial instrument according to type	Nominal value in thousand PLN	Terms of interest	Redemption date
CIECH S.A.			
Bonds	970	WIBOR 3M + 1.45%	14.12.2012
CIECH S.A. in total	970		

The conditions of the transaction with related parties are presented in point 31.4 of the additional information and explanations to the annual consolidated statement. Trade liabilities are not subject to interest. In commercial contracts concluded by the Ciech Group, various deadlines for payment of trade receivables are applied, depending on the transaction type, market characteristics and commercial conditions. The most commonly applied payment dates are as follows: 14, 30, 60 and 90 days.

In thousand PLN

	31.12.2007	31.12.2006
a) in subsidiaries	9 052	2 801
other financial liabilities, including:	-	-
trade liabilities, with maturity date:	4 273	1 622
- up to 12 months	4 273	1 622
other (according to type)	4 779	1 179
- investment liabilities	4 773	1 179
- other	6	-
b) in co-affiliates	-	-
c) in related parties	3 637	8 670
other financial liabilities, including:	-	-
trade liabilities, with maturity date:	3 637	8 670
- up to 12 months	3 637	8 670
d) towards major investor	-	-
e) towards parent company	-	-
f) towards other entities	864 525	530 677
other financial liabilities, including:	6 321	8 920
- financial instrument liabilities	2 676	1 205
- financial lease liabilities	3 399	995
- factoring liabilities	-	5 683
- financial liabilities towards Municipal Office	-	908
- other	246	129
trade liabilities, with maturity date:	348 747	363 191
- up to 12 months	346 650	357 312
- over 12 months	26	-
- prepayments obtained for deliveries	2 071	5 614
- bill payables (payment in the form of bills of exchange)	-	265
other (according to type)	509 457	158 566
- licences and concessions	89	1 244
- environmental protection liabilities	14 022	8 484
financial lease liabilities	-	-
- investment liabilities	94 650	35 493
- customs and social insurances	35 472	36 371
- remuneration payables	11 906	14 164
- product fee	8 172	-
- dividend liabilities	16 098	852
- provision for leaves	5 836	7 228
- provision for employee bonuses	18 103	18 674
- liabilities for future deliveries	5 258	4 100
- deposits	1 129	335
- Other accruals	3 692	13 615
- deductions from payrolls	884	601
- employee liabilities	4 908	522
- tax- excise	2 789	10 363
- other taxes	-	-
- Subsidies	3 131	300
- liabilities towards former shareholders	27 105	-
- escrow liabilities	223 682	-
- put option liabilities	21 247	-
- other	11 284	6 220
g) Special funds	20	574
IN TOTAL	877 234	542 722

28. Off-balance sheet items

28.1.1 CIECH S.A.

Obligations of CIECH S.A. (domestic and foreign) submitted to the legal or arbitrary proceedings according to the status at the date of approving the statement for publication.

Claim of Petro Carbo Chem Aktiengesellschaft (PCC)

The subject of litigation brought by PCC AG in 2000 was a claim for the payment of compensation in the amount of PLN 21,364 thousand and EUR 14 thousand (equivalent of PLN 49 thousand) due to non-performance of the agreement concerning the assignment of shares in Petrochemia Blachownia S.A. promised in the preliminary contract of 9 July 1999. On 27 May 2003 the District Court in Warsaw passed a preliminary judgement acknowledging the claim of PCC AG as rightful as for the rule, and at the same time did not determine the amount of the compensation. On 19 September 2003 CIECH S.A. filed an appeal from the preliminary judgement, imputing that the preliminary judgement issued a wrong legal appraisal of the established actual circumstances and the fact of the infringement of right in rem stating that the parties' intention was to conclude the agreement. During the trial on 12 August 2004 the Court of Appeal upheld the appealed initial judgement of the District Court, i.e. it confirmed the legitimacy of the PCC claims without giving an opinion as for the amount of compensation, which would be the subject of the further proceedings. In November 2004 CIECH S.A. filed a cassation appeal raising an objection concerning the infringement of right in rem by its wrong interpretation and improper application and exceeding the rules of free consideration of evidence by the Court of Appeal which were incompliant with the EU directives. On 19 April 2005 CIECH S.A. receive a final decision of the Supreme Court dismissing the cassation appeal.

In consequence thereof, the case returned to the District Court, before which further proceedings on establishing the amount of compensation for PCC AG were pending. The plaintiff extended its claim for compensation by statutory interest due to lost dividend for 1999 and 2000.

On 10 November 2005 the District Court returned a verdict pursuant to which the claim of PCC was dismissed.

On 1 March 2006 an appeal against the District Court's decision was filed by PCC AG to the Court of Appeal in Warsaw petitioning for a change of the appealed verdict and sustaining the complaint in full. PCC AG demands an award of PLN 30,592 thousand and EUR 14 thousand (equivalent of PLN 49 thousand) for compensations due to lost dividends in 1999 and lost profits in relation to the growth of value of Petrochemia Blachownia S.A. Request for payment of penal interest was not lodged in the appeal.

On 18 April 2006 CIECH S.A. filed a reply to the appeal seeking its dismissal entirely and sustaining the current line of defence. On 8 February 2007 the trial was held before the Court of Appeal. The representatives of the parties held the current positions; upon hearing the parties, the Court closed the case.

On 22 February 2007 the Court of Appeal in Warsaw overruled the verdict of the District Court and handed the case for reinvestigation, leaving the District Court with decision on the costs of appeal procedure. The Court of Appeal indicated in its justification that the court of first instance should investigate the intention of the parties in the preliminary contract which put a record therein stating that in the case of the parties' failure to settle the dispute as for all significant condition of the agreement, CIECH S.A. shall be obliged only to return the prepayment paid in by PCC AG in the amount of PLN 500 thousand without interest within 30 days from the date of taking up the shares in Petrochemia Blachownia S.A. by CIECH S.A. Furthermore, the court of first instance should establish if the amounts for reparation of damages requested by the claimant remain in a normal casual nexus to with non-performance of the preliminary agreement. On 1 October 2007 the first trial before the District Court, CIECH S.A. revealed that the promised contract, the conclusion of which PCC requested in the action, includes significant elements contrary to the preliminary agreement and to the arrangements from fax correspondence exchanged between the parties upon the conclusion of the preliminary agreement. On 9 December 2007 during the next trial, two witnesses appointed by CIECH S.A. to establish the prerequisites and the scope of the application of the contract provision stipulating the return of prepayment, if the parties fail to reach the settlement as regards all significant contractual conditions, were heard. CIECH S.A. maintains that the content of the promised agreement presented by PCC AG in the legal action was different than the [content] established in the preliminary agreement. During the next trial in April 2008, the District Court examined if the plaintiff would have made the same profits as CIECH S.A., had it acquired the shares in Petrochemia Blachownia S.A. The witness appointed by CIECH S.A. gave the favourable evidence which proved that would not have happened, since only CIECH S.A. having receivables towards the former partner of Petrochemia Blachownia was able to negotiate the recovery of productive assets of that company and acquire other productive assets and real properties necessary for the operations of Petrochemia Blachownia and solve its environmental problems. The Court set the next term for July 2008. The case is pending.

Claim of Comexport

The subject of the claim lodged in September 2003 by Comexport (Brazil) to the Court of Arbitration at the International Chamber of Commerce in Paris were compensation claims due to the incomplete deliveries of Polish sulphur to Brazil in 1996-1999. The claim was addressed against CIECH S.A. and Sulphur Mines in Tarnobrzeg

and Grzybów. The value of the object of dispute was USD 3,873 thousand. (equivalent of PLN 8,639 thousand) and statutory interest according to the Polish law calculated from 16 September 2003, which according to the status at 31 March 2008 accounted for PLN 4,734 thousand. Furthermore, Comexport requested the refund of legal costs and lawyer fees in the amount of EUR 204 thousand. (equivalent of PLN 721 thousand).

The main receivable consisted of: Comexport's lost profits from the amounts stipulated by the agreement, but undelivered to Brazilian customers, losses due to extortionate freight costs, etc. In November 2003, CIECH S.A. filed a reply to the legal action, applying for dismissal of Comexport claims implying, *inter alia*, on the possession of force majeure certificate confirming the liquidation of sulphur mines and restructuring sulphur industry, defence of claim limitation, non-documenting compensation claims. The Court of Arbitration appointed one conciliator for the cognisance of the litigation. Upon the cognisance of the case, the conciliator established the schedule of further proceedings. Each of the parties submitted two detailed pleadings with evidence.

On 22 April 2005 the trial before the Court of Arbitration at the International Chamber of Commerce in Paris took place in which the representatives of Comexport and CIECH S.A. and their agents for litigation took part. The charged Sulphur Mines in Tarnobrzeg and Grzybów did not join the lawsuit pending in the arbitrary proceedings and did not appoint their representatives for the trial. CIECH S.A. appealed for the dismissal of Comexport legal action and refund of costs of proceedings at law, maintaining its current charges filed in pleadings and in the submitted documents. Comexport upheld the requests submitted in the suit. Upon closing the case, the arbitrary proceedings were finished.

On 27 October 2005, CIECH S.A. received the sentence adjudging from the three defendants, i.e. CIECH S.A. and Sulphur Mine in Grzybów and in Tarnobrzeg the amount of USD 2,474 thousand (equivalent of PLN 5,519 thousand) with interest of 5% from 17 September 2003, amounting as at 31 March 2008 to USD 562 thousand (equivalent of PLN 1,253 thousand) and USD 123 thousand (equivalent of PLN 274 thousand) due to costs of legal proceedings. The award accounts for the lost profit, which Comexport sued for.

On 18 November 2005, CIECH S.A. lodged in the Court of Appeal in Paris a motion of complaint for the dismissal of the judgement of the Court of Arbitration. On 22 March 2006 Ciech S.A submitted the complaint with the justification. The basis for lodging a complaint was the conciliator's breach of the principle of the correct conducting the arbitrary trial (principle of contradiction) by referring to the judgement of the Supreme Court in Poland of 1973 in the significant issue of the discontinuance of the statute of limitations, without prior enabling the parties to present their arguments on that matter. In the opinion of the law office representing CIECH S.A., the conciliator's judgement of 1973 was not applicable to the arbitrary proceeding. On 21 July 2006, Comexport responded to the complaint of CIECH S.A. and applied for its dismissal. On 15 May 2007, during the hearing before the Court of Appeal the legal representatives of the parties upheld their current arguments. On 15 June 2007 the Court of Appeal pronounced a verdict dismissing the complaint of CIECH S.A.

Currently CIECH S.A. decided to file a cassation appeal from the verdict of the Court of Appeal, upon obtaining a legal opinion concerning the legitimacy of lodging a petition for a cassation. A notice of cassation was filed to the Supreme Court in November 2007, whilst Ciech S.A. shall submit the substantial bases for the cassation in May 2008. The case is pending.

Claim of Enapharm

The subject of the claim lodged in June 2004 by the Receiver of Enapharm in Algeria is currently the amount of USD 173 thousand (equivalent of PLN 386 thousand) accounting for the compensation for the delivery of medications by Ciech S.A. in 1985-1991, which expired.

In the plaintiff's opinion, CIECH S.A. failed to replace the medications unsold by the customer, which expired– for the useful ones– to which it was contractually obliged. CIECH S.A. on the other hand states that it was exempt from that obligation, as the plaintiff failed to hand the receivables for the medications sold on the Algerian market; furthermore, CIECH S.A. raised an objection on the limitation of the Enapharm claims.

In June 2007 CIECH S.A. was served the expert opinion, which stated that the value of the complained medications increased to USD 372 thousand (equivalent of PLN 830 thousand).

The expert opinion was the subject of analysis from the part of CIECH S.A. in order to evaluate its credibility and compliance with the terms of sale agreement. Ciech contested to the establishment of the legal expert's report raising formal and essential objections concerning the fact that the value of medications, submitted by Enapharm on the date and in accordance with the terms of the contract, accounts only for approx. 10% of the value claimed by Enapharm. In November 2007 the Algerian court issued a favourable to Ciech S.A. decision, in which it had dismissed the expert's current report ascertaining the infringement of the provisions of the civil proceedings. At the same time, the Court ordered to conduct a new expertise and announced the appointment of a new expert.

The case is pending before the Algerian Court. CIECH S.A. is represented by a local lawyer, who is supervised by the renown law office in Paris. The case is pending.

Claim of the Office of Competition and Consumer Protection (UOKiK)

On 31 December 2007, the President of UOKiK started the antimonopoly proceedings against CIECH S.A., on the charge of abusing the dominating position on the national market of salt production and sale consisting in the prevention from the formation of the conditions necessary to create or develop competition by placing in

agreements the provisions obliging the buyer to trade food salt coming solely from the seller, i.e. CIECH S.A. and forbidding to purchase food salt from an entity other than the seller, which may infringe Article 9 section (1) regarding section 2(5) of the Act on Competition and Consumer Protection .

On 31 January and 14 March 2008 CIECH S.A. filed to the President of UOKiK first explanations in the case, dismissing the presented charge and appealing for the discontinuance of legal proceedings. CIECH S.A. maintains that in the subject case the abuse of the dominating position on the food salt market could not have taken place.

The mentioned proceedings are in the initial phase and are first antimonopoly proceedings pending against CIECH S.A.

Claim of Consolidated Oil Services

Consolidated Oil Services (COS) with the registered office in Warsaw proceeded against CIECH S.A. for payment of PLN 188 thousand for compensation due to refusal of payment (dishonour) of administrative fee between May 2004 – February 2006 stipulated in the Consortium agreement, concluded by the parties in 2003. The subject of the agreement was the cooperation on the infrastructure reconstruction in Iraq. CIECH S.A. terminated the Consortium agreement in January 2005 due to failure to achieve the contractual objective. The plaintiff (COS) claims that the CIECH S.A. termination was ineffective. The case is pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw. The case is pending.

Employee claims

Currently two employee litigations are held against CIECH S.A. filed by a former employee dismissed on the score of the working place. The subject matter of litigation is a claim for reemployment and compensation. The prognosis as for the result of the abovementioned litigations is favourable.

Provision in the amount of PLN 17,171 thousand was created in CIECH S.A. for the above liabilities.

CIECH S.A. receivables (domestic and foreign)

Receivables submitted to the legal or arbitrary proceedings

CIECH S.A. is carrying out seven active national civil cases for the refund of trade and other receivables in the amount of PLN 744 thousand. The forecast is favourable. The Company created a write-down in the full amount for that receivable.

Claims for bankruptcy proceedings

Claims in the total amount of PLN 9,694 thousand were allocated for the domestic bankruptcy proceedings (45 cases).

For foreign bankruptcy proceedings CIECH S.A. allocated claims in the amount of USD 690 thousand and EUR 425 thousand (in total the equivalent of PLN 3,037 thousand) whereof the largest position constitute the following bankruptcy proceedings:

- Chemapol – Prague (PLN 536 thousand),
- Euroftal N.V. Belgium (PLN 736 thousand),
- Petrimex – Bratislava (PLN 502 thousand),
- WMW – Novosibirsk (PLN 334 thousand).

The forecast as for the bankruptcy proceedings are unfavourable due to the fact that the CIECH S.A. claims are not preferential.

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

Claims for executory and conciliatory proceedings

In the domestic executory proceedings (26 cases), Ciech S.A. claims from its debtors PLN 9,263 thousand. Forecasts as regards those proceedings vary depending on the debtors' assets.

In foreign executory proceedings there is one case worth EUR 27,116 (equivalent of PLN 96 thousand).

The Company created write-down on those debts.

The following rates of exchange were adopted for the conversion of debts in foreign currencies:

USD: PLN 2.2305

EUR: PLN 3.5258

28.1.2 Subsidiaries

SODA MATWY Group

No claims, which might have a significant meaning to functioning of the SODA MATWY Group, were advanced against it. The claims vindicated by SODA MATWY S.A. and its subsidiaries in the bankruptcy, court and executory proceedings account for PLN 24,002 thousand, whereof the claims in the amount of PLN 21,814 thousand are the claims towards B. Lepiarz due to receivables for goods vindicated in the executory proceedings. According to the information of SODY MATWY S.A. the forecasts are unfavourable.

Pursuant to the agreement of undertaking transfer under Article 55¹ of civil code, court and administrative cases taken over by Soda Polska Ciech Sp. z o.o. from Janiksoda Group are included in the SODA MATWY Group.

No significant claims were advanced against Soda Polska Ciech Sp. z o.o which might affect its activity. Claims of Soda Polska Ciech Sp. z o.o vindicated in civil proceedings against several dozens of debtors in relation to the Company's commercial activity account for PLN 320 thousand. In the executory proceeding, claims in the amount of PLN 2,125 thousand are being vindicated; the largest part in the amount of PLN 2,102 thousand is the decision against B. Lepiarz. The amount of PLN 351 thousand is being vindicated in the bankruptcy proceeding. SODA MATWY Group created a write-down for all pending proceedings.

VITROSILICON S.A.

The company recorded no claims against it, which might affect its commercial activity. The company is vindicating trade receivables in the total amount of PLN 1,183 thousand, whereof the largest part are the executory proceedings in the amount of PLN 657 thousand and bankruptcy proceedings in the amount of PLN 474 thousand.

VITROSILICON S.A. created a write-down for all pending proceedings.

Alwernia S.A.

No claims were lodged against Alwernia S.A. which might affect its business activity. Alwernia S.A. is vindicating from its debtors the receivables for goods and compensations in the court and executory proceedings for the total amount of PLN 340 thousand. Receivable in the amount of PLN 1,115 thousand was lodged to the bankruptcy proceeding.

Alwernia S.A. created a write-down for all pending proceedings.

Chemana S.A.

No claims were lodged against Chemana S.A. which might affect its business activity. In court proceedings Chemana S.A. is vindicating claims due to the conducted commercial activity from several dozens of debtors for the total of PLN 4,189 thousand, whereof the amount of PLN 2,162 thousand is in the executory proceeding and the receivables for the amount of PLN 975 thousand were lodged to the bankruptcy and settlement proceedings.

Chemana S.A. created a write-down for all pending proceedings.

FOSFORY Group

No claims were lodged against the companies of the FOSFORY Group which might affect its business activity. In court, executory and bankruptcy proceedings, the FOSFORY Group is vindicating claims due to the conducted commercial activity from several dozens of debtors for the total of PLN 4,034 thousand, whereof the amount of PLN 2,978 constitutes the largest receivables lodged in bankruptcy and settlement proceedings.

The FOSFORY Group created a write-down for all of the above receivables.

CIECH POLFA Sp. z o.o.

No claims were lodged against the companies of the CIECH POLFA Sp. z o. o. which might affect its business activity. The company is vindicating from its debtors the claims for the total of USD 34 thousand (equivalent of PLN 76 thousand) due to receivables for goods.

The company created a write-down for all pending proceedings.

Z.Ch. Organika-Sarzyna S.A.

No claims were lodged against Z.Ch. Organika – Sarzyna S.A. which might affect its business activity

Z.Ch. Organika – Sarzyna S.A. is vindicating claims in the amount of PLN 3 805 thousand in court, bankruptcy, executory and settlement proceedings. The largest amount – PLN 2,609 thousand is being vindicated in bankruptcy and settlement proceedings. The amount of PLN 1,174 thousand is being vindicated in executory proceedings, and PLN 22 thousand constitute receivables for goods.

The company created a write-down for all pending proceedings.

ZACHEM Group

No claims were lodged against ZACHEM Group which might affect its business activity. The receivables of the ZACHEM Group are being vindicated in commercial, bankruptcy, executory and administrative proceedings from several dozens of debtors and account for the total of PLN 15,519 thousand, whereof the largest part in the amount of PLN 12,569 thousand constitute bankruptcy and settlement proceedings.

The company created a write-down for all pending proceedings.

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

No claims were lodged against S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. which might affect its business activity. Currently 8 commercial proceedings are pending against the Company for payment of RON 168 thousand (equivalent of PLN 159 thousand).

Furthermore, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. is vindicating the total of RON 45 thousand (equivalent of PLN 43 thousand) in receivables from various debtors in 7 commercial proceedings.

Adopted currency conversion: RON 1 = PLN 0.9456

28.2 Investment liabilities

CIECH S.A. also comprises the following tasks and responsibilities arising from the agreements concerning the purchase of shares in Z.Ch. Organika – Sarzyna S.A., ZACHEM S.A. and S.C. Uzinele Sodice Govora S.A.

Item	Title	Z.Ch. Organika- Sarzyna S.A.	ZACHEM S.A.
1	Investment liabilities	Realization of Guaranteed Investments in the Company for the total amount of PLN 130,000 thousand within 5 years from purchase date.	Realization of Guaranteed Investments in the total amount of PLN 176,120 thousand within 5 years from purchase date.
2	Contractual penalties due to non-performance of Guaranteed Investments	<p>Payment in the interest of the Seller of the penalty in the amount of 50% difference between amount due and realised amount of increases, performed in the Company within 5 years from purchase date.</p> <p>In the case of failure to fulfil the Restricting Condition⁽¹⁾ in the amount of:</p> <ul style="list-style-type: none"> ▪ at least 107% of fixed assets– CIECH S.A. shall be obliged to pay the penalty in the amount of PLN 150 thousand, ▪ at least 100%, but not more than 107% - CIECH S.A. shall be obliged to pay the penalty in the amount of 20% of difference between value equal to 110% of the Company's fixed assets, and the value of the Company's fixed capital at the end of a given reporting period, <p>If the value of the Company's fixed capitals is less than 100% of fixed assets, CIECH S.A. shall be obliged to pay the penalty in the following amount:</p> <ul style="list-style-type: none"> ▪ 100% of difference between the value of fixed capitals, and the value equal to 100% of the value of fixed assets at the end of a given reporting period, and ▪ 20% of difference between the value equal to 110% of the value of the Company's fixed assets at the end of a given reporting period, and the value of fixed assets at the end of financial year. 	<p>Payment in the interest of the Seller of the penalty in the amount of 50% difference between amount due and realised amount of increases, performed in the Company within 5 years from purchase date.</p> <p>In the case of non-performance of the Restricting Condition⁽¹⁾, CIECH S.A. shall pay the penalty in the amount of PLN 150 thousand for every full percentage point of difference between fixed capital ratio and fixed assets determined for a given reporting period, and the actual ratio. If that difference exceeds 10 percentage points, the penalty shall be PLN 500 thousand for every full percentage point over 10%.</p>
3	Contractual penalties, due to non-performance of obligations as for the maintenance of the Company's Core Business Activity.	Payment in the interest of the Seller of the penalty in the amount of 50% of revenues from sale of products and services of the Company for 2005, but not exceeding 50% of purchase price.	Payment in the interest of the Seller of the penalty in the amount of 50% of revenues from sale of products and services of the Company for 2005, but not exceeding 100% of purchase price.
4	Contractual penalties due to infringement of the prohibition to decrease the Company's share capital and redemption of shares.	Payment in the interest of the Seller of the penalty in the amount of 100%, by which share capital was decreased, or in the case of the redemption of shares– the amount of remuneration paid to Shareholders in relation to the redemption.	Payment in the interest of the Seller of the penalty in the amount of 100%, by which share capital was decreased, or in the case of the redemption of shares– the amount of remuneration paid to Shareholders in relation to the redemption.

Item	Title	Z.Ch. Organika- Sarzyna S.A.	ZACHEM S.A.
5	Contractual penalties due to infringement of the restriction of disposal of or encumbering shares.	Payment in the interest of the Seller of the penalty in the amount of 100% of the product of disposed or encumbered shares and share price.	Payment in the interest of the Seller of the penalty in the amount of 100% of the product of disposed or encumbered shares and share price.
6	Contractual penalties due to infringement of the prohibition of the Company's division or merger.	Payment in the interest of the Seller of the penalty in the amount of purchase price.	Payment in the interest of the Seller of the penalty in the amount of purchase price.
7	Contractual penalties due to infringement of the obligation to retain the profit in the Company.	Payment in the interest of the Seller of the penalty of 80% of the amount of dividend paid by the Company.	Payment in the interest of the Seller of the penalty in the amount of dividend paid by the Company, to Shareholders other than the Seller.
8	Liability for the infringement of the right of State Treasury as for the appointment of one person for the position of a member of the Company's Supervisory Board.	Payment in the interest of the Seller of the penalty of the amount constituting the product of PLN 30 thousand number of days, during which the Company's Articles of Association included no appropriate right of State Treasury.	Payment in the interest of the Seller of the penalty of the amount constituting the product of PLN 30 thousand number of days, during which the Company's Articles of Association included no appropriate right of State Treasury.
9	Liability for infringement of the responsibility to provide the Buyer with the Statement	Payment of penalty in the amount of: <ul style="list-style-type: none"> ■ PLN 1 thousand for each day of delay up to 14 days, ■ PLN 50 thousand for each day of delay up to 14 days. 	Payment of penalty in the amount of PLN 30 thousand for each day of delay.

1 Restricting Condition:

- a. In the case of ZACHEM S.A. – it means the obligation to maintain such structure of liabilities for the entire period of the realization of Guaranteed Investments i.e. from the purchase date to the date of submission of the Buyer's Final Statement by CIECH S.A. that in the respective dates set forth in the Agreement the ratio of the company's fixed capitals and fixed assets shall reach the amount set forth in the Agreement;
- b. In the case of Z.Ch. Organika- Sarzyna S.A. – it means the obligation to maintain such structure of liabilities for the entire period of the realization of Guaranteed Investments i.e. from the purchase date to the date of submission of the Buyer's Final Statement, which the value of the company's fixed capitals amounted to at least 110% of fixed assets.

Item	Content of the obligation from the agreement concerning the purchase of shares in S.C. Uzinele Sodice Govora S.A.	Penalty in the case of non-performance of obligation
1	Obligation to refrain from offering, supporting and deciding on the change of business activity described in the Articles of Association. There is a possibility to supplement business activity.	10% of price paid for shares
2	Obtaining at least 70% of annual sales from the company's activity being its subject on the date of signing the agreement	5% from unrealised difference in sales up to the percentage limit in the amount of 70%
3	Maintaining workplaces with the employed personnel for 5 years from the date of transfer of the ownership of shares	5% of price paid for shares
4	Refraining from making decisions on merger, division, liquidation, wind-up, voluntary liquidation, legal reorganization and/or declaring bankruptcy	10% of price paid for shares
5	Persuading USG, to not sell assets from the annex no. 1.12 without the written consent of AVAS	market value of sold assets
6	Protection, promotion and prohibition to sell trademarks, and service marks, patents and licences of USG	10% of price paid for shares
7	Notifying AVAS on changes of registered office, name, division or merger of Ciech S.A.	10% of price paid for shares
8	Prohibition of assignment all or part of acquired shares until the realization of all contractual obligations without seller's written consent	repudiation of the agreement

Item	Content of the obligation from the agreement concerning the purchase of shares in S.C. Uzinele Sodice Govora S.A.	Penalty in the case of non-performance of obligation
9	Necessity to obtain a written consent of AVAS for the assignment of privatisation agreement	repudiation of the agreement
10	Prohibition to use the acquired shares of USG to guarantee other own obligations until the realization of all contractual obligations	repudiation of the agreement

Furthermore, CIECH S.A. undertook to perform investment obligations from internal funds in the amount of USD 2.5 million and to provide free know-how as regards the production, technological methods (except for licences), marketing data, access to trade area, qualification and project (except for licences) methodologies, methodologies as for personnel department, information systems, economic and financial methodologies, etc., as they are not prohibited by legal provisions in force in Romania.

28.3 Guaranties and sureties and other off-balance sheet receivables and liabilities

The list below presents off-balance sheet items, including guaranties and sureties granted by the Ciech Group to other entities (outside the Ciech Group). The decryption of guaranties and sureties granted to related parties (within the framework of the Ciech Group) is in "Granted sureties and guaranties".

In thousand PLN

OFF-BALANCE SHEET RECEIVABLES AND LIABILITIES	31.12.2007	31.12.2006
1. Contingent receivables	-	-
- of received guaranties and sureties	-	-
- of other off-balance sheet receivables	-	-
2. Contingent liabilities	41 508	44 255
- of granted guaranties and sureties	40 082	41 566
- other off-balance sheet liabilities	1 426	2 689
3. Other	1 012	720
- other	1 012	720
Total off-balance sheet items	42 520	44 975

No contingent receivables were recorded in the Ciech group at 31 December 2007.

At 31 December 2007 the value of contingent liabilities was PLN 41,508 thousand, which translates in to a decrease by PLN 2,747 thousand as opposed to the status at 31 December 2006; it was caused mainly by a decrease of contingent liabilities due to granted guarantees and sureties by PLN 1,484 thousand and other contingent liabilities by PLN 1,263 thousand.

A decrease of contingent liabilities due to granted guarantees and sureties mainly stems from the lapse of surety granted by Z. Ch. Organika-Sarzyna S.A. for the amount of PLN 908 thousand, which constituted a credit guarantee for the City and Commune of Nowa Sarzyna as well as bill cancellation for the amount of PLN 372 thousand in Alwernia S.A. and expiry of guarantee for the amount of PLN 204 thousand issued by CIECH POLFA Sp. z o.o. for the National Insurance Health Fund (Sofia, Bulgaria).

A decrease of other off-balance sheet liabilities is related mainly to the redemption of all interest costs for the amount of PLN 647 thousand (created as a result of late regulation of liabilities) as a result of the agreement concluded between ZACHEM S.A., and the Kapuściska Water Law Company as well as due to bills allocated for discount in the amount of PLN 298 thousand in Alwernia S.A. At the same time, the status of other conditional liabilities increased as opposed to 31 December 2006 by PLN 457 thousand as a result of the inception of contingent liability due to administrative penalty imposed on SODA MAŹTWY S.A.

Guaranties and sureties granted between entities included by consolidation

Name of entity which was granted surety	Amount of credits guaranteed fully or in part		Period for which guarantee was granted	Financial conditions on which guarantees were granted, with reference to company's remuneration for granted guarantee	Entity, for whose liability the guarantee was granted	Character of affiliation between CIECH S.A. and the borrowing entity
	currency (in thousand)	in thousand PLN				
CIECH S.A.						
KREDYT BANK SA Branch in Sieradz		4 000	31.08.2008	Payment in the interest of CIECH S.A. in the amount of 1% of the guarantee value + PLN 3.5 thousand + PLN 2.5 thousand + PLN 62.5 thousand	Chemana S.A.	Subsidiary
KREDYT BANK SA Branch in Sieradz		4 000	31.08.2008	Payment in the interest of CIECH S.A. in the amount of 1% of the guarantee value + PLN 3.5 thousand + PLN 2.5 thousand	Chemana S.A.	Subsidiary
PKN ORLEN SA		1 200	sine die	Payment in the interest of CIECH S.A. in the amount of 1% of the guarantee	Chemana S.A.	Subsidiary
BANK PKO SA 1. Branch in Warsaw		4 000	31.07.2008	Payment in the interest of CIECH S.A. in the amount of 1% of the guarantee value (from PLN million) + PLN 10 thousand from increase + PLN 4 thousand. + PLN 5 thousand from extension	Chemana S.A.	Subsidiary
BANK PKO SA 1. Branch in Warsaw		500	31.07.2007		Chemana S.A.	Subsidiary
CIECH S.A. in total		13 700				
JANIKOSODA S.A.						
BOŚ Poznań	EUR 1 110	3 977	until 16.11.2009	No remuneration	VITROSILICON S.A.	Subsidiary
JANIKOSODA S.A. in total		3 977				
ZACHEM S.A.						
Bank PEKAO SA		18 160	until 30.07.2008	Not present	Kapuściska Water Law Company	None
Nordea Bank		18 160	until 30.07.2009	Not present	Kapuściska Water Law Company	None
ZACHEM S.A. in total		36 320				
Total amount of guaranteed credits		53 997				

Name of entity which was granted surety	Amount of loans guaranteed fully or in part		Period for which surety was granted	Financial conditions on which sureties were granted, with reference to company's remuneration for granted surety	Entity, for whose liability the surety was granted	Character of affiliation between CIECH S.A. and the borrowing entity
	currency (in thousand)	in thousand PLN				
ZACHEM S.A.						
Voivodeship Fund for Environmental Protection and Water Management Toruń		3 632	until 31.12.2011		Kapuściska Water Law Company	None
ZACHEM S.A. in total		3 632				
Total amount of guaranteed loans		3 632				

Name of entity which was granted guarantee	Total amount of granted own guarantees, guaranteed fully or in part		Period for which guarantees were granted	Financial conditions on which guarantees were granted, with reference to company's remuneration for granted guarantee	Entity, for whose liability the guarantee was granted	Character of affiliation between CIECH S.A. and the entity for which the guarantee was granted
	currency (in thousand)	in thousand PLN				
CIECH S.A.						
Citibank Romania S.A.	EUR 6,000	21 492	until 28.03.2008	Payment in the interest of CIECH S.A. in the amount of 0.5% of the guarantee	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – Romania	Subsidiary
ING Bank NV Amsterdam – Branch in Bucharest	EUR 9 000	32 238	until 12.09.2008	Payment of EUR 19,1 thousand – as a refund of guarantee costs incurred by CIECH S.A.	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 lease agreement concluded between S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. I ECS International Polska Sp. z o.o. of 10.07.2007	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
DORR-OLIVER EIMCO GERMANY GmbH	EUR 576	2 061	01.11.2008	L/C opened in PEKAO SA – guarantee of payment for bicarbonate filtration device	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	value of guarantee was estimated on the basis of half-year deliveries realised on the basis of the contract concluded by ZACHEM S.A. in 2004, which was annexed in October 2007. Value of annual deliveries was USD 77 million	ZACHEM S.A.	Subsidiary
IN TOTAL CIECH S.A.		159 568				

Name of entity which was granted guarantee	Total amount of granted own guarantees, guaranteed fully or in part		Period for which guarantees were granted	Financial conditions on which guarantees were granted, with reference to company's remuneration for granted guarantee	Entity, for whose liability the guarantee was granted	Character of affiliation between CIECH S.A. and the entity for which the guarantee was granted
	currency (in thousand)	in thousand PLN				
JANIKOSODA S.A.						
Zdzieszowice Coke Plant		775	until 31.12.2007	Guarantee of the payment of receivable		
IN TOTAL JANIKOSODA S.A.		775				
Total amount of granted guarantees		160 343				

The above items do not include the value of cases of external suits described in note 28.1.1 and 28.1.2 (off-balance sheet items) of the additional information and explanations to the annual consolidated statement.

29. Financial lease

On the basis of financial lease agreements, the Ciech Group uses tangible fixed assets (mainly vehicles and various machines and equipment). There is an option to renew the lease agreement, which may take place on the basis of the current, estimated market value of the subject of lease and defined conditions concerning the buy-out of leased fixed assets.

In 2007 the balance sheet value of leased fixed assets was PLN 16,508 thousand.

Lease agreements do not include restrictions as for dividend, additional indebtedness or additional lease agreements.

Future minimum lease fees due to those agreements and the current value of minimum lease fees are presented as follows:

in thousand PLN

FINANCIAL LEASE LIABILITIES 31.12.2007	Payment	Interest	Capital
- from	4 130	731	3 399
1 to 5 years	11 352	1 248	10 104
over 5 years	23	-	23
IN TOTAL	15 505	1 979	13 526

FINANCIAL LEASE LIABILITIES 31.12.2006	Payment	Interest	Capital
- from	1 120	125	995
1 to 5 years	1 283	64	1 219
over 5 years	-	-	-
IN TOTAL	2 403	189	2 214

No sublease agreements are present in the Ciech Group. None of the companies of the Ciech Group is a lessor.

30. Operating lease

The right of perpetual usufruct of lands obtained by administrative allocation, as well as tangible fixed assets of low value constitute the subject of the operating lease in the Ciech Group in accordance with the adopted accounting principles. Operating lease is renewable, giving the possibility to redeem the assets according to the estimated market value at the end of application life. The companies are not obliged to redeem the leased assets. No conditions of renewing the agreement or purchase the subject of lease were determined in administrative decisions regarding the right of perpetual usufruct of lands. Price indexing may take place in relation to land revaluation.

Total amounts of the future minimum lease fees are presented in the table below:

in thousand PLN

	31.12.2007	31.12.2006
- from	4 361	3 066
- 1 to 5 years	13 287	12 215
- over 5 years	107 690	70 581
IN TOTAL	125 338	85 862

No sublease agreements are present in the Ciech Group. None of the companies of the Ciech Group is a lessor.

31. Information on related entities

31.1 List of companies included in the Group's consolidated statement

The annual consolidated financial statement includes financial statements of the following companies/ lower-grade groups.

Business name	Registered office	At 31.12.2007 (total direct and indirect share)	At 31.12.2006 (total direct and indirect share)
SODA MAŁY Group			
Inowrocławskie Zakłady Chemiczne SODA MAŁY S.A.	Inowrocław	99.85%	99.77%
Soda Polska CIECH Sp. z o.o.	Warsaw	99.74%	-
TRANSODA Sp. z o.o.	Inowrocław	99.74%	99.59%
Elektrociepłownia Kujawskie Sp. z o.o.	Inowrocław	99.74%	99.52%
Polskie Towarzystwo Ubezpieczeń S.A.	Warsaw	45.29%	45.19%
JANIKOSODA Group			
Janikowskie Zakłady Sodowe JANIKOSODA S.A.	Janikowo	99.62%	99.26%
Polskie Towarzystwo Ubezpieczeń S.A.	Warsaw	45.29%	45.19%
Grupa FOSFORY Group			
Gdańskie Zakłady Nawozów Fosforowych FOSFORY Sp. z o.o.	Gdańsk	89.03%	89.03%
AGROCHEM Sp. z o.o. – in Dobrze Miasto	Dobrze Miasto	89.03%	89.03%
AGROCHEM Sp. z o.o. – in Człuchów	Człuchów	89.03%	89.03%
ZACHEM Group			
Zakłady Chemiczne ZACHEM S.A.	Bydgoszcz	80.00%	-
ZACHEM UCR Sp. z o.o.	Bydgoszcz	80.00%	-
ZACHEM Barwniki Sp. z o.o.	Bydgoszcz	73.33%	-
Soda Deutschland Ciech Group			
Soda Deutschland Ciech	Stassfurt, Germany	90.00%	-

Business name	Registered office	At 31.12.2007 (total direct and indirect share)	At 31.12.2006 (total direct and indirect share)
<i>Sodawerk Holding Stassfurt GmbH</i>	Stassfurt, Germany	90.00%	-
<i>Sodawerk Stassfurt Verwaltungs GmbH</i>	Stassfurt, Germany	90.00%	-
<i>Sodawerk Stassfurt GmbH&Co.KG</i>	Stassfurt, Germany	90.00%	-
<i>KWG GmbH</i>	Stassfurt, Germany	90.00%	-
Z. Ch. Organika- Sarzyna S.A.	Nowa Sarzyna	80.00%	80.00%
CIECH POLFA Sp. z o.o.	Warsaw	100.00%	100.00%
Grupa CIECH FINANCE			
CIECH FINANCE Sp. z o.o.	Warsaw	100.00%	100.00%
Przedsiębiorstwo Chemiczne Cheman S.A.	Warsaw	100.00%	100.00%
ALWERNIA Group			
Z.Ch. Alwernia S.A.	Alwernia	73.75%	73.75%
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Romania	92.91%	93.14%
POLSIN PRIVATE LIMITED	Singapur	82.45%	65.00%
DALTRADE PLC.	Great Britain	61.20%	61.20%
VITROSILICON S.A.	Itowa	99.94%	99.81%
Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.	Bydgoszcz	90.00%	90.00%

In 2007 and in the comparable period, there were no restrictions of the capabilities of the subsidiaries as for the assignment of funds to the parent company - CIECH S.A. in the form of dividend or loan repayments in the Ciech Group.

31.2 Scope of core business of the companies of the Ciech Group

Scope of core business of the subsidiaries is presented below.

Lower-grade groups consolidated by full method:

- **SODA MĄTWY Group**
 - production of non-organic chemicals,
 - wholesale of chemical products,
 - production and distribution of electric energy,
 - transport services regarding transit of goods.
- **FOSFORY Group**
 - production of artificial fertilizers and nitrate compounds,
 - production of other non-organic chemicals,
 - production of other organic chemicals,
 - manufacture of refined petroleum products,
 - production of plastics,
 - wholesale of grain, seeds and animal feeds,
 - transshipment services on the basis of own handling and storage terminal.
- **JANIKOSODA Group**
 - salt production,
 - manufacture of technical gases,
 - production of non-organic chemicals,
 - manufacture of other chemical products, not elsewhere classified.
- **ZACHEM Group**
 - production of other organic chemicals,
 - manufacture and sale of plastic products,
 - manufacture of boards, sheets, pipes and plastic fittings,

- manufacture of dyes and pigments,
- installing, repair, and maintenance of general machinery, not elsewhere classified.
- **Soda Deutschland Ciech Group**
 - production of non-organic chemicals,
 - wholesale of chemical products,
 - production and distribution of electric energy,
- **CIECH FINANCE Group**
- **CIECH FINANCE Sp. z o.o.**
 - managing divestment projects regarding redundant fixed assets (real properties) and financial assets (capital company shares).
- **Przedsiębiorstwo Chemiczne Cheman S.A.**
 - wholesale and distribution of basic inorganic and organic chemicals,
 - wholesale and distribution of raw materials for household chemistry,
 - wholesale and distribution of raw materials for cosmetics and pharmaceuticals,
 - wholesale and distribution of fillers, pigments, raw materials for paints and varnishes,
 - wholesale and distribution of additives for feeds,
 - wholesale and distribution of acids, bases and other liquid chemicals.

Companies consolidated by full method:

- **Alwernia Chemical Company S.A.**
 - production of non-organic chemicals,
 - manufacture of dyes and pigments,
 - production of other basic non-organic chemicals,
 - production of artificial fertilizers and nitrate compounds,
 - manufacture of gypsum,
 - heat manufacture (steam and hot water).
- **VITROSILICON S.A.**
 - production of non-organic chemicals,
 - manufacture of domestic and technical glassware,
 - manufacture of plastic packing goods,
 - manufacture of other plastic products.
- **CIECH POLFA Sp. z o.o.**
 - wholesale of pharmaceutical products,
 - wholesale of chemical products,
 - wholesale of perfumes and cosmetics,
 - sale of medical and orthopaedic appliances.
- **Z.Ch. Organika-Sarzyna S.A.**
 - production of plastics,
 - manufacture of pesticides and other plant protection chemicals.
- **S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.**
 - production of other basic non-organic chemicals,
 - wholesale of chemical products,
- **POLSIN PRIVATE LIMITED**
 - multiple wholesale and sale on Far Eastern markets.
- **DALTRADE PLC**
 - distribution and wholesale of chemicals on the British market.
- **Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.**
 - international transportation of liquid chemicals,
 - washing stand for car and rail-car tanks.

31.3 Basic data of subsidiaries not included in consolidation

The list below presents subsidiaries not included in consolidation by full method:

Business name	Registered office	As 31.12.2007 (total direct and indirect share)	At 31.12.2006 (total direct and indirect share)
Chemia.Com S.A.	Warsaw	100.00%	100.00%
Polcommerce Handel- und Vertretungsgesellschaft m.b.H., Austria	Austria	100.00%	100.00%
CIECH SERVICE Sp. z o.o.	Warsaw	100.00%	100.00%
BORUTA-KOLOR Sp. z o. o	Zgierz	100.00%	100.00%
Nordiska Unipol Aktienbolag	Sweden	97.78%	97.78%
Ciech Amercia Latina LTDA	Brazil	99.99%	-
CHEMIEPETROL Aussenhandelsgesellschaft mit beschränkter Haftung in liquidation	Germany	60.00%	60.00%
DANSKE UNIPOL A/S	Denmark	55.00%	55.00%
CIECH POLFA Group			
Polcommerce Kft., Hungary	Hungary	100.00%	100.00%
SODA MAŁY Group			
SODA-MED. Sp. z o.o.	Janikowo	99.74%	99.57%
ALWERNIA Group			
ALWERNIA-FOSFORANY Sp. z o.o.*	Alwernia	73.75%	73.75%
SOC-AL Sp. z o.o.	Alwernia	69.88%	69.88%
Soda Deutschland Ciech Group			
Sodachem GmbH	Germany	90%	-
KPG Kavern-Projekt-Beteiligungsgesellschaft mbH	Germany	90%	-
ORGANIKA SARZYNA Group			
Pilot plant of ORGANIKA Sp. z o.o.	Nowa Sarzyna	51.00%	-

*entity does not conduct the activity

The list below presents basic financial data of the subsidiaries not included in consolidation. Selected financial data of affiliates is presented in point 15 of the additional information and explanations to the annual consolidated statement. On the selection of entities for consolidation the Management Board of the parent company applied the significance criterion (according to the IFRS concept assumptions) of their financial data for the realization of the obligation of a true and reliable image of the asset and financial position and financial result of the Group. It was assumed that the entities whose balance sheet value and net sales and operating activity revenues are not significant in relation to the analogical values of the parent company, and their total data lower than 5% of the respective total values (of all subsidiaries in the Ciech Group) is insignificant for the realization of the obligation arising from the application of these standards. The table below presents the list of the companies which according to the above were not included in consolidation:

Entities not included in consolidation	Shares of CIECH S.A. in company (direct+indirect)	Net sales revenues from sale of goods and products and financial operations in thousand PLN	Net profit / loss in thousand PLN	Balance sheet amount of a given entity/Group** in thousand PLN	% of revenues in CIECH S.A.	%Balance sheet amount of CIECH S.A.	level of dependency from CIECH S. A.
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Entities not included in consolidation	Shares of CIECH S.A. in company (direct+indirect)	Net sales revenues from sale of goods and products and financial operations in thousand PLN	Net profit / loss in thousand PLN	Balance sheet amount of a given entity/Group** in thousand PLN	% of revenues in CIECH S.A.	%Balance sheet amount of CIECH S.A.	level of dependency from CIECH S. A.
Chemia.com S.A.	100.00%	19 408	293	9 148	0.93%	0.49%	Subsidiary
Polcommerce Handel- und Vertretungsgesellschaft m.b.H., Austria	100.00%	39 587	6	6 240	1.89%	0.34%	Subsidiary
CIECH SERVICE Sp. z o.o.	100.00%	5 599	43	1 423	0.27%	0.08%	Subsidiary
BORUTA-KOLOR Sp. z o.o.	100.00%	13 748	1 158	18 361	0.66%	0.99%	Subsidiary
Nordiska Unipol Aktienbolag	97.78%	17 966	243	6 201	0.86%	0.33%	Subsidiary
Ciech Amercia Latina LTDA	99.99%	-	-	971	0.00%	0.05%	Subsidiary
CHEMIEPETROL Aussenhandelsgesellschaft mit beschränkter Haftung w likwidacji	60.00%	32 719	1 500	5 027	1.56%	0.27%	Subsidiary
DANSKE UNIPOL A/S	55.00%	24 342	408	4 416	1.16%	0.24%	Subsidiary
CIECH POLFA Group							
Polcommerce Kft., Hungary	100.00%	2 329	(280)	944	0.11%	0.05%	Indirect Subsidiary
SODA MAŁY Group							
SODA-MED. Sp. z o.o.	99.74%	1 009	6	2 902	0.05%	0.16%	Indirect Subsidiary
ALWERNIA Group							
ALWERNIA-FOSFORANY Sp. z o.o.*	73.75%	-	-	50	0.00%	0.00%	Indirect Subsidiary
SOC-AL. Sp. z o.o.	69.88%	2 035	27	1 628	0.10%	0.09%	Indirect Subsidiary
Soda Deutschland Ciech Group							
SodaChem GmbH	90%	-	-	1 641	0.00%	0.09%	Indirect Subsidiary
KPG Kavern-Projekt-Beteiligungsgesellschaft mbH	90%	-	-	745	0.00%	0.04%	Indirect Subsidiary
ORGANIKA SARZYNA Group							
Z.D. ORGANIKA Sp. z o.o.	51.00%	3 041	31	2 300	0.15%	0.12%	Indirect Subsidiary
<i>*entity does not conduct the activity</i>							
<i>in thousand PLN</i>							
Total value				Ciech Group (without exclusions)			% of share
of balance sheet amounts				61 997		6 386 373	0.97%
of net sales revenues from sale of goods and products and financial operations				161 783		5 736 278	2.82%

According to IAS 24 "Related Party Disclosures", other entities related to the State Treasury were also accounted for the entities related to CIECH S.A., as the company controlled by the State Treasury.

CIECH S.A. additionally holds shares of the entities whose control was restricted or lost:

- Calanda Polska Sp. z o.o.- company in liquidation, 95.70% of shares held directly by CIECH S.A., the company was not shown in the table above due to no data.
- ZAO-Polfa Ciech, Russia – company in bankruptcy, 65.00 % shares/votes held directly by CIECH S.A.
- Polsin-Karbid Sp. z o.o. – company in bankruptcy, 22.76% of total shares/votes held by CIECH S.A., (direct+indirect) shares/votes through CIECH S.A. and POLSIN PRIVATE LIMITED
- K.Foster&Son Ltd. – loss of control, 46.51%, indirect shares/votes held by CIECH S.A. through DALTRADE PLC
- Polfa Nigeria – loss of control, no contact with the company, 20% of direct share held by CIECH S.A.
- Zach-Ciech Sp. z o.o.- 35.65% of direct shares/votes held by CIECH S.A. , on 24 Jan. 2006 the District Court in Katowice declared the Company's bankruptcy
- MIREX Sp. z o.o. Catering and Hotel Company – company in liquidation, 27% indirect shares/votes held by CIECH S.A. through ZACHEM S.A.
- Polsin Overseas Shipping Ltd. is also an affiliate of CIECH S.A. the Company did not submit financial data for 2007.

31.4 Total amounts of transactions with related parties

The following table presents the total amounts of transactions with related parties for periods presented in the statement:

31.12.2007	Revenues from sales of products and services	Revenues from sales of goods	Other operating revenues	Purchase of products and services	Purchase of goods	Other operating costs	Revenues/Financial costs	Receivables, granted loans, etc.	Write-downs of receivables, including:	Created in the current reporting period	Liabilities, received loans, etc.
CIECH S.A.	1 354 380	242	5 000	17 627	278 272	865	(24 528)	270 655	-	-	541 379
JANIKOSODA S.A.	113 950	774	-	300 724	-	-	2 916	5 231	-	-	-
Chemana S.A.	1 610	23 954	476	10	1 725	5 000	(6 138)	5 256	4	-	282
VITROSILICON S.A.	931	19 611	-	40 379	-	-	1 146	10 253	-	-	5 609
Alwernia S.A.	2 228	66 920	-	36 043	414	1	(11 705)	5 634	-	-	3 629
POLSIN PRIVATE LIMITED	122	25 894	-	263	-	173	(798)	150	-	-	93
GZNF FOSFORNY Sp.z o.o	3 382	82 745	1	28 417	464	-	984	3 057	-	-	2 090
SODA MATWY S.A.	12 947	677	5	479 439	2 955	-	6 878	2 670	-	-	146 976
DALTRADE PLC	54	16 098	-	-	-	-	(268)	723	-	-	-
CIECH POLFA Sp.z o.o	985	-	536	288	-	-	-	170	-	-	-
Przedsiębiorstwo Transportowo – Usługowe TRANSCLEAN Sp.z o.o	133	-	-	11 772	-	-	-	11	-	-	2 371
BORUTA-KOLOR Sp. z o. o	153	90	-	28	-	-	7 567	15	-	-	3
CHEMIEPETROL Aussenhandelsgesellschaft mit beschränkter Haftung	-	118	-	159	-	-	1 033	-	-	-	9
InChem Sp. z o.o.	-	-	-	-	-	-	-	-	-	-	-
CIECH SERVICE Sp. z o.o.	22	-	132	3 902	-	-	3	3	-	-	387
DANSKE UNIPOL A/S	-	5 041	-	63	-	-	(119)	481	-	-	15
Nordiska Unipol Aktienbolag	-	15 395	-	745	-	-	(467)	4 488	-	-	208
Polcommerce Handel- und Vertretungsgesellschaft m.b.H., Austria	-	10 635	-	176	-	-	(101)	1 114	-	-	58
Polcommerce Kft.	-	-	-	46	-	-	-	3	-	-	-
Chemia.Com S.A.	52	-	291	6 188	437	-	1 010	8	-	-	5 340
ALWERNIA-FOSFORANY Sp. z. o.o.	-	-	-	-	-	-	-	-	-	-	-
SOC-AL. Sp. z. o.o.	60	-	31	1 003	-	-	-	8	-	-	72
SODA-MED. Sp. z o.o.	25	1	-	717	-	-	-	8	-	-	68

31.12.2007	Revenues from sales of products and services	Revenues from sales of goods	Other operating revenues	Purchase of products and services	Purchase of goods	Other operating costs	Revenues/ Financial costs	Receivables, granted loans, etc.	Write-downs of receivables, including:	Created in the current reporting period	Liabilities, received loans, etc.
Suomen Unipol Oy	-	30 437	-	1 421	-	-	(1 020)	3 168	-	-	324
ZACHEM S.A.	11 876	6 443	-	594 467	-	-	4 175	45 091	-	-	86
Z.Ch. Organika – Sarzyna S.A.	6 743	32 088	-	1 938	207	-	4 356	657	-	-	97 260
S.C. Uzinele Sodice Govora S.A.	2 821	8 591	-	791	-	-	(5 530)	130 357	15	15	21 343
Z D ORGANIKA Sp. z o.o.	165	-	-	864	65	-	-	18	-	-	18
Z. Ch. Silikony Polskie Sp. z o.o.	915	1	-	-	1	-	-	105	-	-	-
K. B. O. Ś. Sp. z o.o.	457	-	-	1 987	-	-	-	50	-	-	136
Z. R. B. Organika Sp. z o.o.	185	-	-	1 919	-	-	-	80	-	-	367
Z.U.P. Gumokor-Organika Sp. z o.o.	89	-	-	641	-	-	-	8	-	-	90
Z.P.U. Organika-Projekt Sp. z o.o.	28	-	-	345	-	-	-	3	-	-	64
Z.U.P. Drewrem-Organika Sp. z o.o.	206	-	-	285	-	-	-	18	-	-	82
Z.U.E. El-Chem Sp. z o.o.	116	-	-	4 179	-	-	-	16	-	-	708
Z. U. E. Wod-Rem Sp. z o.o.	153	-	-	5 431	-	-	-	20	-	-	800
NS Automatyka P.P.H-U Sp. z o.o.	312	-	-	6 600	-	-	-	27	-	-	607
Budpur Sp. z o.o.	31	-	-	-	-	-	-	3	-	-	-
Przedsiębiorstwo Cargo Sp. z o.o.	-	-	-	-	-	-	-	-	-	-	-
Natural Chemical Products Sp. Z o.o.	552	6 773	-	-	-	-	16	2 037	1	1	-
Przedsiębiorstwo Transportowo Spedycyjne TRANSCHEM	334	-	-	875	-	-	-	17	-	-	459
Bydgoski Park Przemysłowy Sp. z o.o.	-	-	-	-	-	-	-	-	-	-	-
Metalpur Sp. z o.o.	234	-	-	-	-	-	-	38	-	-	-
Govcrest International SRL	-	-	-	5 861	-	-	-	-	-	-	288
CIECH FINANCE Sp. z. o.o.	5	-	21	9	-	-	8	207	-	-	-
Jantrans – Janikowo Sp. z o.o.(only transactions for 1. quarter 2006)	-	-	-	-	-	-	-	-	-	-	-
Soda Deutschland Ciech	-	-	-	-	-	-	-	340 996	-	-	-

31.12.2006	Revenues from sales of products and services	Revenues from sales of goods	Other operating revenues	Purchase of products and services	Purchase of goods	Other operating costs	Revenues/Financial costs	Receivables, granted loans, etc.	Write-downs of receivables, including:	Created in the current reporting period	Liabilities, received loans, etc.
CIECH S.A.	724 711	110	341	8 579	200 622	561	(1 238)	175 013	-	-	175 013
JANIKOSODA S.A.	124 612	622	-	335 860	9	5	11 219	9 841	-	-	9 841
Chemana S.A.	2 839	27 904	268	-	1 696	341	(4 237)	13 175	-	1	13 175
VITROSILICON S.A.	748	18 342	-	39 626	-	-	254	10 194	-	-	10 194
Alwernia S.A.	1 714	58 411	-	35 976	208	800	(1 737)	19 344	-	-	19 344
POLSIN PRIVATE LIMITED	227	16 390	-	-	340	-	236	425	-	-	425
GZNF FOSFORNY Sp.z o.o	1 109	60 406	-	10 027	1	-	1 423	123	-	-	123
SODA MATWY S.A.	13 780	1 540	805	440 091	1 091	-	6 985	2 610	-	-	2 610
DALTRADE PLC	158	19 961	-	-	-	-	652	536	-	-	-
CIECH POLFA Sp.z o.o	768	281	293	507	-	-	775	236	-	-	536
Przedsiębiorstwo Transportowo – Usługowe TRANSCLEAN Sp.z o.o	-	-	-	-	-	-	-	11	-	-	236
BORUTA-KOLOR Sp. z o. o	168	114	-	28	-	-	-	8	-	-	3
CHEMIEPETROL Aussenhandelsgesellschaft mit beschränkter Haftung	-	-	-	-	618	-	505	-	-	-	9
InChem Sp. z o.o.	2	-	-	-	-	-	-	2	-	-	-
CIECH SERVICE Sp. z o.o.	21	-	-	3 171	-	-	24	6	-	-	387
DANSKE UNIPOL A/S	8	12 975	-	24	-	-	213	1 756	-	-	15
Nordiska Unipol Aktienbolag	-	29 044	-	676	-	-	-	4 600	240	-	208
Polcommerce Handel- und Vertretungsgesellschaft m.b.H., Austria	15	12 411	-	140	-	-	193	1 522	-	-	58
Polcommerce Kft.	-	-	-	72	-	-	-	-	-	-	-
Chemia.Com S.A.	27	-	-	2 164	-	-	-	28	-	-	5 340
ALWERNIA-FOSFORANY Sp. z o.o.	-	-	-	-	-	-	-	-	-	-	-
SOC-AL Sp. z. o.o.	-	-	-	-	-	-	-	-	-	-	72

31.12.2006	Revenues from sales of products and services	Revenues from sales of goods	Other operating revenues	Purchase of products and services	Purchase of goods	Other operating costs	Revenues/Financial costs	Receivables, granted loans, etc.	Write-downs of receivables, including:	Created in the current reporting period	Liabilities, received loans, etc.
SODA-MED. Sp. z o.o.	29	-	-	87	-	-	-	4	-	-	68
Suomen Unipol Oy	-	22 764	-	2 130	-	-	81	3 273	-	-	324
ZACHEM S.A.	-	-	-	-	-	-	(38)	67 481	38	38	11
Z.Ch. Organika – Sarzyna S.A.	-	-	-	-	-	-	-	3 307	-	-	67 481
S.C. Uzinele Sodice Govora S.A.	-	-	-	-	-	-	-	76 695	-	-	3 307
Z D ORGANIKA Sp. z o.o.	-	-	-	-	-	-	-	14	-	-	19
Z. Ch. Silikony Polskie Sp. z o.o.	-	-	-	-	-	-	-	117	-	-	-
K. B. O. Ś. Sp. z o.o.	-	-	-	-	-	-	-	44	-	-	179
Z. R. B. Organika Sp. z o.o.	-	-	-	-	-	-	-	6	-	-	582
Z.U.P. „Gumokor-Organika” Sp. z o.o.	-	-	-	-	-	-	-	10	-	-	119
Z.P.U. Organika-Projekt Sp. z o.o.	-	-	-	-	-	-	-	3	-	-	132
Z.U.P. Drewrem-Organika Sp. z o.o.	-	-	-	-	-	-	-	46	-	-	143
Z.U.E. El-Chem Sp. z o.o.	-	-	-	-	-	-	-	14	-	-	1 096
Z. U. E. Wod-Rem Sp. z o.o.	-	-	-	-	-	-	-	14	-	-	1 099
NS Automatyka P.P.H-U Sp. z o.o.	-	-	-	-	-	-	-	32	-	-	903
Budpur Sp. z o.o.	-	-	-	-	-	-	-	-	-	-	-
Przedsiębiorstwo Cargo Sp. z o.o.	-	-	-	-	-	-	-	-	-	-	-
Natural Chemical Products Sp. Z o.o.	-	-	-	-	-	-	-	-	-	-	-
Przedsiębiorstwo Transportowo Spedycyjne TRANSCHEM	-	-	-	24	-	-	-	-	-	-	79
Bydgoski Park Przemysłowy Sp. z o.o.	-	-	-	-	-	-	-	-	-	-	-
Metalpur Sp. z o.o.	-	-	-	-	-	-	-	-	-	-	-
Govcrest International SRL	-	-	-	-	-	-	-	-	-	-	-
CIECH FINANCE Sp. z o.o.	-	-	-	-	-	-	-	-	-	-	76 695
Jantrans – Janikowo Sp. z o.o. (only transactions for the 1. quarter in 2006)	-	-	-	-	-	-	-	-	-	-	-

Conditions of transactions with related entities

Sales in the interest and purchases from related parties are performed according to normal market prices. The outstanding receivables are unsecured and settled in cash or by compensation. The receivables from the related parties were not included by any granted or received guarantees. Information on write-downs on receivables from related parties is presented in point 13 of the additional information and explanations to the annual consolidated statement.

31.5 Significant agreements concluded between related parties:

- On 3 April 2007 the annexes to the contracts concluded on 20 January 2005 between CIECH S.A. and its subsidiary - JANIKOSODA S.A. were signed. New purchase prices were laid down – the sales of soda ash, aragonite chalk, carbon dioxide, bicarbonate (annex to the agreement worth approx. PLN 265 million) and evaporated salt (annex to the agreement worth approx. PLN 76 million).
- On 3 April 2007 the annexes to the contracts concluded on 20 January 2005 between CIECH S.A. and its subsidiary - SODA MAŁY S.A. were signed. New purchase prices were laid down – the sales in the year 2007 of soda ash (annex to the agreement worth approx. PLN 240 million) and baking soda, calcium chloride, precipitated chalk and other (annex to the agreement worth approx. PLN 70 million).

31.6 Transactions with the participation of the key managing personnel

One of the members of the key managing personnel received remuneration in the amount of PLN 22 thousand for the preparation and implementation of production and technological concept.

In one case out of the general number of the key managing personnel rendered in the interest of CIECH S.A. in the amount of PLN 196 thousand according to the status at 31 December 2007.

Except for the mentioned consideration, no significant transactions between the entities of the Ciech Group and the members of the key personnel were present.

Remuneration of the key managing personnel of the Ciech Group

Benefits for the key managing personnel for the period of 01.01.-31.12.2007	<i>in thousand PLN</i>
Short-term employee benefits	25 445
Post-employment benefits	197
Other long-term benefits	83
Benefits due to termination of employment	4 396
Share-based payment	
IN TOTAL	30 121

Benefits for the key managing personnel for the period of 01.01.-31.12.2006	<i>in thousand PLN</i>
Short-term employee benefits	20 547
Short-term benefits– management contract	1 112
Post-employment benefits	109
Other long-term benefits	-
Benefits due to termination of employment	279
Share-based payment	-
IN TOTAL	22 047

Remuneration of the Management Board of CIECH S.A. paid in 2007 (in thousand PLN)

Name	Basic salary	Sick pay	Quarter bonus	Annual award	Redundancy pay	Remuneration for sitting on Supervisory Boards of the Ciech Group's companies	Total
Mirosław Kochalski	783	10	796	334		202	2 125
Rafał Pasięka	592	10	602	132		124	1 460
Marek Trosiński	539	24	403	-		73	1 039
Wojciech Wardacki	598		595	188		237	1 618
Jerzy Golis	44				554	-	598
Ludwik Klinkosz	58				797	-	855
In total	2 614	44	2 396	654	1 351	636	7 695

The members of the Management Board are employed on the basis of contracts of employment. In compliance with the Resolution of the Supervisory Board of CIECH S.A. the Members of the Management Board are entitled to:

- monthly salary set forth in individual contracts of employment,
- quarter bonus up to 100% of the quarter remuneration,
- annual award in the amount set forth in individual contracts of employment.

Remuneration of the Supervisory Board of CIECH S.A. paid in 2007 (in thousand PLN)

Name	Remuneration
Wiktor Cwynar	68
Tomasz Karusewicz	31
Grzegorz Miś	102
Alicja Pimpicka	85
Wojciech Fedko	37
Dariusz Krajowski-Kukiel	68
IN TOTAL	391

In compliance with the Resolution of the Extraordinary General Meeting of Shareholders, the remuneration of the members of the Supervisory Board is paid in the following amount:

- President of the Supervisory Board– 300% of average monthly salary in the sector of the companies with payments from profit for a month following the calculation.
- Vice-president of the Supervisory Board– 250% of average monthly salary in the sector of the companies with payments from profit for a month following the calculation.
- President of the Supervisory Board– 200% of average monthly salary in the sector of the companies with payments from profit for a month following the calculation.

32. Objectives and principles of financial risk management

CIECH S.A. actively manages operating and financial risk, aiming at cash flow optimisation and maximising the Company's market value. To constantly monitor those risks the Management Board of CIECH S.A. appointed the Risk Committee, which took charge of the implementation of the procedures of risk management system. During the works of the Risk Committee, operating and financial risks the Ciech Group is exposed to were identified and estimated. In the current activity, the risk owners, who periodically report to the Risk Committee, are responsible for risk management. The Risk Committee decides on strategies of the management of respective risks and quarterly reports to the Management Board of CIECH S.A. on the effects of the risk management system functioning.

In terms of financial risks of the Company, the following are distinguished:

- risk of interest rate changes,
- risk of currency rate changes,
- credit risk,
- risk related to liquidity,
- risk of product price changes,
- capital risk.

The above categories of risks were described in detail in point 33 of the additional information and explanations to the annual consolidated statement.

33. Financial Instruments

Financial results of the Ciech Group may be subject to fluctuations due to the changes of market factors, in particular, product quotations, exchange rates and interest rates. By the management of risk the Ciech Group reduces the variability of future cash flows and reduces possible economic losses arising due to the changes in market conditions. The Management Board shall approve derivative use policy and strategy. The Risk Committee of CIECH S.A shall control the realization of the policy adopted by the Management Board.

At the stage of the plan construction for 2007 the Management Board of CIECH S.A. approved the update of the market risk management policy by setting the hedging level, horizon and the applied financial instruments. The policy of CIECH S.A. assumes that the application of natural hedging of import and export flows, and shall hedge further export flows up to 50% of exposure to the risk of currency rate changes. According to the updated policy of market risk management in 2007 CIECH S.A. has been systematically hedging net operating exposure in EUR and USD. Currency forward contracts, options and option strategies constituted the instruments used to hedge the above exposure.

In 2007 in the CIECH S.A. portfolio there were currency and percentage EUR/PLN swap transactions concluded in 2004, which hedged the level of investment credit repayment contracted to finance the capital investment in the soda segment. The above transaction will be entirely settled in 2008.

Sources of currency risk, which the companies of the Ciech Group were exposed to.

In 2007 those risks were as follows: purchase of raw materials, sales of products, contracted credits and loans as well as funds in foreign currencies.

The concluded hedging transactions offer to stabilize financial results and minimizing the market risk, which the group is exposed to; therefore, their character is not speculative and they are not concluded to clear a profit. In the Ciech Group derivatives are valued to fair value with the application of models of financial instrument valuation, which use generally available data from active markets.

The Group does not apply hedge accounting. The application of hedge accounting would not have a significant influence on the presented financial statement of the Ciech Group.

Financial assets and liabilities

Apart from derivatives, the main financial instruments used by the Ciech Group are bank credits, overdraft facilities, financial lease agreements and funds and short-term deposits. The main objective of those financial instruments is the acquisition of funds for the groups functioning. The Ciech Group also holds other assets and liabilities, such as trade receivables and liabilities, which are created during its operation, liabilities due to financial lease and shares in non-related parties.

Tables below present financial assets and liabilities divided into revaluation dates and maturity dates.

31.12.2007									
Portfolio	Effective interest rate	Total nominal value, including	Below 6 months, including	6-12 months, including	1-2 years, including	2-3 years, including	3-5 years, including	Over 5 years, including	interest-free including
Funds	6,33%	124 496							124 496
Financial assets valued in fair value by financial result, including:		10	-	-	-	-	-	-	10
allocation for trading, including:		10	-	-	-	-	-	-	10
- derivatives with positive value		10							10
- debt securities		-							
- shares		-							
- designated for valuation in fair value through result account, including:		-	-	-	-	-	-	-	-
Financial assets available for sale, including:		14 867	-	-	-	-	-	-	14 867
- debt securities		-							
- shares	N/a	14 867							14 867
- participation units		-							
Loans and receivables, including:		607 935	-	-	-	-	-	-	607 935
- trade receivables	N/a	604 088							604 088
Loans granted	4,26%	3 847							3 847
- purchased receivables		-							
- bank deposits over 3 months		-							
Financial assets kept until maturity date, including:		-	-	-	-	-	-	-	-
- debt securities		-							
Hedging derivatives with positive value		-							
Financial assets in total		747 308	-	-	-	-	-	-	747 308
Financial liabilities valued in fair value by financial result, including:		2 676	-	-	-	-	-	-	2 676
allocation for trading, including:		2 676	-	-	-	-	-	-	2 676
- derivatives with negative value		2 676							2 676
- designated for valuation in fair value through result account, including:		-	-	-	-	-	-	-	-
Other financial liabilities		1 592 899	1 237 606	-	-	-	-	-	355 293
- trade liabilities	N/a	354 586							354 586
- credits and loans	6,30%	937 606	937 606						
- promissory notes		-							
- Bonds	6,92%	300 707	300 000						707

31.12.2007

Portfolio	Effective interest rate	Total nominal value, including	Below 6 months, including	6-12 months, including	1-2 years, including	2-3 years, including	3-5 years, including	Over 5 years, including	interest-free including
Financial lease liabilities		13 527							13 527
Granted financial guarantees (balance sheet value)		-							
Hedging derivatives with negative value		-							
Financial liabilities in total		1 609 102	1 237 606	-	-	-	-	-	371 495

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Portfolio	effective interest rate %	Total nominal value, including	Below 6 months, including	6-12 months, including	1-2 years, including	2-3 years, including	3-5 years, including	over 5 years including	interest-free including
Funds	4,01%	145 620							145 620
Financial assets valued in fair value by financial result, including:		614	-	-	-	-	-	-	614
allocation for trading, including:		614	-	-	-	-	-	-	614
derivatives with positive value		614							614
- debt securities		-							
- shares		-							
- designated for valuation in fair value through result account, including:		-	-	-	-	-	-	-	-
Financial assets available for sale, including:		11 053	-	-	-	-	-	-	11 053
- debt securities		-							
- shares	N/a	11 053							11 053
- participation units		-							
Loans and receivables, including:		586 197	-	-	-	-	-	-	586 197
- trade receivables	N/a	586 197							586 197
Loans granted		-							
- purchased receivables		-							
- bank deposits over 3 months		-							
Financial assets kept until maturity date, including:		-	-	-	-	-	-	-	-
- debt securities		-							
Hedging derivatives with positive value		-							
Financial assets in total		743 484	-	-	-	-	-	-	743 484
Financial liabilities valued in fair value by financial result, including:		1 205	-	-	-	-	-	-	1 205
allocation for trading, including:		1 205	-	-	-	-	-	-	1 205
- derivatives with negative value		1 205							1 205
- designated for valuation in fair value through result account,		-	-	-	-	-	-	-	-

31.12.2006										
Portfolio	effective interest rate %	Total nominal value, including	Below 6 months, including	6-12 months, including	1-2 years, including	2-3 years, including	3-5 years, including	over 5 years including	interest-free including	
including:										
Other financial liabilities		1 014 643	646 774	-	-	-	-	-	367 869	
- trade liabilities	N/a	367 604							367 604	
- credits and loans	4,83%	646 774	646 774							
- promissory notes		265							265	
- bonds		-								
Financial lease liabilities		2 214							2 214	
Granted financial guarantees (balance sheet value)		-								
Hedging derivatives with negative value		-							-	
Financial liabilities in total		1 018 062	646 774	-	-	-	-	-	371 288	

The tables below present financial assets and liabilities divided according to maturity date.

31.12.2007

Portfolio	Total balance sheet value, including	Below 6 months, including	6-12 months, including	1-2 years, including	2-3 years, including	3-5 years, including	Over 5 years, including
Funds	124 496	124 496					
Financial assets valuated in fair value by financial result, including:	10	10	-	-	-	-	-
allocation for trading, including:	10	10	-	-	-	-	-
- derivatives with positive value	10	10					
- debt securities	-						
- shares	-						
- designated for valuation in fair value through result account, including:	-						
Financial assets available for sale, including:	14 867	-	-	-	-	-	14 867
- debt securities	-						
- shares	14 867						14 867
- participation units	-						
Loans and receivables, including:	607 935	513 219	92 925	1 791	-	-	-
- trade receivables	604 088	513 219	90 869	-			
- loans granted	3 847	-	2 056	1 791	-	-	-
- purchased receivables	-						
- bank deposits over 3 months	-						
Financial assets kept until maturity date, including:	-	-	-	-	-	-	-
- debt securities	-						
Hedging derivatives with positive value	-						
Financial assets in total	747 308	637 725	92 925	1 791	-	-	14 867
Financial liabilities valuated in fair value by financial result, including:	2 676	1 490	395	791	-	-	-
allocation for trading, including:	2 676	1 490	395	791	-	-	-
- derivatives with negative value	2 676	1 490	395	791	-	-	-
- designated for valuation in fair value through result account, including:	-	-	-	-	-	-	-
Other financial liabilities	1 592 899	546 118	290 824	6 088	65 506	402 491	227 075
- trade liabilities	354 586	315 500	39 060	26			
- credits and loans	937 606	229 648	251 764	60 858	65 506	102 755	227 075
promissory notes	-						
- Bonds	300 707	971				299 736	
Financial lease liabilities	13 527	899	2 500	5 033	4 646	426	23
Granted financial guarantees (balance sheet value)	-	-	-	-	-	-	-

31.12.2007							
Portfolio	Total balance sheet value, including	Below 6 months, including	6-12 months, including	1-2 years, including	2-3 years, including	3-5 years, including	Over 5 years, including
Hedging derivatives with negative value	-	-	-	-	-	-	-
Financial liabilities in total	1 609 102	548 507	293 719	66 708	70 152	402 917	227 098

31.12.2006							
Portfolio	Total balance sheet value , including	Below 6 months, including	6-12 months, including	1-2 years, including	2-3 years, including	3-5 years, including	over 5 years including
Funds	145 620	145 620					
Financial assets valued in fair value by financial result, including:	614	614	-	-	-	-	-
allocation for trading, including:	614	614	-	-	-	-	-
derivatives with positive value	614	614					
- debt securities	-						
- shares	-						
- designated for valuation in fair value through result account, including:	-	-	-	-	-	-	-
Financial assets available for sale, including:	11 053	-	-	-	-	-	11 053
- debt securities	-						
- shares	11 053						11 053
- participation units	-						
Loans and receivables, including:	586 197	506 495	15 953	63 749	-	-	-
- trade receivables	586 197	506 495	15 953	63 749			
- loans granted	-						
- - receivables purchase	-						
- bank deposits over 3 months	-						
Financial assets kept until maturity date, including:	-	-	-	-	-	-	-
- debt securities	-						
Hedging derivatives with positive value	-						
Financial assets in total	743 484	652 729	15 953	63 749	-	-	11 053
Financial liabilities valued in fair value by financial result, including:	1 205	222	197	393	393	-	-
allocation for trading, including:	1 205	222	197	393	393	-	-
- derivatives with negative value	1 205	222	197	393	393		
- designated for valuation in fair value through result account, including:	-	-	-	-	-	-	-
Other financial liabilities	1 014 643	521 619	177 380	92 853	46 993	66 021	109 777
- trade liabilities	367 604	309 524	58 080				

31.12.2006

Portfolio	Total balance sheet value , including	Below 6 months, including	6-12 months, including	1-2 years, including	2-3 years, including	3-5 years, including	over 5 years including
- credits and loans	646 774	138 445	192 685	92 853	46 993	66 021	109 777
promissory notes	265	265					
- bonds	-						
Financial lease liabilities	2 214	395	600	818	369	32	-
Granted financial guarantees (balance sheet value)	-						
Hedging derivatives with negative value	-						
Financial liabilities in total	1 018 062	448 851	251 562	94 064	47 755	66 053	109 777

The tables below present fair value of financial instruments.

<i>in thousand PLN</i>	31.12.2007	31.12.2006
	Balance sheet value	Balance sheet value
Loans and receivables, including:	607 935	586 197
- - trade receivables	604 088	586 197
- loans granted	3 847	-
Financial assets kept until maturity date, including:	-	-
- debt securities	-	-
Other financial liabilities	1 292 192	1 014 643
- - trade liabilities	354 586	367 604
- credits and loans	937 606	646 774
- bills	-	265
- other	-	-
Financial lease liabilities	13 527	2 214

Below, there is a list of securities divided according to maturity dates. The Ciech Group holds no treasury certificates or bonds issued by the State Treasury, Central Banks and other entities.

31.12.2007

	up to 3 months	over 3 months up to 1 year	from 1 to 5 years	over 5 years	IN TOTAL
Shares (other than valuated by equity method):	-	-	-	14 867	14 867
> listed on stock exchange	-	-	-	12 890	12 890
> not listed on stock exchange	-	-	-	1 977	1 977
Total securities	-	-	-	14 867	14 867

31.12.2006

	up to 3 months	over 3 months up to 1 year	from 1 to 5 years	over 5 years	IN TOTAL
Shares (other than valuated by equity method):	-	-	-	11 053	11 053
> listed on stock exchange	-	-	-	10 032	10 032
> not listed on stock exchange	-	-	-	1 021	1 021
Participation units in mutual funds	-	-	-	-	-
Total securities	-	-	-	11 053	11 053

The table below presents financial instruments allocated for trading.

31.12.2007	Nominal value of instruments with date remaining for realization					Fair value	
	up to 3 months	over 3 months up to 1 year	from 1 to 5 years	over 5 years	IN TOTAL	ASSETS	Liabilities
Interest rate instruments	(198)	(592)	(791)	-	(1 581)	-	1 581
- CIRS transactions	(198)	(592)	(791)	-	(1 581)	-	1 581
Currency instruments	16 119	16 119	-	-	32 238	10	1 095
- FX Forward	16 119	16 119	-	-	32 238	10	1 095
Total derivatives	15 921	15 527	(791)	-	30 657	10	2 676

31.12.2006	Nominal value of instruments with date remaining for realization					Fair value	
	up to 3 months	over 3 months up to 1 year	from 1 to 5 years	over 5 years	IN TOTAL	ASSETS	Liabilities
Interest rate instruments	(98)	(295)	(787)	-	(1 180)	-	1 180
- CIRS transactions	(98)	(295)	(787)	-	(1 180)	-	1 180
Currency instruments	425	164	-	-	589	781	192
- FX Forward	23	-	-	-	23	48	25
- Acquired currency options	446	287	-	-	733	733	-
- Sold currency options	(44)	(123)	-	-	(167)	-	167
Total derivatives	327	(131)	(787)	-	(591)	781	1 372

Risk of interest rate

The Ciech Group is exposed to changes of interest rates arising from the existing indebtedness. In 2007 the Ciech Group did not hedge itself against the risk of interest rate changes.

The Ciech Group's indebtedness due to realised investment projects is going to increase in the following years. The Group is considering the application of hedging instruments in the future.

The table below presents the Ciech Group's market sensitivity to interest rate changes.

in thousand PLN	31.12.2007		31.12.2006	
	Total balance sheet value, including:		Total balance sheet value, including:	
Instruments with fixed interest rate	-	-	-	-
Financial asset	-	-	-	-
Financial liabilities	-	-	-	-
Instruments with variable interest rate	941 453	646 774		
Financial asset	3 847	-		
Financial liabilities	937 606	646 774		

in thousand PLN	Profit and loss account		Equity	
	increase by 100 bp	decrease by 100 bp	increase by 100 bp	decrease by 100 bp
31.12.2007				
Instruments with variable interest rate	-	-	-	-
Interest rate swap (IRS)	(9 415)	9 415	-	-
(Net) Cash flow sensitivity	(9 415)	9 415	-	-
31.12.2006				
Instruments with variable interest rate	-	-	-	-
Interest rate swap (IRS)	(6 468)	6 468	-	-
(Net) Cash flow sensitivity	(6 468)	6 468	-	-

Description of the Group's exposure to interest rate risk

On the basis of the carried out sensitivity analysis, it was estimated that the change in the level of market interest rates by 1 percentage point would not significantly affect the Group's financial result for 2007 and the change of future cash flows for 2007.

Risk of currency rate changes

The table below presents financial instrument maximum exposure to currency risk.

<i>in thousand PLN</i>	31.12.2007 Nominal value	
	EUR, including:	USD, including:
Trade receivables	202 944	85 756
Loans granted	3 847	-
Trade liabilities	68 120	75 028
Short-term liabilities due to credits and loans	397 228	-
Gross balance sheet value	(258 558)	10 728

<i>in thousand PLN</i>	31.12.2006 Nominal value	
	EUR, including:	USD, including:
Trade receivables	133 787	93 409
Loans granted	-	-
Trade liabilities	34 244	91 886
Short-term liabilities due to credits and loans	71 004	-
Gross balance sheet value	28 539	1 523

<i>in thousand PLN</i>	Equity	Profit and loss account
31.12.2007		
USD	-	(1 073)
EUR	-	(26 240)

<i>in thousand PLN</i>	Equity	Profit and loss account
31.12.2006		
USD	-	152
EUR	-	2 854

Currency risk is a necessary element of conducting commercial activity in foreign currencies. Due to the character of conducted import and export operations, the Ciech Group has currency exposure related to a considerable advantage of export over import operations.

By the application of internal hedging procedures the company greatly reduces its currency risk, and at the same time it increases its core business stability. The Ciech Group systematically concluded hedging transactions to reduce the influence of currency rate changes on the result account.

The Ciech Group companies use natural hedging consisting in balancing import and export flows as well as derivatives to reduce currency risk.

For the realization of transactions hedging cash flows, the following hedging transactions were used:

- Forward - enabling to hedge cash flow at precise rate,
- Parforward – enabling to hedge multiple flows of low value at mean rate of a given period,
- Options strategies– enabling to hedge multiple flows realised in a short period of time,
- Currency and interest rate swaps– aiming at the elimination of the influence of currency risk on the valuation of long-term credits contracted by the companies.

Credit risk

<i>in thousand PLN</i>	31.12.2007	31.12.2006
Cash and cash equivalents	124 496	145 646
Financial assets valued in fair value by financial result	10	
Financial assets available for sale	14 867	11 053
Loans and receivables	808 884	583 922
Financial assets kept until maturity date		
IN TOTAL	948 257	740 621

The table below presents maximum exposure on credit risk for trade receivables at the balance sheet date.

<i>in thousand PLN</i>	31.12.2007	31.12.2006
	Total value of receivables	Total value of receivables
Poland	267 616	286 760
European Union	239 518	218 136
Rest of Europe	23 517	35 965
Africa	12 394	9 064
Asia	50 592	35 590
Other regions	10 451	682
IN TOTAL	604 088	586 197

Classification of trade receivables according to the length of period past due.

<i>in thousand PLN</i>	30.06.2007	
	Total gross value of receivables	Impairment losses
Without time-out	535 504	13 171
Up to 1 month	61 951	46
1-3 months	18 016	780
From 3 up to 6 months	4 208	388
From 6 months up to 1 year	3 186	2 993
Over 1 year	66 599	67 998
IN TOTAL	689 464	85 376

<i>in thousand PLN</i>	31.12.2006	
	Total gross value of receivables	Impairment losses
Without time-out	513 286	23 259
Up to 1 month	65 577	117
1-3 months	19 453	688
From 3 up to 6 months	7 273	1 280
From 6 months up to 1 year	16 030	8 880
Over 1 year	64 111	65 309
IN TOTAL	685 730	99 533

The table below presents maximum exposure on credit risk for granted loans at the balance sheet date.

<i>in thousand PLN</i>	31.12.2007	31.12.2006
European Union	3 847	-
IN TOTAL	3 847	-

<i>in thousand PLN</i>	31.12.2007	31.12.2006
Soda segment	3 847	-
IN TOTAL	3 847	-

Classification of granted loans according to the length of period past due.

<i>in thousand PLN</i>	Total gross value of loans		Total gross value of loans	
	Impairment losses	Impairment losses	Impairment losses	Impairment losses
	31.12.2007		31.12.2006	
Without time-out	3 847	-	-	-
IN TOTAL	3 847	-	-	-

The Ciech Group is exposed to credit risk related to credit reliability of customers with whom the transactions of product and goods sales are concluded. That risk is reduced by the application of internal procedures of customer receivables management. Risk assessment takes place prior to conclusion of agreement and cyclically with next deliveries of goods in accordance with the applicable procedures. Profitability calculation, which takes into account possible costs of mercantile credit and contractor's existing payment history, is prepared for every contract, shipment or shipments. This calculation accounts for the basis of a decision concerning the conclusion of contract or shipment.

Significant diversification of the Ciech Group's consignees of goods greatly decreases credit risk.

Risk related to liquidity

The table below presents a list of financial liabilities divided into maturity dates in nominal values.

31.12.2007

in thousand PLN	Nominal value, including:	Contract cash flows, including:	Less than 6 months, including:	6-12 months, including:	1-2 years, including:	2-3 years, including:	3-5 years, including:	Over 5 years, including:
Financial liabilities valuated in fair value by financial result, including:	2 676	2 676	1 490	395	791	-	-	-
- allocation for trading, including:	2 676	2 676	1 490	395	791	-	-	-
- derivatives with negative value	2 676	2 676	1 490	395	791	-	-	-
- designated for valuation in fair value through result account, including:	-	-	-	-	-	-	-	-
Other financial liabilities	1 592 899	1 592 899	546 118	290 824	60 884	65 508	402 489	227 075
- trade liabilities	354 586	354 586	315 499	39 060	26	-	-	-
- credits and loans	937 606	937 606	229 648	251 764	60 858	65 508	102 753	227 075
- promissory notes	-	-	-	-	-	-	-	-
- bonds	300 707	300 707	971	-	-	-	299 736	-
Financial lease liabilities	13 527	13 527	899	2 500	5 033	4 646	426	23
Hedging derivatives with negative value	-	-	-	-	-	-	-	-
Financial liabilities in total	1 609 102	1 609 102	548 507	293 719	66 708	70 154	402 915	227 098

31.12.2006

in thousand PLN	Nominal value, including:	Contract cash flows, including:	Less than 6 months, including:	6-12 months, including:	1-2 years, including:	2-3 years, including:	3-5 years, including:	Over 5 years, including:
Financial liabilities valuated in fair value by financial result, including:	1 205	1 205	222	197	393	393	-	-
- allocation for trading, including:	1 205	1 205	222	197	393	393	-	-
- derivatives with negative value	1 205	1 205	222	197	393	393	-	-
- designated for valuation in fair value through result account, including:	-	-	-	-	-	-	-	-
Other financial liabilities	1 014 643	1 014 643	521 619	177 380	92 853	46 993	66 021	109 777
- trade liabilities	367 604	367 604	309 524	58 080	-	-	-	-
- credits and loans	646 774	646 774	211 830	119 300	92 853	46 993	66 021	109 777
- promissory notes	265	265	265	-	-	-	-	-
- bonds	-	-	-	-	-	-	-	-
Financial lease liabilities	2 214	2 214	395	600	818	369	32	-
Hedging derivatives with negative value	-	-	-	-	-	-	-	-
Financial liabilities in total	1 018 062	1 018 062	522 236	178 177	94 064	47 755	66 053	109 777

Liquidity of the Ciech Group's companies is monitored up to date. Profitability calculation, which takes into account possible costs of mercantile credit and contractor's existing payment history, as well as its current financial standing, is prepared for every contract, shipment or shipments. This calculation accounts for the basis of a decision concerning the conclusion of contract or shipment. In the case of delays in payments, next deliveries are limited or suspended. Additionally, surplus is invested in safe and liquidities (mutual funds of financial market, and short-term bank deposits) and funds in investing the Group's operating activity are engaged.

Investment needs of the Ciech Group shall be financed from internal funds and long-term bank credits, where repayment dates are correlated with the date of the occurrence of profits from investment.

Intergroup loans account for an additional instrument of the Ciech Group liquidity management.

Risk of raw material prices

Within the framework of the Ciech Group's functioning, import and export of chemical raw materials constitutes a significant part of transactions. Raw material markets are characterized by a large cyclicity related to the fluctuations of the global business climate. The increasing prices of raw materials on the one hand cause a reduction of brokers margins and a weakening demand of customers. On the other hand, decreasing prices are often a symptom of weakening demand and the beginning of weakening market environment. Raw materials are subject to similar tendencies on the domestic market. Maintaining a stable pace of economic growth and stable prices of chemical raw materials will have a positive effect on the commercial activity of CIECH S.A. The considerable fluctuations of demand and prices caused either by a fast economic growth or economic stagnation will negatively affect the activity connected with the trading of chemical raw materials by the CIECH Group.

In the majority of segment of the Ciech Group's activity, goods are not subject to significant price fluctuations. Price risk exists in the organic segment. It is correlated with global economy's condition, current situation in demand and supply of end-customers, level of basic raw material and energy prices. The Ciech Group reduces price risk through the regulation of price policy, conclusion of agreements with suppliers, with hedging and insurance of deliveries and appropriate price formula, as well as through the strengthening of position on long-range markets.

In the presented periods, the Ciech Group's activity was exposed to the risk of price changes of the following raw materials.

Name of raw material	Consumption value (in thousand PLN)	
	31.12.2007	31.12.2006
Coal	119 578	113 438
Potassium salt	58 492	9 504
Phosphorites	54 583	42 210
Limestone	33 114	35 824
Brine	31 397	32 966
Coke	14 983	25 690
Anthracite	6 371	925
Amine	12 713	-
BISPHENOL	56 090	-
Amine	178 859	-

Capital risk

The Group manages capital to guarantee that the entities belonging thereto shall be able to continue the activity at the maximum profitability for stakeholders due to the optimisation of indebtedness to equity relation.

The Group's capital structure includes indebtedness which consists of credits and bonds disclosed in 24 and 27, cash and cash equivalents as well as capital vested in the parent company's shareholders, including issued shares, reserve capitals and retained profit, disclosed in note 23.

The Risk Committee, managing risk in the Group, reviews capital structure in annual periods. On the basis of the recommendations of the Committee, the Group balances the general structure of capital through dividend payout, contracting credits in banks and issuing debt securities.

On 20 June 2007 the Management Board of CIECH S.A. presented the strategy of the Ciech Chemical Group for 2007-2010. Detailed information is included in point 2 of the Ciech Group's activity statement for 2007.

Hedge accounting

The Ciech Group does not apply hedge accounting. Upon the analysis of realised transactions it was evaluated that the application of hedge accounting would not affect the presented consolidated financial statement of the Group.

Detailed information concerning impairment losses of financial instruments is presented in point 13 of the additional notes and explanations to the annual consolidated financial statement of the Ciech Group for 2007.

Detailed information concerning revenues and costs related to financial instruments recorded in the profit and loss account is presented in point 4 of the additional notes and explanations to the annual consolidated financial statement of the Ciech Group for 2007.

34. Event following balance sheet date

- On 2 January 2008, CIECH S.A. obtained the information on putting a final signature under the "Agreement of the Shareholders of Polskie Towarzystwo Ubezpieczeń S.A." dated on 30 January 2008 concluded by subsidiaries of CIECH S.A.: Janikowskie Zakłady Sodowe JANIKOSODA S.A. and Inowrocławskie Zakłady Chemiczne SODA MAŁY S.A. with Polskie Towarzystwo Reasekuracji S. A. The agreement defines terms and conditions of the cooperation of the parties as the shareholders of Polskie Towarzystwo Ubezpieczeń S.A. Soda companies jointly hold approx. 46%, and Polskie Towarzystwo Reasekuracji S.A. approx. 23% votes at the General Meeting of Shareholders of Polskie Towarzystwo Ubezpieczeń S.A. The agreement regulates the manner of the realization of the right to vote by Soda Companies and Polskie Towarzystwo Reasekuracji S.A. at the General Meeting of Polskie Towarzystwo Ubezpieczeń S.A. in particular with reference to dismissing and appointing members of the Supervisory Board and the principles of establishing the composition of the Supervisory Board. The agreement was concluded for the period until 31 December 2008 and shall come into force upon obtaining required administrative consents by all parties. The agreement does not impose on soda companies any obligation to dispose of shares of Polskie Towarzystwo Ubezpieczeń S.A. in the interest of Polskie Towarzystwo Reasekuracji S.A., and right of Polskie Towarzystwo Reasekuracji S.A. to acquire shares of Polskie Towarzystwo Ubezpieczeń S.A.
- On 7 January 2008 CIECH S.A. granted a loan in the amount of EUR 5,000 to its subsidiary - S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. on the following conditions: final repayment date is 31 December 2008, interest is EURIBOR 3M+ margin, interest paid in a three-month period.
- On 14 January 2008, a second of regular Agreements was signed with a subsidiary of CIECH S.A. – ZACHEM S.A. The agreement was concluded for an unlimited period, with an option of a 6-month notice period by each of the parties. The subject of the agreement is distribution of TDI manufactured by ZACHEM S.A. on the basis of exclusivity on domestic and foreign markets. Estimated value of the agreement in 2008 is PLN 500 million.
- On 15 January 2008 a subsidiary of CIECH S.A. – VITROSILICON S.A. acquired 419,684 shares in the Huta Szkła [Glass works] in Wymiarki accounting for 34.295% of share capital. At the same time negotiations aiming at the acquisition of further 5-10% of shares in the Huta Szkła in Wymiarki are carried out. The acquisition of shares in the Huta Szkła in Wymiarki is an element of the realization of the Ciech Group strategy for 2007-2011 in the Silicates and Glass Division.
- On 23 January 2008 a credit agreement in the amount of EUR 75 million was signed Berlin between Soda Deutschland Ciech GmbH, Sodawerk Stassfurt GmbH&Co. KG, and COMMERZBANK Aktiengesellschaft. The credit's objective is to refinance of the current bank indebtedness of SWS KG and finance the Company's development investments. To hedge a part of credit, CIECH S.A issued a guarantee up to the amount of EUR 26 million. Final credit repayment date is 31 December 2012.
- On 8 February 2008 CIECH S.A. signed with its subsidiary - Soda Polska CIECH Sp. z o.o. an agreement for unlimited period regarding the cooperation in purchase and sale of products of the Soda Polska CIECH Sp. z o.o. Volumes and prices of purchase and sale in 2008 for soda ash, baking soda, calcium chloride, precipitated chalk and vacuum salt were determined. The value of the agreement in 2008 shall be approx. PLN 692 million.
- On 6 March 2008 CIECH S.A. acquired 234 shares in GZNF FOSFOR Sp. z o.o. Currently CIECH S.A. holds 51,841 shares, accounting for 89.44% of share capital.
- At 2 April 2008 the Extraordinary General Meeting of CIECH S.A. was summoned. Points regarding the adoption of resolutions concerning changes in the composition of the Supervisory Board of CIECH S.A. and in the Management Board of CIECH S.A. are included in the agenda.

- On 2 April 2008 the Extraordinary General Meeting implemented the following changes in the composition of the Management Board and Supervisory Board of CIECH S.A.:

The following persons were dismissed from the Management Board of CIECH S.A.:

1. Mr Rafał Pasięka
2. Mr Marek Trosiński
3. Mr Wojciech Wardacki.

The following persons were appointed to the Management Board of CIECH S.A.:

1. Mr Marcin Dobrzański
2. Mr Ryszard Kunicki
3. Mr Artur Osuchowski
4. Mr Kazimierz Przełomski.

The following persons were dismissed from the Supervisory Board of CIECH S.A.:

1. Mr Grzegorz Miś
2. Mr Tomasz Karusewicz
3. Mr Dariusz Krajowski-Kukiel
4. Mr Wiktor Cwynar

The following persons were appointed to the Supervisory Board of CIECH S.A.:

1. Mr Wiktor Askanas
2. Mr Przemysław Cieszyński
3. Mr Krzysztof Salwach
4. Mr Robert Skoczeń
5. Mr Wojciech Włodarczyk
6. Mr Krzysztof Zdanowski

- On 3 April 2008 the Management Board of CIECH S.A. dismissed the commercial proxy granted on 27 November 2006 to Mr Kazimierz Przełomski, entitling to act jointly with the member of the Management Board of CIECH S.A. On 2 April 2008 the Extraordinary General Meeting of CIECH S.A. appointed Mr Kazimierz Przełomski into the Management Board of CIECH S.A.
- On 15 April 2008 a long-term agreement was signed between Soda Polską CIECH Sp. z o.o. with the registered office in Inowrocław (indirect subsidiary of CIECH S.A.), and Kompania Węglowa S.A. with the registered office in Katowice, which regulated deliveries of energetic coal to the entities belonging to Grupy Ciech. The agreement is valid for the period of 1 January 2008 – 31 December 2010. Price lists of fine coal sizes constitute a basis of establishing prices in 2008. In the following years, the prices shall be negotiated prior to the commencement of each year of the agreement. The value of the agreement in 2008 amounts to approx. net PLN 143 million.
- On 1 April 2008 in Handewitt (Germany) a notarial deed was signed between CIECH S.A. and Mr J. Ohm, regarding assignment on CIECH S.A. of 2% of shares in Soda Deutschland Ciech GmbH, for EUR 3 million. The realization of the agreement took place on 16 April 2008. The agreement accounts for the realization of an obligation recorded in the Shareholders Agreement, concluded on 20 November 2007 between CIECH S.A. and Mr J. Ohm, being a part of the purchase by CIECH S.A. of SWS KG – soda ash manufacturer in Germany. Upon this transaction, CIECH S.A. increased its holding in share capital of Soda Deutschland Ciech GmbH from 90% to 92%. However, it should be noted that in the consolidated financial statement the Soda Deutschland Ciech Group was recorded at the end of 2007 on the assumption that CIECH S.A. already holds 100% control. This stems from economic content of the abovementioned Shareholders Agreement, described in detail in point 16 of the additional information and explanations to the annual consolidated statement.
- On 16 May 2008 CIECH S.A. disposed of 275 shares with nominal value of DKK 1,000.00 each in the commercial company of Danske Unipol A/S, with the registered office in Denmark, for the total of EUR 250,000.00. Minority Danish shareholders were the purchasing parties. Prior to the transaction, CIECH S.A. held 55% packet of shares in Danske Unipol A/S. Upon the realization of this transaction, CIECH S.A. does not hold any shares in the Danish company.
- In May 2008 the following unions: NSZZ "Chemiczy" MOZ, MOZ Pracownicy Techniczni i Ekonomiczni, MOZ NSZZ "Solidarność" in Z.Ch. ZACHEM S.A. took legal steps for transferring into the account of the Company Social Benefits Fund from revenues from sale of the Recreational Centre and Health Spa in Ciechocinek, belonging to ZACHEM S.A. Revenue from the sale of those centres influenced the financial result for 2007.

The Company finds the claim groundless. The Management Board found a risk of a possible outflow of funds thereof as minimal.

35. Asset situation and financial standing of the subsidiary - Przedsiębiorstwo Chemiczne Cheman S.A.

Cheman S.A. is a subsidiary, wherein CIECH S.A. indirectly holds 100% shares. In the recent years Cheman S.A. has recorded losses, which were influenced by many factors. Their source lies in the take-over of Ciech Petrol in 2004, which recorded losses, and its activity was capital intensive at a low profitability level. The take-over of Ciech Petrol was an element of the Ciech Group's strategy, within the framework of which the Group withdrew from petrochemical and fuel branch. The realization of the termination of fuel activity in the Group was entrusted to Cheman, which undertook the restructuring of the Ciech Petrol activity and liquidation of fuel activity. Until the end of 2004 Cheman S.A. dealt with the arrangement and adaptation of the taken-over Ciech Petrol's activity to its commercial structures. Next year, a part of the activity allocated for liquidation was assigned; its costs were estimated and recorded in the result for the year 2005. In 2005 Cheman realised revenues from sale in the amount of PLN 157,293 thousand, and net loss was PLN 10,858 thousand. Upon the merger of the companies, the sales structure of Cheman was changed – the share of unprofitable goods, until now dealt with by Ciech Petrol, increased. The Company dealt with distribution and sale of fuels, which in the company's activity was unprofitable. Due to the take-over of long-term liabilities of Ciech Petrol, in 2005 – 2007 Cheman continued unprofitable fuel activity, at the same time searching for legal possibilities to withdraw from long-term liabilities towards contractors. The final termination of the company's fuel activity took place in 2007, when the last long-term fuel station in Sieradz lease agreement was terminated. The Management Board of the Company is negotiating the amount of compensation for denouncing the contract, and its expected amount is covered by write-down. Fuel activity was terminated in the Błaszki fuel depot, and the Management Board of the Company took a decision as for further appropriation of real properties.

Step increase in sales in 2005, arising from the merger with Ciech Petrol and taking over the distribution of plastics and chemical agents from CIECH S.A. with extended payment dates caused the increase in demand for working capital. That factor, together with a problem of on-time payments from buyers and ineffective vindication of receivables directly affected the occurrence of difficulties with running maintenance of the Company's liquidity.

Since 2006 the Management Board of Cheman S.A. has been realizing Repair programmes for 2006-2009, based on the following assumptions, updated upon the analysis of the results for 2006:

- modernization of the model of the company's activity and adjusting new organizational structure directed at the sales intensification thereto,
- change in sales structure through the resignation from distribution of unprofitable goods in favour of profitable ones,
- sales increase in the group of soda goods,
- termination of unprofitable fuel activity, including sale and liquidation of real properties related to fuel activity,
- development of commercial network in selected regions of the country, optimisation of goods allocation in warehouses and warehouse sitting.
- improvement of receivables vindications,
- reducing costs of transportation by shortening supply chain to end customer,
- conversion of outstanding liabilities towards Ciech S.A. into a long-term loan, in the amount of PLN 9,000 thousand for the period of 5 with two-year period of grace in the repayment of principal, with interest on market conditions,

Upon the verification of the assumptions of the Repair Programme finished in 2006, a particular emphasis was put on restructuring the following aspects:

- product portfolio, leading to the entire elimination of unprofitable assortment groups, causing the depreciation of the goodwill;
- tangible fixed assets, leading to obtaining proceeds from the sale of asset components regarding the eliminated activity and to reduce costs related to their maintenance;
- employment, leading to increasing in the organization's efficiency and savings in labour costs;
- manners of financing, leading to guaranteeing financial liquidity.

In 2007 Cheman S.A. sold last fuel stations in the process of realizing the termination of fuel activity within the Repair Programme. The real property in Dąbrowa Górnicza was sold to CIECH S.A. in order to carry out the process of divestment outside the Ciech Group. The Company gradually denounced long-term fuel station lease agreements. The existing Fuel depot in Błaszki, where the Company's stored fuel shall undergo modernization and will be adapted to storing and co-packing those chemicals the distribution of which constitutes a strategic direction in the Company's development.

According to the Company's Repair Programme, the financial support from the part of CIECH S.A. consisted of two long-term loans granted in 2006 in the amount of PLN 4,800 thousand (loan maturity by 31 March 2011)

with prolongation until 31 March 2012 and PLN 4,650 thousand (loan maturity by 30 June 2011 with prolongation until 30 June 2012). Loans were granted through the conversion of trade receivables of CIECH S.A. In consequence, the structure of balance sheet of Cheman S.A. improved and funds for running current commercial activity were supplemented. In 2006 CIECH S.A. also granted Cheman short-term a loan for financing current activity in the amount of PLN 2,000 thousand, the maturity of which was extended until 31 December 2008. In 2005-2007 Ciech redeemed the receivables of Cheman S.A. for the total amount of PLN 11,754 thousand (PLN 6,754 thousand in 2006 and PLN 5,000 thousand in 2007).

in thousand PLN	2005	2006	2007
Revenues from sales	157 293	138 680	91 794
Net profit	(10 858)	(9 617)	(478)
Working capital			
Equity	7 977	(791)	(1 269)
data compliant with PZR			

According to the Repair Programme, in 2006 Cheman S.A. stopped net result downswing, with lower revenues in the amount of PLN 138,891 thousand, net loss reached PLN 9,617 thousand. Decrease in revenues in 2006 of Cheman S.A. was caused by the loss in the interest of competition of profitable products, large staff rotation, numerous changes in the sales and supply chain management policy, situation on the currency market, rapid change of business climate on imported goods markets.

In 2007 Cheman S.A. reduced net loss to the amount of PLN 478 thousand, with realised revenues in the amount PLN 91,794 thousand. Equity reached negative value of PLN 1,269 thousand.

Decrease in sales was caused by the realization of the adopted strategy of sales structure change by eliminating unprofitable clients and unprofitable groups of goods. In 2007, Cheman limited sales through the reduction of low-profit chemicals offer and reducing the service of clients which do not generate high margins and causing problems with receivables recovery. The company reduced fixed costs and increased receivables recovery, verified credit limits and client assessment; it also started the cooperation with receivables collection companies. By regaining liquidity, the Company reduced the period of repaying its creditors. Currently, the Company is paying its debts punctually. In 2007 the Company introduced deep organizational changes, thus it entirely reorganized sales points in order to come up to the clients' expectations and ensured profitability obtained from the cooperation with the clients and accelerated collection of receivables.

At the same time, the Company reduced costs of storage through the optimisation of maintenance costs and use of storage capacities. In 2007 the Company reduced maintenance costs of warehouses in Silesia, and in 2008 it is planning to centralize and optimise the distribution through the transfer and centralization of product shipments and centralization in the Błaszki warehouse depot, and liquidation of let out warehouses in Poznań and Silesia. This shall enable to reduce the costs of storage and optimise logistics.



The Company s planning to use external warehouses, thus it should reduce delivery times and increase inventory levels

- optimising warehouse depot – reduction of inter-warehouse transfer costs
- liquidation of warehouses in Poznań and Dąbrowa Górnicza and transferring co-packing to Błaszki shall centralize the shipment of goods and decrease storage costs
- introduction of procedures of minimum storage status for highly moving or contracted articles shall reduce the demand for working capital.

For the following years the company is planning to take the steps to increase and rebuild the structure of clients and of sales of profitable goods. In response to the clients needs, the Company is planning to create complex packet offers for selected branches, to offer logistic and financial packets to obtain the most profitable volumes of orders. The company also offers additional discounts for clients who are willing to accept longer maturity dates and those who receive regular orders.

The Company is in the process of introducing the procedures, which aim at the improvement of financial liquidity:

- annual update of credit limits;

- credit insurances;
- factoring /sales to large clients with long maturity dates
- retro bonuses for punctual repayment.

By analysing the progress of the realised repair programme, in May 2008 the Management Board of CIECH S.A. took up parallel works on the process of Cheman S.A. divestment. The sale of the company to a strategic investor dealing with the chemical distribution is also taken into account.

At 31 December 2007 trade receivables of Cheman S.A. in the interest of CIECH S.A. amounted to PLN 4,863 thousand, whereof PLN 4,000 thousand was covered by write-down and they entirely related to current settlements. Apart from trade receivables, CIECH S.A. has long-term receivables from granted loans in the amount of PLN 9,450 thousand and short-term receivables in the amount of PLN 2,000 thousand. CIECH S.A. also backed credits contracted by Cheman S.A for financing the current activity up to the amount of PLN 13,700 thousand.

Due to the volume of financial commitment, CIECH S.A. holds a write-down on granted loans in the amount of PLN 11,450 thousand. Taking into account negative equities, the Management Board of CIECH S.A. declared to support the company for the nearest 12 months in the scope enabling the continuation of activity.

36. Sustainable profitability programme of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.

At 31 December 2007 S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. recorded net loss in the amount of PLN 71,064 thousand, and showed negative capitals in the amount of PLN 74,692 thousand. Taking into account negative equities, the Management Board of CIECH S.A. declared to support the company for the nearest 12 months in the scope enabling the continuation of activity.

The purchase of the company and additionally the acquisition of the Soda Deutschland Ciech Group in December 2007 resulted in the promotion of the Ciech Group for 2. position in Europe in the production of soda ash with productive capacities of 1.9 million ton annually. Being in the possession of such productive capacities, the Ciech Group became a market leader in the region of Central Europe, achieved a strong position in relation of current and new clients, and in the future it shall achieve an increase in sales and profits in the soda segment.

Deciding on investing in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. the complementarity of markets of the Ciech Group and the Company whose offer constitutes a perfect supplement of deliveries for existing clients of the Ciech Group, holding plants in the countries in the south of Poland, was taken into account. CIECH S.A. exports heavy soda ash mainly to the Scandinavian countries, the Czech Republic, Germany, Great Britain and Denmark. The majority of soda ash manufactured by S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. is consumed on the Romanian, Italian, Hungarian, and Czech markets. S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. is for the Ciech Group a natural supplement of capabilities of deliveries for its existing clients, who own factories in this region of Europe.

In consideration the acquisition of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., CIECH S.A. took into consideration the development forecasts and current market situation of the soda segment in Europe. Increase in the consumption of soda ash on the markets of Central Europe in the next years is expected to be at the level of 4.0% - 4.5% annually. Significant investments planned and currently carried out in the glass industry in the countries of Central-Eastern Europe mean that glass production shall increase, it shall thus provide a stable growth in demand for soda in the following years.

The programme of the company's financial restructuring was realised; it included the following actions:

- granting loans to S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A for the future deliveries of steam worth EUR 16 million and for restructuring indebtedness in the amount of EUR 12 million,
- conversion of interests from overdue liabilities of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. towards CET Govora into capital increase (EUR 5.8 million),
- Debt restructuring – acquisition of debts of S.C. CET Govora by CIECH S.A. from S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. for energy supplies (EUR 18 million), hedged by bank guarantee of CIECH SA.
- Increase in share capital of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A in the amount of EUR 8 million.

In order to guarantee the growth of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., the Ciech Group undertakes a range of actions, which in particular include:

- Realization of investment programme in the amount of approx. EUR 26 million, enabling S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. to produce 530 thousand ton of soda per year commencing from 2010,

- Implementing the best practices as regards the organization of production, quality, the course of technological process, traffic management and modern information tools in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.
- Making available the structures of sales in the Soda Division for products of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.
- Including of S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. in the structures of the Soda Division,
- Providing necessary support in the strategy realization by Ciech.

The presented strategic conditions of the carried out transaction and the realization of investment programme enabling the increase in productive capacities up to more than 530 thousand ton of soda annually guarantee the achievement of positive results by S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. in 2009 and the following years. Medium-term financial projection indicates that in 2009 the Company shall achieve a positive net result, EBIT and EBITDA. At 31 December 2006 S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. was included in the consolidation using the application of the so-called provisional settlement based on book values of the respective items of assets and liabilities. In 2007 fair values were estimated and recorded in the consolidated statement. The comparable period was properly calculated.

CIECH S.A. created a write-down of shares in S.c. Uzinele Sodice Govora – Ciech Chemical Group S.A. A detailed description may be found in point 14 of the financial statement of CIECH S.A. for 2007.

37. Going concern of the Inowrocławskie Zakłady Chemiczne SODA MAŹWY S.A.

On 7 November 2007 the Extraordinary General Meeting of Inowrocławskie Zakłady Chemiczne SODA MAŹWY S.A. consented to bring in the Inowrocławskie Zakłady Chemiczne SODA MAŹWY S.A. with the registered office in Inowrocław into Soda Polska CIECH Sp. z o.o. with the registered office in Warsaw to cover the increased share capital of this company, i.e. by taking up 716,000 shares in Soda Polska CIECH Sp. z o.o. worth PLN 500.00 each by SODA MAŹWY S.A. for the total value of PLN 358,000 thousand in return for the contribution of SODA MAŹWY S.A., excluding the shares in Polskie Towarzystwo Ubezpieczeń S.A., valued according to fair value at PLN 358,000 thousand. The balance sheet value of taken up shares amounts to PLN 261,377,487.53.

Upon the increase of the share capital the total share of SODA MAŹWY S.A. in the share capital of Soda Polska CIECH Sp. z o.o. was 716,050 shares worth PLN 500.00 each, for the total value of PLN 358,025 thousand constituting 53.51% of the Soda Polska CIECH Sp. z o.o. share capital. Undertaking the above actions stems from the realization of the strategies of CIECH S.A. including, *inter alia*, the merger of the two neighbouring soda companies, i.e. Janikowskie Zakłady Sodowe JANIKOSODA S.A. and Inowrocławskie Zakłady Chemiczne SODA MAŹWY S.A. and working in the interest of the Elektrociepłowni Kujawskie Sp. z o.o. [heat and power plant]. The next stage of the merger will be the transformation of Soda Polska CIECH Sp. z o.o. in a joint stock company. SODA MAŹWY S.A. and JANIKOSODA S.A. shall be shown in the consolidated balance sheet of CIECH S.A., remaining the owner of shares in the Polskie Towarzystwo Ubezpieczeniowe S.A. and shares in Soda Polska CIECH Sp. z o.o., however, they shall not conduct operating activity, which was transferred to Soda Polska CIECH Sp. z o.o.

The planned area of the SODA MAŹWY S.A. activity in 2008 is the management of held financial assets in the form of shares in Soda Polska CIECH Sp. z o.o. and packets of shares in the Polskie Towarzystwo Ubezpieczeń S.A. with the registered office in Warsaw. In the financial plan for 2008, necessary cost items were taken into consideration in order to ensure the current activities of the Company in the administrative area. Disposal of held shares of PTU S.A. is planned, however the date of sale is not determined. For this purpose financial and legal advisors were engaged. It is expected that all transactions will be realised by the end of 2008.

The merger of the soda companies and Elektrociepłowni Kujawskie Sp. z o.o. working in the interest thereof should improve operating efficiency and release synergy effect.

At the date of bringing in the company into the Soda Polska CIECH Sp. z o.o. all agreements with contractors were covered by agreements concerning the assignment of rights and responsibilities. At the balance sheet date of 31 December 2007 Inowrocławskie Kopalnie Soli [Salt Mines]- Solino S.A. did not consent to alonge consignment. In this situation, invoices regarding the purchase of brine are still encumbering SODA MAŹWY S.A. and this raw material is sold to Soda Polska CIECH sp. z o.o.

38. Going concern of the Janikowskie Zakłady Sodowe JANIKOSODA S.A.

On 7 November 2007 pursuant to the agreement concerning the transfer of the company in the meaning of Article 551 of the Civil Code, JANIKOSODA S.A. took up shares with the nominal value of PLN 311 million in Soda Polska CIECH with the registered office in Warsaw. Consequently, the contribution in kind of the organized part of the company actually took place. The Company with SODA MAŹWY S.A. hold 100% shares in Soda Polska CIECH. This transaction enabled the actual consolidation of the activity of both Soda Companies operating within the framework of the Ciech Group. As a consequence of the performed valuations, the value of contribution was PLN 311 million. At the same time, charging off according to the existing book value of all components constituting the contribution resulted in obtaining a surplus of fair value of the contribution over the book value in the amount of PLN 79,188 thousand. The presentation of balance sheet value in Soda Polska CIECH Sp. z o.o. is performed according to purchase value decreased by the amount of the established revenues of the future

periods due to a surplus of book value over fair value in the amount of PLN 79,188 thousand, which gives a balance sheet value of PLN 231,843 thousand of shares in Soda Polska CIECH sp. z o.o. at 31 December 2007. The profit and loss account reflects the Company's operating activity for the period between 1 January 2007 and 7 November 2007, as since 8 November 2007 the JANIKOSODA S.A. operating activity was assigned to Soda Polska CIECH Sp. z o.o. The balance sheet drawn up at 31 December 2007 considerably differs from the one at 31 December 2006 due to the assignment, which has the contribution capacity of the Company's assets to Soda Polska CIECH Sp. z o.o. All contractors were notified on the changes in the corporate governance of the Soda Companies. However, IKS Solino – brine supplier to Soda Polska CIECH and at the same time salt purchaser from Soda Polska CIECH – did not consent to the assignment of rights from a long-term agreement for brine supply and salt collection concluded in 1998 for 25 years with JANIKOSODA SA. In relation to the above, until the date of a definitive settlement of the issues of assignment of this agreement, JANIKOSODA S.A. in 2008 shall act as an agent for the purchase of brine from IKS Solino to Soda Polska CIECH Sp. z o.o. as well as for the sale of salt from Soda Polska CIECH sp. z o.o. to IKS Solino. At the balance sheet date in PTU S.A. the authority is exercised by the Commissary Administration appointed by the Polish Financial Supervision Authority. The appointment of new company bodies according to its Articles of Association, as well as the requirements of the Commercial Companies Code, is expected for the 1. quarter of 2008. This shall enable to take binding decisions on the sale by JANIKOSODA S.A. of shares in the PTU S.A. and taking a decision on possible further transformations of the Company. In the next financial year, commencing on 1 January 2008, JANIKOSODA S.A. shall focus on the arrangement of ownership issues in PTU S.A. At the same time, as previously mentioned above, it shall act as a party in the purchases of brine from IKS Solino in the interest of Soda Polska CIECH Sp. z o.o. and in transactions of sale of salt from CIECH S.A. to IKS Solino.

39. Information on major events regarding the previous years recorded in the financial statement of the financial year.

GZNF FOSFOR Y Sp. z o.o.

- In the presented consolidated financial statement the adjustment of error, related to the creation of a provision for recultivation of landfill in the amount of PLN 5,320 thousand, was recorded. This amount, reduced by the created assets in the amount of PLN 1,011 thousand, was included in the balance sheet in equities retrospectively.

The error stemmed from the inconsistencies in the Company's statements from the previous periods. It was the result of a misleading interpretation of the events related to the dump recultivation and in the opinion of the Management Board it could, in consideration of its significance, affect the economic decisions made basing on the previously prepared financial statements.

GZNF FOSFOR Y Sp. z o.o. stated that there was no need to create provisions for recultivation of the Wiślinka landfill, due to the lack of its negative influence on natural environment. According to the Company, area recultivation did not entail any costs. The resources in the form of personnel and machines and equipment used for that purpose did not generate additional costs, as the Company claimed that recultivating works were carried out within the framework of the existing service of the landfill operation.

In consequence of the Pomorskie Voivode's decision on the closure of the Wiślinka landfill on 31 December 2007, the Company was obliged to prepare a technical project of dump closure. As a result of detailed analyses and surveys carried out by Geosyntex Sp. z o.o. in Gdynia and Pracownia Modelowania Hydrogeologicznego [Hydrogeological Modelling Laboratory] in Chwaszczyna, the Company prepared the methodology of landfill securing and recultivation and estimated the costs of provision, which was received on the basis of the obtained offers and the comparison of market prices for the performance of works in the similar scope. Provisions for the costs of landfill recultivation were estimated on the basis of the abovementioned analysis and were discounted by inflation ratios.

The provision created for recultivation of land and water environment in the area of the Wiślinka landfill includes all damages and covers the expenditures for the restoration of natural environment arising from the current decisions and knowledge at 31 December 2007.

Specification	Value (in thousand PLN)
Provision for recultivation	5 320
Assets due to deferred tax from provision for recultivation	(1 011)
Influence on result	4 309

40. Merger and integration of Soda Deutschland Ciech with Ciech Group

On 19 December 2007 CIECH S.A. completed the acquisition of a German soda company - SDC. The Management Board of CIECH S.A. would like to highlight the issue regarding the provisional settlement and planned actions referring to optimising the capital structure in SDC and the commenced integrating processes with the Ciech Group.

1. CIECH S.A. took the advantage of IFRS 3 "Business entity merger" point 61, which enable to use a so-called establishment of provisional settlement in the event, if there is no information on fair values of taken over assets and liabilities of the company. The provisional settlement took place on the basis of estimated asset and liability values of the taken over entity at 31 December 2007. Point 16.1 of the additional information and explanations to the annual consolidated statement introduces additionally a description of the acquisition and provisional settlement as well as balance sheet approach of the Soda Deutschland Ciech Group at 31 December 2007. To support the works on valuation and the process of the purchase price allocation, a consultant was employed to cooperate between CIECH S.A. and the Management Board of Soda Deutschland Ciech GmbH. It is expected that the completion of provisional settlement shall take place in 3./4. quarter of 2008. Balance sheet data at 31 December 2007 and query data for 2007 may be subject to adjustments due to conducted valuations and revaluations as well as works related to the Purchase Price Allocation.
2. For the purchase of shares in Soda Deutschland Ciech GmbH (Marmor 210 VV GmbH) Ciech spent EUR 27.5 thousand. On 19 December 2007 CIECH S.A. granted a loan in the amount of EUR 95.1 million to Soda Deutschland Ciech for the purchase of 100% shares in Sodawerk Holding Stassfurt GmbH and for the repayment of intergroup loans. Payment for shares was EUR 75 million and the amount allocated for the repayment of loan was approx. EUR 20 million. At the balance sheet date of 31 December 2007 loan liabilities were equal to EUR 95,197 million (with interest). The loan is paid and interest rate is based on EURIBOR plus 0.5% bank margin. The loan conforms to credit liabilities towards Commerzbank. The Management Board of CIECH S.A. is considering to treat a part of this amount, i.e. EUR 75 million as an investment in fixed assets. This may mean a possible conversion of a part of the loan, i.e. EUR 75 million for reserve or share capital in the Company. Currently, business and tax analysis is being carried out to determine capital structure as well as tax consequences for the proposed solution both in Poland and in Germany. The planned optimising actions may take place at the turn of 2. half-year of 2008.
3. Upon the acquisition of a German soda company, the Ciech Group reinforced its 2. position in Europe with total productive capacities of approx. 1.9 million ton of soda ash annually and obtained over 30% share on the German market. A significant element of the Ciech Group strategy is the integration of Soda Deutschland Ciech with the Ciech Group and the use of synergy effects in particular in the area of rationalization of sales network and consolidation of selected operating functions, e.g. purchases and logistics. The Ciech Group with the cooperation of the consultant has been preparing the analyses of key processes in the activity of the Soda Deutschland Ciech Group and shall determine actions and the schedule of integrating actions with the structures of the Ciech Group and Soda Division. The Company and the consultant have been also preparing a long-term financial plan for 2008-2016, and the schedule of 'post-acquisition' actions, e.g. optimising the capital structure of the Soda Deutschland Ciech Group and the programme of simplifying the structure (merger of the Soda Deutschland Ciech Group and Sodawerk Holding).

41. Other information not mentioned above, which may significantly influence affect the evaluation of financial standing, asset condition and financial result of the Ciech Group.

ZACHEM S.A.

- Amine (TDA) constitutes a fundamental raw material for TDI production. The trade of this product has no market character, which means that the suppliers have a significantly larger negotiating capacity than the buyers. TDA supply contract is concluded with an American company - AIRPRODUCTS AND CHEMICALS INC USA. Deliveries from that company have been realised since 1997 and constitute 39% of total supplies of ZACHEM S.A., which gives evidence of the Company's large dependency on that supplier. It is a consequence of a strong negotiating position of AIRPRODUCTS due to a low number of suppliers of this product on the global scale. The contract is valid until 2013. It includes a necessity to pay a fixed charge (even in the case of breach of the contract by its expiration) in the amount changing in the following years from USD 1.24 million in 2008 to USD 2.06 million in 2010 and variable charge depending on the price of components for TDA production, which results in the fact that the actual risk of price increase is assigned on ZACHEM. The agreement includes stiff conditions as regards: a possibility to purchase from a different producer and a possibility to obtain compensations if the contract is breached or deliveries disturbed by ZACHEM S.A. In 2007 the attempts to renegotiate the contract were taken.

As a consequence of those actions in October 2007 a new contract, wherein the legal provisions concerning supply contracts (American and European), was signed; it also included:

- increase in TDA supplies in the future years for the extended TDI system up to 75 ton / year;
- improvement of supply logistics through the extension of supplies from Europe at the expense of supplies from the USA;
- improvement of supply (decreasing a risk of discontinuing supplies due to force majeure).

- Between 12 September and 4 December 2007 the Supreme Chamber of Control carried out an audit in ZACHEM S.A.; its scope included the preparation and the course of privatisation of Z.Ch. ZACHEM S.A. in the period of 2005-2007. Minutes were drawn up from the conducted audit and signed by the President of the Management Board on 12 December 2007. The President of the Management Board lodged reasoned objections to the minutes and then to the post-audit statement. The objections were investigated at the session of the Commission of Appeal of the Supreme Chamber of Audit – Delegation in Bydgoszcz. According to the resolution of the Commission of Appeal, the major objections lodged by the President of the Management Board were entirely complied with.

42. Alignment of the financial data presented in the consolidated financial statement for 2006 and currently presented as comparable data.

The list below presents adjustments introduced to the statement for 2006 arising from the completion of the provisional settlement, described in detail in point 16.2 of the additional information and explanations to the annual consolidated statement, as well as error adjustment in GZNF FOSFORY Sp. z o.o., described in detail in point 39 of the additional information and explanations to the annual consolidated statement.

Specification	01.01-31.12.2006 presented in consolidated financial statement for 2006	Write down the goodwill for S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Write down on surplus of acquired assets over cost of merger of ZACHEM S.A.	Write down on surplus of acquired assets over cost of merger of PTU Transcelan Sp. z o.o.	Presentation adjustment – by balance of exchange rate differences	Change of presentation of write-downs on inventories	01.01-31.12.2006 presented currently
Net sales income	2 174 330	-	-	-	-	-	2 174 330
Own costs of sales	(1 676 009)	-	-	-	-	(1 054)	(1 677 063)
Gross profit/loss on sales	498 321	-	-	-	-	(1 054)	497 267
Other operating revenues	23 304	-	134 836	922	-	(1 428)	157 634
Costs of sales	(157 338)	-	-	-	-	-	(157 338)
Cost of general management	(160 414)	-	-	-	-	-	(160 414)
Other operating costs	(57 554)	(90 119)	-	-	-	2 482	(145 191)
Operating profit/loss	146 319	(90 119)	134 836	922	-	-	191 958
Financial revenue	19 673	-	-	-	(1 672)	-	18 001
Financial costs	(16 127)	-	-	-	1 672	-	(14 455)
Net financial income / costs	3 546	-	-	-	-	-	3 546
Share in net profits of subsidiaries valuated by equity method	1 911	-	-	-	-	-	1 911
Profit/loss before taxation	151 776	(90 119)	134 836	922	-	-	197 415
Income tax	(28 151)	-	-	-	-	-	(28 151)
Net profit/loss	123 625	(90 119)	134 836	922	-	-	169 264
Gains / losses on disposal of discontinued operations	26 809	-	-	-	-	-	26 809
Net profit/loss for financial year	150 434	(90 119)	134 836	922	-	-	196 073
Net profit/loss of the parent company's shareholders	150 109	(90 119)	134 836	922	-	-	195 748
Net profit/loss of minority shareholders	325	-	-	-	-	-	325

<i>in thousand PLN</i>	31.12.2006 presented in consolidated financial statement for 2006	Valuation to fair value of Z. Ch. Organika- Sarzyna S.A.	Valuation to fair value of ZACHEM S.A.	Valuation to fair value of S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.	Adjustment of goodwill upon provisional settlement (Z. Ch. Organika- Sarzyna S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.) took place.	Write-down of goodwill on the company and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Adjustment of deferred tax from the revaluation of shares in CIECH S.A. belonging to Organika Sarzyna	Adjustment of basic error in GZNF FOSFORNY Sp. z o.o.	31.12.2006 currently presented
ASSETS									
Fixed assets									
Tangible fixed assets	1 156 719	57 867	203 526	100 288	-	-	-	-	1 518 400
Right of perpetual usufruct	1 534	31 676	-	-	-	-	-	-	33 210
Intangible assets, including:	354 705	30 220	2 178	(1)	(199 322)	(90 119)	-	-	97 661
- goodwill	323 091	-	-	-	(199 322)	(90 119)	-	-	33 650
Investment real properties	14 430	2 458	-	293	-	-	-	-	17 181
Long-term receivables	37	-	-	-	-	-	-	-	37
Investments in related entities and co- subsidiaries valued by equity method	42 220	-	-	-	-	-	-	-	42 220
Other long-term investments	39 464	604	2 204	372	-	-	-	-	42 644
Deferred income tax assets	19 562	(5 391)	(10 264)	-	-	-	-	-	3 907
Total assets	1 628 671	117 434	197 644	100 952	(199 322)	(90 119)	-	-	1 755 260
Current assets									
Inventories	243 179	2 231	353	-	-	-	-	-	245 763
Short-term investments	614	-	-	-	-	-	-	-	614
Income tax receivables	10 400	-	-	(1)	-	-	-	-	10 399
Trade and other receivables	696 869	-	-	2 468	-	-	-	-	699 337
Cash and cash equivalents	147 453	-	-	(1 833)	-	-	-	-	145 620
fixed assets for sale	2 327	-	-	-	-	-	-	-	2 327
Total current assets	1 100 842	2 231	353	634	-	-	-	-	1 104 060
Total assets	2 729 513	119 665	197 997	101 586	(199 322)	(90 119)	-	-	2 859 320

LIABILITIES	31.12.2006 presented in consolidated financial statement for 2006	Write down the goodwill for S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Write down on surplus of acquired assets over cost of merger of ZACHEM S.A.	Write down on surplus of acquired assets over cost of merger of PTU Transcelan Sp. z o.o.	Covering negative capitals of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and other adjustments	Adjustment of deferred tax from the revaluation of shares in CIECH S.A. belonging to Organika Sarzyna	Adjustment of basic error in GZNF FOSFOR Y Sp. z o.o.	31.12.2006 currently presented
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 held for sale	-	-	-	-	-	-	-	-
Revaluation reserve	11 986	-	-	-	-	-	-	11 986
Other reserve capitals	78 683	-	-	-	-	-	-	78 683
Exchange rate differences on calculation of subordinates	(1 082)	-	-	-	(13)	-	-	(1 095)
Retained earnings	687 877	(90 119)	134 836	922	7 699	-	(3 836)	737 379
Equity attributable to shareholders of the parent company	1 086 783	(90 119)	134 836	922	7 686	1 073	(3 836)	1 137 345
Minority shares	50 435	-	-	-	46	-	(473)	50 008
Total equity	1 137 218	(90 119)	134 836	922	7 732	1 073	(4 309)	1 187 353

<i>in thousand PLN</i>	31.12.2006 presented in consolidated financial statement for 2006	Valuation to fair value of Z. Ch. Organika - Sarzyna S.A.	Valuation to fair value of ZACHEM S.A.	Valuation to fair value of S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.	Adjustment of goodwill upon provisional settlement (Z. Ch. Organika- Sarzyna S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.) took place.	Write-down of goodwill on the company and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Adjustment of deferred tax from the revaluation of shares in CIECH S.A. belonging to Organika Sarzyna	Adjustment of basic error in GZNF FOSFORNY Sp. z o.o.	31.12.2006 currently presented
Liabilities					-				
Liabilities due to credits and loans and other debt instruments	316 863	-	-	-	-	-	-	-	316 863
Employee benefits	55 502	-	-	(532)	-	-	-	-	54 970
Other long-term provisions	103 935	6 490	47 591	5 336	-	-	-	-	163 352
Other long-term liabilities	68 518	-	-	55 208	873	-	-	-	124 599
Deferred tax provision	15 143	18 501	13 650	(50)	-	-	(1 073)	(1 011)	45 160
Total long-term liabilities	559 961	24 991	61 241	59 962	873	-	(1 073)	(1 011)	704 944
Overdraft facility	14 311	-	-	-	-	-	-	-	14 311
Liabilities due to credits and loans and other debt instruments	276 368	-	-	40 451	-	-	-	-	316 819
Trade and other liabilities	648 929	-	-	(106 207)	-	-	-	-	542 722
Income tax liabilities	27 713	-	-	-	20	-	-	-	27 733
Provisions (short-term provisions for employee and other provisions)	65 013	(108)	73	(4 860)	-	-	-	5 320	65 438
Liabilities related to fixed assets allocated for sale	-	-	-	-	-	-	-	-	-
Total short-term liabilities	1 032 334	(108)	73	(70 616)	20	-	-	5 320	967 023
Total liabilities	1 592 295	24 883	61 314	(10 654)	893	-	(1 073)	4 309	1 671 967
Total liabilities	2 729 513	119 665	197 997	101 586	(199 322)	(90 119)	-	-	2 859 320

DECLARATION OF THE MANAGEMENT BOARD

On 16 May 2008, the Management Board of the Company approved this consolidated financial statement of the Ciech Group.

Warsaw, 16 May 2008



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Mirosław Kochalski – Prezes Zarządu CIECH Spółka Akcyjna



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Marcin Dobrzański - Członek Zarządu CIECH Spółka Akcyjna



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Ryszard Kunicki - Członek Zarządu CIECH Spółka Akcyjna



.....
Artur Osuchowski – Członek Zarządu CIECH Spółka Akcyjna



.....
Kazimierz Przełomski – Członek Zarządu CIECH Spółka Akcyjna