

**SELECTED FIGURES – EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH  
CHEMICAL GROUP for Q4 2008**

Selected Figures	In PLN `000		In EUR `000	
	4 quarter(s) growing/ 2008 period from 2008-01-01 to 2008-12-31	4 quarter(s) growing / 2007 period from 2007-01-01 to 2007-12-31	4 quarter(s) growing / 2008 period from 2008-01-01 to 2008-12-31	4 quarter(s) growing / 2007 period from 2007-01-01 to 2007-12-31
Condensed consolidated financial statement				
I. Net sales revenues	3 792 258	3 414 982	1 073 655	904 200
II. Operating profit (loss)	266 662	313 505	75 497	83 008
III. Profit (loss) before taxes	119 683	18 325	33 884	4 852
IV. Total net profit (loss)	79 977	(29 771)	22 643	(7 883)
V. Net profit (loss) of shareholders of the parent company	69 027	(31 458)	19 543	(8 329)
VI. Net profit (loss) of minority shareholders	10 950	1 687	3 100	447
VII. Net cash flows from operating activities	63 828	243 189	18 071	64 390
VIII. Net cash flows from investing activities	(435 160)	(575 842)	(123 201)	(152 468)
IX. Net cash flows from financial activities	318 070	296 736	90 051	78 568
X. Total net cash flows	(53 262)	(35 917)	(15 079)	(9 510)
XI. Total Assets	4 347 727	3 966 321	1 042 021	1 107 292
XII. Long-term liabilities	1 104 045	1 307 818	264 607	365 108
XIII. Short-term liabilities	2 306 145	1 545 822	552 714	431 553
XIV. Total equity	937 537	1 112 681	224 700	310 631
XV. Equity attributable to equity holders of the parent company	887 667	1 067 777	212 747	298 095
XVI. Minority`s share	49 870	44 904	11 952	12 536
XVII. Share capital	164 115	164 115	39 333	45 817
XVIII. Profit (loss) per share (in PLN/ EUR)	2,47	-1,12	0,70	-0,3
Condensed financial statement				
XIX. Net revenue from sales of	2 048 651	2 053 545	580 009	543 726

<i>products, services, goods and materials</i>				
XX. Operating profit (loss)	145 833	123 581	41 288	32 721
XXI. Gross profit (loss)	115 746	79 372	32 770	21 016
XXII. Net profit (loss)	97 949	58 101	27 731	15 384
XXIII. Net cash flows from operating activities	(63 529)	152 428	(17 986)	40 359
XXIV. Net cash flows from investing activities	(82 234)	(425 665)	(23 282)	(112 705)
XXV. Net cash flows from financial activities	142 363	245 352	40 305	64 963
XXVI. Total net cash flows	(3 400)	(27 885)	(963)	(7 383)
XXVII. Total Assets	2 106 744	1 822 873	504 924	508 898
XXVIII. Liabilities and provisions for liabilities	1 434 440	1 092 421	343 793	304 975
XXIX. Long-term liabilities	438 145	522 659	105 011	145 913
XXX. Short-term liabilities	996 295	569 762	238 782	159 062
XXXI. Equity	672 304	730 452	161 131	203 923
XXXII. Share capital	164 115	164 115	39 333	45 817
XXXIII. Basic profit per share (in PLN/ EUR)	3,50	2,08	0,99	0,55
XXXIV. Diluted profit per share (in PLN/ EUR)	3,50	2,08	0,99	0,55



**EXTENDED CONSOLIDATED  
QUARTERLY REPORT  
OF THE CIECH CHEMICAL GROUP  
for Q4 2008**

## CONTENTS

<b>EXTENDED CONSOLIDATED</b> .....	<b>1</b>
<b>QUARTERLY REPORT</b> .....	<b>1</b>
<b>OF THE CIECH CHEMICAL GROUP</b> .....	<b>1</b>
<b>FOR Q4 2008</b> .....	<b>1</b>
<b>I. CONSOLIDATED FINANCIAL STATEMENT OF THE CIECH CHEMICAL GROUP</b> .....	<b>3</b>
1. Consolidated Profit and Loss Account.....	3
2. Consolidated Balance Sheet .....	4
3. Consolidated Cash Flow Statement .....	6
4. Statement of Changes in Consolidated Equity .....	8
<b>II. INFORMATION ON THE PRESENTATION PRINCIPLES FOR THE EXTENDED CONSOLIDATED QUARTERLY REPORT OF THE CIECH GROUP</b> .....	<b>10</b>
1. Basis for preparing the Extended Consolidated Quarterly Report of the Ciech Group.....	10
2. Statement of compliance.....	10
3. Accounting principles adopted .....	10
4. Functional and presentation currency and conversion principles .....	11
<b>III. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT OF THE CIECH GROUP</b> .....	<b>12</b>
1. The most important events in the Ciech Group from October 2008 up to the preparation of this statement ..	12
2. Description of achievements of the Ciech Group in the period from January 1st to December 31st, 2008 plus a description of factors and events that have a significant impact on the financial report generated .....	13
3. Seasonality and cyclicity of the operations of Ciech S.A. and the Ciech Group .....	25
4. Fulfilment of profit forecasts previously published for the given year against the performance disclosed in the quarterly report .....	25
5. Factors that have impact on the Ciech Group's profit/loss, with a particular regard to the next quarter .....	25
6. Consolidated entities .....	27
7. Effects of changes in the organisational structure of the Ciech Group business units in Q4 2008, including business mergers, acquisitions or disposals of the group's entities, long-term investments, de-mergers, restructuring and discontinuation of activity.....	30
8. CIECH S.A.'s shareholders holding at least 5% of shares/votes at the General Meeting of Shareholders ...	30
including Pioneer Zrównoważony Fundusz Inwestycyjny Otwarty .....	30
9. Changes in the shares of CIECH S.A. held by the Members of the Management Board and Supervisory Board.....	31
10. Provisions and asset impairment charges from 01.10.2008 to 31.12.2008 .....	31
11. Purchase and disposal of property, plant and equipment.....	33
12. Information concerning changes in contingent liabilities or contingent assets that have occurred since the end of the last financial year.....	34
13. Procedures pending before courts, in arbitration proceedings or public administration bodies as at December 31st, 2008 .....	34
Liabilities of CIECH S.A. (domestic and foreign) claimed in court or arbitration proceedings as at December 31st, 2008 .....	34
14. Information concerning non-standard and non-routine transaction or transactions with affiliated entities concluded by CIECH S.A. or its subsidiaries.....	37
15. Information on loan and borrowing sureties or guarantees granted by CIECH S.A. or its subsidiaries .....	38
16. Information regarding issue, redemption and repayment of debt securities and equity securities in the Ciech Group .....	40
17. Information concerning dividends paid or (declared), in total and per share, broken down into ordinary shares and preference shares.....	41
18. Discontinued operations and assets held for sale .....	41
19. Information concerning default in debt repayment or any violations of borrowing contract provisions not subsequently adjusted.....	41
20. Information concerning non-consolidated subsidiaries and associates .....	41
21. Reconciliation of equity presented in the annual statement for 2007 with the currently presented financials as comparable data – completion of the initial accounting determined provisionally for the Soda Deutschland Ciech Group (data before an audit).....	44
<b>IV. CONDENSED INDIVIDUAL FINANCIAL STATEMENT OF CIECH S.A. FOR Q4 2008 DRAWN UP IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS</b> .....	<b>48</b>
1. Separate profit and loss account.....	48
2. Separate balance sheet .....	49
3. Separate Cash Flow Statement .....	51
4. Statement of changes in unitary equity .....	53
5. Explanatory notes to the financial statement prepared for Q4 2008 ending on December 31st, 2008.....	55
<b>V. STATEMENT BY THE MANAGEMENT BOARD</b> .....	<b>60</b>

## I. Consolidated Financial Statement of the Ciech Chemical Group

### 1. Consolidated Profit and Loss Account

<i>in thousands of PLN</i>	01.01.- 31.12.2008*	01.01.-31.12.2007			01.10.- 31.12.2008*	01.10.2007-31.12.2007		
	Continued operations	Continued operations	Discontinued operations	TOTAL	Continued operations	Continued operations	Discontinued operations	TOTAL
<b>Net sales revenue</b>	<b>3,792,258</b>	<b>3,414,324</b>	<b>658</b>	<b>3,414,982</b>	<b>811,099</b>	<b>781,116</b>	<b>50</b>	<b>781,166</b>
Cost of goods sold	(3,001,645)	(2,603,092)	(706)	(2,603,798)	(695,721)	(611,368)	(119)	(611,487)
<b>Gross profit/loss on sales</b>	<b>790,613</b>	<b>811,232</b>	<b>(48)</b>	<b>811,184</b>	<b>115,378</b>	<b>169,748</b>	<b>(69)</b>	<b>169,679</b>
Other operating income	127,176	71,785	-	71,785	44,796	20,687	-	20,687
Costs of sales	(249,210)	(230,093)	-	(230,093)	(57,110)	(60,425)	914	(59,511)
Administrative expenses	(293,794)	(271,584)	-	(271,584)	(75,108)	(75,099)	-	(75,099)
Other operating expenses	(108,123)	(67,787)	-	(67,787)	(33,932)	(18,874)	-	(18,874)
<b>Operating profit/loss</b>	<b>266,662</b>	<b>313,553</b>	<b>(48)</b>	<b>313,505</b>	<b>(5,976)</b>	<b>36,037</b>	<b>845</b>	<b>36,882</b>
Financial income	132,719	28,017	-	28,017	109,019	29,548	-	29,548
Financial costs	(280,696)	(328,259)	-	(328,259)	(151,209)	(310,268)	-	(310,268)
<b>Net financial income / costs</b>	<b>(147,977)</b>	<b>(300,242)</b>	<b>-</b>	<b>(300,242)</b>	<b>(42,190)</b>	<b>(280,720)</b>	<b>-</b>	<b>(280,720)</b>
Share of the net profits of subsidiaries accounted for using the equity method	998	5,062	-	5,062	(2,616)	(206)	-	(206)
<b>Profit/loss before taxes</b>	<b>119,683</b>	<b>18,373</b>	<b>(48)</b>	<b>18,325</b>	<b>(50,782)</b>	<b>(244,889)</b>	<b>845</b>	<b>(244,044)</b>
Income tax	(39,706)	(48,096)	-	(48,096)	5,624	24,976	-	24,976
<b>Net profit/loss</b>	<b>79,977</b>	<b>(29,723)</b>	<b>(48)</b>	<b>(29,771)</b>	<b>(45,158)</b>	<b>(219,913)</b>	<b>845</b>	<b>(219,068)</b>
Sales profit/loss relative to discontinued operations	-	-	-	-	-	-	-	-
<b>Profit/loss for the financial year</b>	<b>79,977</b>	<b>(29,723)</b>	<b>(48)</b>	<b>(29,771)</b>	<b>(45,158)</b>	<b>(219,913)</b>	<b>845</b>	<b>(219,068)</b>
including:								
Net profit/loss of shareholders of the parent company	69,027	(31,410)	(48)	(31,458)	(45,380)	(220,383)	845	(219,538)
Net profit/loss of minority shareholders	10,950	1,687	-	1,687	220	470	-	470
Earnings per share (in PLN):								
Basic	2.47	(1.12)	(0.00)	(1.12)	(1.62)	(7.87)	0.03	(7.84)
Diluted	2.47	(1.12)	(0.00)	(1.12)	(1.62)	(7.87)	0.03	(7.84)

\* No operations were discontinued in the presented periods.

## 2. Consolidated Balance Sheet

in thousands of PLN

<b>ASSETS</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>Non-current assets</b>		
Property, plant and equipment	2,314,301	2,004,800
Perpetual leasehold rights	32,432	32,843
Intangible assets, including:	208,461	202,563
- goodwill	69,736	67,673
Investment property	25,549	16,543
Long-term receivables	37,385	1,815
Investments in associates and jointly-controlled entities accounted for using the equity method	40,979	55,494
Other long-term investments	83,426	75,520
Deferred tax assets	42,207	12,221
<b>Total non-current assets</b>	<b>2,784,740</b>	<b>2,401,799</b>
<b>Current assets</b>		
Inventories	430,147	284,366
Short-term investments	542	10
Income tax receivable	18,948	9,483
Trade and other receivables	998,830	971,851
Cash and cash equivalents	114,520	124,490
Non-current assets held for sale	-	174,322
<b>Total current assets</b>	<b>1,562,987</b>	<b>1,564,522</b>
<b>Total Assets</b>	<b>4,347,727</b>	<b>3,966,321</b>
<b>LIABILITIES</b>		
<b>Equity</b>		
Share capital	164,115	164,115
Treasury shares	-	-
Share premium	151,328	151,328
Equity components relative to assets held for sale	-	-
Revaluation reserve	(28,103)	19,161
Cash flow hedge	(111,417)	-
Other reserve capital	78,521	78,521
Foreign exchange differences on translation of subordinates	(48,101)	(18,918)
Retained earnings	681,324	673,570
<b>Equity attributable to equity holders of the parent company</b>	<b>887,667</b>	<b>1,067,777</b>
Minority interest	49,870	44,904
<b>Total equity</b>	<b>937,537</b>	<b>1,112,681</b>
<b>Liabilities</b>		
Loans, borrowings and other debt instruments	408,587	755,961
Other long-term liabilities	391,888	259,107
Employee benefits	64,267	55,200
Other long-term provisions	113,140	110,686
Deferred tax provision	126,163	126,864
<b>Total long-term liabilities</b>	<b>1,104,045</b>	<b>1,307,818</b>
Overdraft facility	66,323	28,888
Loans, borrowings and other debt instruments	1,265,409	480,593
Trade and other liabilities	800,401	851,511

<b>LIABILITIES</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Income tax liabilities	26,769	28,857
Provisions (short-term employee-benefit and other provisions)	147,243	155,973
Liabilities arising from non-current assets held for sale	-	-
<b>Total short-term liabilities</b>	<b>2,306,145</b>	<b>1,545,822</b>
<b>Total liabilities</b>	<b>3,410,190</b>	<b>2,853,640</b>
<b>T o t a l L i a b i l i t i e s</b>	<b>4,347,727</b>	<b>3,966,321</b>

### Off-balance Sheet Items

<i>in thousands of PLN</i>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>1. Contingent receivables</b>	-	-
- guarantees and sureties received	-	-
- other off-balance sheet receivables	-	-
<b>2. Contingent liabilities</b>	<b>23,538</b>	<b>41, 508</b>
- guarantees and sureties granted	22,032	40,082
- other off-balance sheet liabilities	1,506	1,426
<b>3. Other</b>	<b>406</b>	<b>1,012</b>
- other	406	1,012
<b>Total off-balance sheet items</b>	<b>23,944</b>	<b>42,520</b>

### 3. Consolidated Cash Flow Statement

in thousands of PLN

	01.01-31.12.2008	01.01-31.12.2007
<b>Operating cash flows</b>		
<b>Net profit (loss) for the period</b>	<b>79,977</b>	<b>(29,771)</b>
Depreciation	208,864	179,319
Recognition / reversal of revaluation write-downs	6,888	(18,167)
Foreign exchange gains/losses	(86,288)	4,199
Investment property revaluations	-	-
Gains / losses on investing activities	(30,522)	261,578
Gains / losses on disposal of fixed assets	(26,165)	(8,956)
Interest and profit sharing	88,806	25,577
Input income tax	39,707	48,096
Gains / losses on shares in entities accounted for using the equity method	(998)	(5,062)
<b>Operating profit before changes in working capital and provisions</b>	<b>280,269</b>	<b>456,813</b>
Change in receivables	112,487	(68,659)
Change in inventories	(146,833)	(25,839)
Change in short-term liabilities	(146,995)	(26,939)
Change in provisions and employee benefits	(8,167)	(15,733)
<b>Net cash generated from operating activities</b>	<b>90,761</b>	<b>319,643</b>
Interest paid	(88,401)	(28,499)
Income tax paid	(73,529)	(46,833)
Gains / losses on disposal of discontinued operations	-	-
Other adjustments	134,997	(1,122)
<b>Net cash from operating activities</b>	<b>63,828</b>	<b>243,189</b>
<b>Cash flows from investing activities</b>		
<b>Inflows (in "+")</b>		
Disposal of a subsidiary	3,813	-
Disposal of intangible assets and property, plant and equipment	152,348	24,723
Disposal of financial assets	(2)	12,769
Disposal of investment property	1,758	-
Dividends received	3,874	2,125
Interest received	3,076	711
Inflows from repayment of borrowings	-	-
Other inflows	23,494	16
<b>Outflows (in "-")</b>		
Acquisition of a subsidiary (net of cash acquired)	(100,211)	949
Acquisition of intangible assets and property, plant and equipment	(431,641)	(244,646)
Acquisition of financial assets	(88,032)	-
Purchase of investment property	-	(4)
Research and development expense	(2,329)	-
expenditure on equity increase and contributions	-	-
Borrowings paid	-	-
Other	(1,308)	(372,485)
<b>Net cash from investing activities</b>	<b>(435,160)</b>	<b>(575,842)</b>



in thousands of PLN

01.01-31.12.2008

01.01-31.12.2007

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

Net inflows from issue of shares and other equity instruments, and equity contributions	-	15,467
Proceeds from loans and borrowings	727,483	242,439
Grants received	-	-
Issue of debt securities	-	-
Other financial inflows	2,013	299,825

**Outflows (in "-")**

Purchase of treasury shares	-	-
Dividends paid and other payments to equity holders	(57,960)	(58,470)
Dividends paid to minority shareholders	(1,148)	(1,605)
Expenditure on repayment of loans and borrowings	(347,651)	(199,853)
Redemption of debt securities	-	-
Payment of finance lease liabilities	(4,617)	(926)
Other financial outflows	(50)	(141)

<b>Net cash from financing activities</b>	<b>318,070</b>	<b>296,736</b>
---	----------------	----------------

<b>Total net cash flows</b>	<b>(53,262)</b>	<b>(35,917)</b>
-----------------------------	-----------------	-----------------

<b>Cash at the beginning of period</b>	95,602	131,305
Impact of foreign exchange differences	5,857	214
<b>Cash at the end of period</b>	<b>48,197</b>	<b>95,602</b>

## 4. Statement of Changes in Consolidated Equity

<i>in thousands of PLN</i>	Allocated to shareholders of the parent company							Foreign exchange differences on translation of subordinates	Retained earnings	Equity attributable to shareholders of the parent company	Minority interest	Total equity
	Share capital	Treasury shares	Share premium	Equity components relative to assets held for sale	Revaluation reserve	Cash flow hedge	Other reserve capital					
<b>Equity as at: (beginning of period) 01/01/2008:</b>												
<b>Brought forward</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>19,161</b>	-	<b>78,521</b>	<b>(18,918)</b>	<b>673,570</b>	<b>1,067,777</b>	<b>44,904</b>	<b>1,112,681</b>
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of fundamental errors	-	-	-	-	-	-	-	-	(3,255)	(3,255)	-	(3,255)
<b>Equity (restated) as at:</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>19,161</b>	-	<b>78,521</b>	<b>(18,918)</b>	<b>670,315</b>	<b>1,064,522</b>	<b>44,904</b>	<b>1,109,426</b>
Profit (loss) on measurement of hedging instruments (including deferred tax)	-	-	-	-	-	-	(111,417)	-	-	(111,417)	-	(111,417)
Exchange differences on translating foreign companies	-	-	-	-	-	-	-	(29,183)	-	(29,183)	(1,701)	(30,884)
Revaluation of fixed assets	-	-	-	-	(352)	-	-	-	-	(352)	-	(352)
Long-term investment measurement	-	-	-	-	(46,541)	-	-	-	-	(46,541)	(1,477)	(48,018)
<b>Total income and expenditure for the financial year recognised directly in equity</b>	-	-	-	-	<b>(46,893)</b>	<b>(111,417)</b>	-	<b>(29,183)</b>	-	<b>(187,493)</b>	<b>(3,178)</b>	<b>(190,671)</b>
Net profit / (loss)	-	-	-	-	-	-	-	-	69,027	69,027	10,950	79,977
<b>Total income and expenditure for the financial year</b>	-	-	-	-	<b>(46,893)</b>	<b>(111,417)</b>	-	<b>(29,183)</b>	<b>69,027</b>	<b>(118,466)</b>	<b>7,774</b>	<b>(110,692)</b>
Sales of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	(57,961)	(57,961)	(323)	(58,284)
Cover for USG's negative equity	-	-	-	-	-	-	-	-	(689)	(689)	689	-
Change in the group's composition	-	-	-	-	-	-	-	-	-	-	(2,926)	(2,926)
Merger of soda companies	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/decreases	-	-	-	-	(371)	-	-	-	632	261	(246)	15
<b>Equity as at (end of period) 31/12/2008:</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>(28,103)</b>	<b>(111,417)</b>	<b>78,521</b>	<b>(48,101)</b>	<b>681,324</b>	<b>887,667</b>	<b>49,870</b>	<b>937,537</b>

<i>in thousands of PLN</i>	Allocated to shareholders of the parent company						Foreign exchange differences on translation of subordinates	Retained earnings	Equity attributable to shareholders of the parent company	Minority interest	Total equity
	Share capital	Treasury shares	Share premium	Equity components relative to assets held for sale	Revaluation reserve	Other reserve capital					
<b>Equity as at (beginning of period) 01/01/2007:</b>											
<b>Brought forward</b>	<b>164,115</b>	<b>(5,051)</b>	<b>151,328</b>	<b>-</b>	<b>11,986</b>	<b>78,683</b>	<b>(1,095)</b>	<b>737,379</b>	<b>1,137,345</b>	<b>50,008</b>	<b>1,187,353</b>
Changes in accounting principles	-	-	-	-	-	-	-	-	-	-	-
Corrections of fundamental errors	-	-	-	-	-	-	-	-	-	-	-
<b>Equity (restated) as at:</b>	<b>164,115</b>	<b>(5,051)</b>	<b>151,328</b>	<b>-</b>	<b>11,986</b>	<b>78,683</b>	<b>(1,095)</b>	<b>737,379</b>	<b>1,137,345</b>	<b>50,008</b>	<b>1,187,353</b>
Exchange differences on translating foreign companies	-	-	-	-	-	-	(18,389)	-	(18,389)	(2,170)	(20,559)
Revaluation of fixed assets	-	-	-	-	-	-	-	4,173	4,173	13	4,186
Long-term investment measurement	-	-	-	-	7,175	-	-	-	7,175	1,306	8,481
<b>Total income and expenditure for the financial year recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,175</b>	<b>-</b>	<b>(18,389)</b>	<b>4,173</b>	<b>(7,041)</b>	<b>(851)</b>	<b>(7,892)</b>
Net profit / (loss)	-	-	-	-	-	-	-	(31,457)	(31,457)	1,687	(29,770)
<b>Total income and expenditure for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,175</b>	<b>-</b>	<b>(18,389)</b>	<b>(27,284)</b>	<b>(38,498)</b>	<b>836</b>	<b>(37,662)</b>
Sales of treasury shares	-	5,051	-	-	-	-	-	-	5,051	-	5,051
Dividends	-	-	-	-	-	-	-	(58,600)	(58,600)	(1,426)	(60,026)
Cover for USG's negative equity	-	-	-	-	-	-	-	(7,375)	(7,375)	-	(7,375)
Result of changes in USG	-	-	-	-	-	-	566	29,584	30,150	-	30,150
Merger of soda companies	-	-	-	-	-	-	-	-	-	(4,173)	(4,173)
Other increases	-	-	-	-	-	(162)	-	(134)	(296)	(341)	(637)
<b>Equity as at (end of period) 31/12/2007:</b>	<b>164,115</b>	<b>-</b>	<b>151,328</b>	<b>-</b>	<b>19,161</b>	<b>78,521</b>	<b>(18,918)</b>	<b>673,570</b>	<b>1,067,777</b>	<b>44,904</b>	<b>1,112,681</b>

## **II. Information on the presentation principles for the Extended Consolidated Quarterly Report of the Ciech Group**

### **1. Basis for preparing the Extended Consolidated Quarterly Report of the Ciech Group**

The presented consolidated financial statement for the period from January 1st, 2008 to December 31st, 2008, including comparative information, was approved by the Management Board of CIECH SA on February 27th, 2009 to be published on March 2nd, 2009.

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

The scope of information presented in the Extended Consolidated Quarterly Report is consistent with the requirements of:

- International Accounting Standard 34 – Interim Financial Reporting
- Regulation of the Minister of Finance of October 19th, 2005 on current and periodic information to be submitted by issuers of securities.

Preparation of financial statements in compliance with IFRS requires the Management to exercise professional judgement, estimates and assumptions that impact the adopted accounting principles and the value of assets, liabilities, income and expenses presented. All estimates and the related assumptions are based on a 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 carrying value of the assets and liabilities which cannot be calculated using other sources. The actual values may differ from the estimated values.

The estimates and related assumptions are revised on a continuing basis. Changes in accounting estimates are recognised in the period in which they are made, if such changes only apply to that period, or in the current period and future periods if such changes apply both to the current and future periods.

The Management Board's professional judgements, which have a significant impact on the consolidated financial statements, and the estimates bearing a high risk of significant changes in future periods, have been presented in part III, Points 10 and 13 of this Report.

### **2. Statement of compliance**

The consolidated financial statements of the Ciech Group, as well as financial statements of all subsidiaries and associates of CIECH S.A. for the presented period and corresponding periods have been prepared according to all the International Financial Reporting Standards (IFRS), adopted for usage in the European Union as at December 31st, 2008.

The initial accounting determined provisionally used so far for the Soda Deutschland Ciech Group has been terminated. The Soda Deutschland Ciech Group was consolidated as of December 31st, 2007, based on the estimated value of its assets and liabilities. The financial statements presented contain all the adjustments due to the measurement at fair value of individual identifiable assets, liabilities and contingent liabilities of that Group. Details concerning the adjustments made as at December 31st, 2007 was presented in Point 21 of this report.

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

### **3. Accounting principles adopted**

In the presented period there were no changes in the accounting principles as compared to the principles presented by the Group in the Consolidated Report of the Ciech Group for the 1st half of 2008 that was made available to the public on September 30th, 2008. The Report in question includes detailed information regarding the principles and methods of the valuation of assets and liabilities and measurement of the financial result, as well as the method of preparation of financial statements and comparable data.

These principles have been used on a continuous basis when preparing all consolidated financial statements of the Ciech Group since the date of transition to IFRS, i.e. since January 1st, 2004.

In October 2008 the Management Board of CIECH S.A. approved the Financial Risk Management Policy for use. Since then the Ciech Group has been applying the principles of hedge accounting to selected financial instruments. Detailed information concerning financial instruments selected for hedge accounting was presented in chapter III, point 2.12

#### **Hedge accounting**

Hedge accounting sets the principles of accounting for hedging instruments and hedged items in books when these transactions are assigned for hedging a particular risk.

Hedge may be defined as the assignment of one or several hedging instruments, according to the principles of hedge accounting, so that a change in their fair value should balance entirely or partially a change in the fair value of the hedged item or future cash flows relative to the hedged item.

The hedging instrument may be a derivative instrument or - in restricted cases - another item under financial assets or a financial liability, assigned according to the principles of hedge accounting, whose fair value or resulting cash flows are used for balancing the change in the fair value or cash flows of the hedged item.

The hedged item may be assets or liabilities, including a probable future liability or planned transaction, which involve the risk of a change in the fair value or future cash flows expected by the entity.

#### **4. Functional and presentation currency and conversion principles**

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

For the purposes of presentation of selected financial data, particular assets and liabilities disclosed in the balance sheet were translated into EURO at the average exchange rate announced as at the balance-sheet date (December 31st, 2008) by the National Bank of Poland, i.e. 4.1724. Individual items of the profit and loss account were translated into EURO at a rate calculated as the arithmetic mean of the average EURO exchange rates determined by the National Bank of Poland as at the last day of each month, i.e. from January to December 2008, which are respectively: 3.6260; 3.5204; 3.5258; 3.4604; 3.3788; 3.3542; 3.2026; 3.3460; 3.4083; 3.6330; 3.7572; and 4.1724. The exchange rate for the presented reporting period is 3.5321.

### III. Explanatory notes to the Consolidated Financial Statement of the Ciech Group

#### 1. The most important events in the Ciech Group from October 2008 up to the preparation of this statement

- On October 9th, 2008 a Letter of Intent was signed concerning the purchase of the controlling block of shares in Anwil S.A. The signatories of the document are: CIECH S.A., Zakłady Azotowe Kędzierzyn S.A. (ZAK) and Zakłady Azotowe w Tarnowie - Mościcach S.A. (Azoty Tarnów). The information was announced in current report no. 64 of October 9th, 2008.
- On November 7th, 2008 CIECH S.A. published an adjusted forecast for the consolidated profit/loss of the Ciech Group for 2008 in current report no. 68. The original forecast provided for the consolidated sales revenue at PLN 4,270 m and the consolidated net profit of the Ciech Group at PLN 225 m. After an analysis of the financial results of the Ciech Group key companies for 9 months of 2008 and on the basis of the prepared estimates for the financial result of the Ciech Group for Q4 2008, the Management Board of CIECH S.A. decided to maintain the forecast of the sales revenue and update the forecast of the Group's net financial result to PLN 88 m.
- On November 19th, 2008 CIECH S.A. received information that the District Court in Bydgoszcz, XIII Economic Division of the National Court Register, registered a merger of Soda Polska CIECH sp. z o.o. and SODA – MED Sp. z o.o., in which Soda Polska CIECH sp. z o.o. held 100% interest. Soda Polska CIECH sp. z o.o. took over the latter and SODA – MED Sp. z o.o. was taken over by the former. The information was announced in current report no. 69 of November 19th, 2008.
- On November 30th, 2008 Mr Robert Skoczeń - President of the Supervisory Board of CIECH S.A. resigned as a CIECH S.A. Supervisory Board member. On December 16th, 2008 the Extraordinary General Meeting of Shareholders of CIECH S.A. dismissed Mr Wojciech Włodarczyk from the Supervisory Board of CIECH S.A. and appointed Ms Marzena Okła - Anuszevska and Mr Grzegorz Kłoczko as CIECH S.A. Supervisory Board members. On December 17th, 2008 Mr Grzegorz Kłoczko was appointed President of the Supervisory Board of CIECH S.A. The information was announced in current report no. 70 of November 20th, 2008 and current report no. 73 of December 16th, 2008.
- On December 23rd, 2008 Polskie Konsorcjum Chemiczne Spółka z ograniczoną odpowiedzialnością was entered in the register of entrepreneurs kept by the District Court for the capital city of Warsaw, XIII Economic Division of the National Court Register under KRS number 0000319998. The company's share capital of PLN 50 thousand (1,000 shares of PLN each) was as a whole assumed by CIECH S.A. The establishment and registration of Polskie Konsorcjum Chemiczne Sp. z o.o. are the accomplishments of decisions in the Letter of Intent concerning the purchase of the controlling block of Anwil S.A., signed on October 9th, 2008 by CIECH S.A., Zakłady Azotowe w Tarnowie-Mościcach S.A. (ZAT) and Zakłady Azotowe Kędzierzyn S.A. (ZAK). The information was announced in current report no. 76 of December 23rd, 2008.

On January 5th, 2009 the General Meeting of Shareholders of Polskie Konsorcjum Chemiczne Sp. z o.o. (PKCh) adopted a resolution on increasing the share capital of the Company by PLN 50 thousand, to PLN 100 thousand. At the same time CIECH S.A., Zakłady Azotowe w Tarnowie-Mościcach S.A. (ZAT), Zakłady Azotowe Kędzierzyn SA (ZAK) and PKCh signed an Agreement of Shareholders that regulates the principles of collaboration in the process of future purchase of the controlling block of Anwil S.A. The shares assumed by ZAT and ZAK shall account for 25% of votes at the General Meeting of Shareholders respectively. The remaining 50% of votes will be held by CIECH S.A. The District Court carried out the registration in the Register of Entrepreneurs of the National Court Register on February 19th, 2009. The information was announced in current report no. 1 of January 5th, 2009 and current report no. 10 of February 27th, 2009.

- On January 14th, 2009 CIECH S.A. and PKP "Cargo" S.A. with its registered office in Warsaw signed an agreement concerning the transport of goods of companies in the Ciech Chemical Group on domestic routes. The value of the agreement for 2009 is estimated at approximately PLN 75 million. The information was announced in current report no. 2 of January 14th, 2009.
- On January 15th, 2009 an annex to a long-term agreement of April 15th, 2008 concluded by Soda Polska CIECH Sp. z o.o. and Kompania Węglowa S.A. was signed: it regulated the deliveries and prices of power coal in 2009. The agreement value in 2009 is approximately PLN 200 million net. The information was announced in current report no. 3 of January 15th, 2009.
- On January 26th, 2009 Soda Polska Ciech Sp. z o.o., (indirect subsidiary of CIECH S.A.) and Bank Pekao S.A. with its registered office in Warsaw concluded a Loan Agreement to finance the Company's investing activities in 2008-2012 for the amount of PLN 256,300 thousand. The information was announced in current report no. 5 of January 27th, 2009.

- On February 10th, 2009 the Management Board of CIECH S.A. decided to reduce the operating costs and expenditure on investments for the Ciech Group in 2009. Within the cost killing programme, the financial plan for 2009 provides for a reduction of operating costs by PLN 71 m and of expenditure on investments by PLN 121 m. The decision to reduce operating costs and investment expenditure is due to the need to respond to threats resulting from unfavourable changes in market conditions. The information was announced in current report no. 7 of February 10th, 2009.
- On February 18th, 2009 CIECH S.A. and Jochen Ohm concluded a settlement under which:
  - Jochen Ohm, a former minority shareholder of Soda Deutschland Ciech GmbH and President of German subsidiaries of CIECH S.A., resigns early from all his positions and functions.
  - The collaboration between CIECH S.A. and its subsidiaries, on the one hand, and Jochen Ohm, on the other hand, is settled and finished conclusively.
  - CIECH SA acquires the remaining 8% of shares in Soda Deutschland Ciech GmbH, thus becoming the sole shareholder of the company.
  - CIECH SA obtains the title of ownership for the land where caverns held for sale are located.
  - CIECH SA acquires rights to 100% of profits on the sale and exploitation of caverns.

The value of the settlement is EUR 12,500 thousand. The information was announced in current report no. 8 of February 18th, 2009.

## 2. Description of achievements of the Ciech Group in the period from January 1st to December 31st, 2008 plus a description of factors and events that have a significant impact on the financial report generated

### 2.1 Basic financial figures

During the four quarters of 2008 the Ciech Group recorded a net profit amounting to PLN 79,977 thousand, the balance-sheet showed a total of PLN 4,347,727 thousand, and net cash decreased by PLN 47,405 thousand.

The table below presents selected financial data and basic financial ratios for the four quarters of 2008 and 2007

#### Selected Figures

<i>in thousand PLN</i>	01.01.-31.12.2008	01.01.-31.12.2007	2008/2007 change
<b>Net sales revenue</b>	<b>3,792,258</b>	<b>3,414,982</b>	<b>11.0%</b>
Cost of goods sold	3,001,645	2,603,798	15.3%
Gross sales profit	790,613	811,184	(2.5%)
Costs of sales	249,210	230,093	8.3%
Administrative expenses	293,794	271,584	8.2%
Other operating income / expenses	19,053	3,998	376.6%
<b>Operating profit</b>	<b>266,662</b>	<b>313,505</b>	<b>(14.9%)</b>
Financial income / costs	(147,977)	(300,242)	-
Share of the net profits of subsidiaries accounted for using the equity method	998	5,062	(80.3%)
Income tax	39,707	48,096	(17.4%)
Sales profit relative to discontinued operations	-	-	-
<b>Net profit</b>	<b>79,977</b>	<b>(29,771)</b>	<b>-</b>
Net profit of minority shareholders	10,950	1,687	549.1%
<b>Profit attributable to shareholders of the parent company</b>	<b>69,027</b>	<b>(31,458)</b>	<b>-</b>
EBITDA	475,526	492,824	(3.5%)

<i>in thousand PLN</i>	01.01.-31.12.2008	01.01.-31.12.2007	2008/2007 change
<b>Value of assets</b>	<b>4,347,727</b>	<b>3,966,321</b>	<b>9.6%</b>
Non-current assets	2,784,740	2,401,799	15.9%
Current assets, including:	1,562,987	1,564,522	(0.1%)
- inventories	430,147	284,366	51.3%
- short-term receivables	1,017,778	981,334	3.7%
- cash and cash equivalents	114,520	124,490	(8.0%)
- short-term investments	542	10	532%

<i>in thousand PLN</i>	<b>01.01.-31.12.2008</b>	<b>01.01.-31.12.2007</b>	<b>2008/2007 change</b>
- non-current assets held for sale	-	174,322	-
<b>Total equity</b>	<b>937,537</b>	<b>1,112,681</b>	<b>(15.7%)</b>
Equity attributable to shareholders of the parent company	887,667	1,067,777	(16.9%)
Minority interest	49,870	44,904	11.1%
Long-term liabilities	1,104,045	1,307,818	(15.6%)
Short-term liabilities	2,306,146	1,545,822	49.2%

<i>in thousand PLN</i>	<b>01.01.-31.12.2008</b>	<b>01.01.-31.12.2007</b>	<b>2008/2007 change</b>
Net cash flows from operating activities	63,828	243,189	(73.8%)
Net cash flows from investing activities	(435,160)	(575,842)	-
Net cash flows from financing activities	318,070	296,736	7.2%
<b>Total net cash flows</b>	<b>(53,262)</b>	<b>(35,917)</b>	<b>-</b>

	<b>01.01.-31.12.2008</b>	<b>01.01.-31.12.2007</b>	<b>2008/2007 change</b>
<b>Net earnings per share</b>	<b>2.47</b>	<b>(1.12)</b>	<b>-</b>
Net return	1.8%	(0.9%)	-
EBIT%	7.0%	9.2%	(23.9%)
EBITDA %	12.5%	14.4%	(13.2%)
Current ratio	0.7	1.0	(30.0%)
Quick ratio	0.5	0.8	(37.5%)
Total debt ratio	78.4%	71.9%	9.0%
Equity to assets ratio	21.6%	28.1%	(23.1%)

Source: CIECH SA

#### **Calculation principles:**

*net earnings per share – net earnings / weighted average number of ordinary shares in the given period (pursuant to the definition of IAS 33 "Earnings per share")*

*net return – net profit for a given period / net revenue from sales of products, services, goods and materials in a given period*

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

*EBITDA% – (operating profit + depreciation for a given period) / net revenue from sales of products, services, goods and materials in a given period*

*current ratio – current assets as at the period-end / current debt as at the period-end*

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

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

*equity to assets ratio – total equity as at the period-end / total assets as at the period-end*

## **2.2 Sales revenue**

The Group's net consolidated revenue from sales for the four quarters of 2008 were PLN 3,792,258 thousand. Compared to the corresponding period in 2007, the revenue increased by PLN 377,276 thousand, i.e. by 11%. The increase was mainly due to revenue generated by the Soda Deutschland Ciech Group that joined the Ciech Group in December 2007. Another positive contributor to revenue was the economic situation on the market of agro-chemical products reflected in a significant increase in prices of fertilisers. The revenue from sales was affected negatively by the significant decrease in the prices of basic products of the organic segment, especially TDI.

The Ciech Group business focuses on five fundamental segments, namely the soda, organic, agro-chemical, inorganic and silicates and glass segments. These segments generated in total more than 93% of the Group's sales revenue. The structure of the revenue has changed compared to the analogous period in the previous year, mostly on account of the purchase of the Soda Deutschland Ciech Group in Q4 2007 and an increase in the revenue of the agro-chemical segment. The greatest share in the revenue for the four quarters of 2008 is attributed to the sales of soda segment products. Last year the organic segment played a leading role.

### **Sales revenue by business segment**

	<b>2008</b>	<b>2007</b>	<b>change</b>	<b>change %</b>	<b>% share in total revenue 2008</b>	<b>% share in total revenue 2007</b>
--	-------------	-------------	---------------	-----------------	--------------------------------------	--------------------------------------



<b>Soda segment, including:</b>	<b>1,371,851</b>	<b>951,900</b>	<b>419,951</b>	<b>44.1%</b>	<b>36.2%</b>	<b>27.9%</b>
Dense soda ash	862,505	578,553	283,952	49.1%	22.7%	16.9%
Light soda ash	262,050	170,456	91,594	53.7%	6.9%	5.0%
Salt	112,291	103,689	8,602	8.3%	3.0%	3.0%
Baking soda	79,120	52,036	27,084	52.0%	2.1%	1.5%
Calcium chloride	20,925	18,845	2,080	11.0%	0.6%	0.6%
<b>Organic segment, including:</b>	<b>1,136,238</b>	<b>1,308,485</b>	<b>(172,247)</b>	<b>(13.2%)</b>	<b>30.0%</b>	<b>38.3%</b>
TDI	476,622	575,751	(99,128)	(17.2%)	12.6%	16.9%
Resins	238,195	230,929	7,266	3.1%	6.3%	6.8%
Plastics	230,572	292,729	(62,157)	(21.2%)	6.1%	8.6%
EPI	69,602	92,545	(22,943)	(24.8%)	1.8%	2.7%
<b>Agro-chemical segment, including:</b>	<b>607,479</b>	<b>544,133</b>	<b>63,346</b>	<b>11.6%</b>	<b>16.0%</b>	<b>15.9%</b>
Fertilisers	398,875	316,108	82,767	26.2%	10.5%	9.3%
Plant protection agents.	134,199	169,393	(35,194)	(20.8%)	3.5%	5.0%
<b>Inorganic segment, including:</b>	<b>291,631</b>	<b>279,462</b>	<b>12,169</b>	<b>4.4%</b>	<b>7.7%</b>	<b>8.2%</b>
Phosphorus compounds	99,685	62,046	37,639	60.7%	2.6%	1.8%
Sulphur	56,811	32,841	23,970	73.0%	1.5%	1.0%
Sodium hydroxide	40,565	41,044	(479)	(1.2%)	1.1%	1.2%
Sodium tripolyphosphate	25,642	57,539	(31,897)	(55.4%)	0.7%	1.7%
<b>Silicates and glass segment, including:</b>	<b>161,551</b>	<b>148,086</b>	<b>13,465</b>	<b>9.1%</b>	<b>4.3%</b>	<b>4.3%</b>
Glass blocks and lanterns	92,545	83,806	8,739	10.4%	2.4%	2.5%
Potassium water glass	37,942	2,761	35,181	1,274.2%	1.0%	0.1%
Sodium water glass	17,189	46,206	(29,017)	(62.8%)	0.5%	1.4%
<b>Pharmaceutical segment</b>	<b>54,665</b>	<b>50,075</b>	<b>4,590</b>	<b>9.2%</b>	<b>1.4%</b>	<b>1.5%</b>
<b>Petrochemical segment</b>	<b>48,423</b>	<b>38,430</b>	<b>9,993</b>	<b>26.0%</b>	<b>1.3%</b>	<b>1.1%</b>
<b>Power generation segment</b>	<b>32,626</b>	<b>21,428</b>	<b>11,198</b>	<b>52.3%</b>	<b>0.9%</b>	<b>0.6%</b>
<b>Discontinued operations</b>	<b>-</b>	<b>658</b>	<b>(658)</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Other operations</b>	<b>87,794</b>	<b>72,325</b>	<b>15,469</b>	<b>21.4%</b>	<b>2.3%</b>	<b>2.1%</b>
<b>TOTAL</b>	<b>3,792,258</b>	<b>3,414,982</b>	<b>377,276</b>	<b>11.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### 2.3 Sales profit and operating profit

After the four quarters of 2008 the gross sales profit was PLN 790,613 thousand, while in the analogous period in the previous year it was PLN 811,184 thousand. The operating profit amounted to PLN 266,662 thousand and PLN 313,505 thousand for the comparable period.

The positive contributors to the presented profit were as follows:

- good economic situation on the soda market,
- increase in prices and profitability of agro-chemical segment products (however as soon as in the third quarter there were negative changes in the fertiliser market leading to a lower demand that continued in the fourth quarter),
- increase in sales prices and profitability of products of the silicates and glass segment,
- recognition of the revenue and costs of the Soda Deutschland Ciech Group (sales of caverns) in the Group's results.

The negative contributors to the presented profit were as follows:

- unfavourable price and demand relations could be observed on the market of EPI and TDI sales; due to a high level of supply of the product, a decrease in sales prices and volume was recorded,
- lower sales prices of epoxy resins, which had a negative effect on the sales profit,
- drop in the sales of plant protection agents due to low purchase prices for agricultural products,
- non-fortuitous events (equipment failure and lower output) and in increase in the costs of raw materials and energy at the Romanian soda company S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.

The results present take into account one-off events as well, i.e. the operating profit for 2008 recognises the profit from the sale of investment property (at ul. Jasna in Warsaw), while in 2007 - the sale of fixed assets at the Zachem Group

(Ośrodek Wypoczynkowy "Chemik" (holiday house) in Sopot, Sanatorium Uzdrawiskowe CHEMIK (health-resort sanatorium) in Ciechocinek and the Production Department T-7300).

After the four quarters of 2008 the EBIT margin rate amounted to 7.0% (9.2% the year before).

## 2.4 Net profit

The consolidated net profit for 2008 was PLN 79,977 thousand, with PLN 69,027 thousand accounting for the net profit attributable to shareholders of the parent company. Net return reached 1.8%.

The net loss in 2007 was due to the write-down of the value of the company that was created as a result of the acquisition of the Soda Deutschland Ciech Group. A detailed description was given in Chapter III, point 21.

Besides the operating result, the net profit in 2008 was affected by the measurement of financial instruments and costs of increased debt service. At the same time the negative impact of high financial costs was partially balanced by foreign exchange difference gains.

### Financial performance by type of business

<i>in thousands of PLN</i>	<b>01.01.-31.12.2008</b>	<b>01.01.-31.12.2007</b>	<b>2008/2007 change</b>
1. Operating profit	266,662	313,505	(14.9%)
2. Net financial income / costs	(147,977)	(300,242)	-
3. Share of the net profits of subsidiaries accounted for using the equity method	998	5,062	(80.3%)
4. Income tax	39,706	48,096	(17.4%)
5. Sales profit relative to discontinued operations	-	-	-
<b>6. Net profit (1+2+3-4+5)</b>	<b>79,977</b>	<b>(29,771)</b>	-
7. Profit attributable to minority interests	10,950	1,687	549.1%
<b>8. Profit attributable to shareholders of the parent company (6-7)</b>	<b>69,027</b>	<b>(31,458)</b>	-

Source: CIECH SA

**Income and profits/losses by business segments.**

01.01.-31.12.2008

<i>in thousands of PLN</i>	Soda Segment	Power Generation Segment	Organic Segment	Petrochemical Segment	Agro-Chemical Segment	Pharmaceutical segment	Silicates and Glass Segment	Inorganic Segment	Other Operations	Eliminations (consolidation adjustments)	TOTAL
Income from third parties	1,371,851	32,626	1,136,238	48,423	607,479	54,665	161,551	291,631	87,794	-	3,792,258
Revenue from inter-segment sales	33,470	-	597	3,804	4,785	272	154	10,998	52,921	(107,001)	-
<b>Total income</b>	<b>1,405,321</b>	<b>32,626</b>	<b>1,136,835</b>	<b>52,227</b>	<b>612,264</b>	<b>54,937</b>	<b>161,705</b>	<b>302,629</b>	<b>140,715</b>	<b>(107,001)</b>	<b>3,792,258</b>
<b>Segment profit/loss</b>	<b>288,505</b>	<b>10,393</b>	<b>165,244</b>	<b>7,158</b>	<b>161,753</b>	<b>19,167</b>	<b>88,526</b>	<b>64,658</b>	<b>9,415</b>	<b>(24,206)</b>	<b>790,613</b>
<b>Unallocated (costs) / income</b>											<b>(523,951)</b>
<b>Operating profit</b>											<b>266,662</b>
Net financial income (costs)											(147,977)
Share of profit of associates	-	-	-	-	-	-	-	-	998	-	998
Tax											(39,706)
Profit on discontinued operations											-
<b>Net profit</b>											<b>79,977</b>

01.01.-31.12.2007

<i>in thousands of PLN</i>	Soda Segment	Power Generation Segment	Organic Segment	Petrochemical Segment	Agro-Chemical Segment	Pharmaceutical Segment	Silicates and Glass Segment	Inorganic Segment	Discontinued Operations	Other Operations	Eliminations (consolidation adjustments)	TOTAL
Income from third parties	951,900	21,428	1,308,485	38,430	544,133	50,075	148,086	279,462	658	72,325	-	3,414,982
Revenue from inter-segment sales	57,838	224,930	878	2,725	1,958	288	130	4,262	-	71,213	(364,222)	-
<b>Total income</b>	<b>1,009,738</b>	<b>246,358</b>	<b>1,309,363</b>	<b>41,155</b>	<b>546,091</b>	<b>50,363</b>	<b>148,216</b>	<b>283,724</b>	<b>658</b>	<b>143,538</b>	<b>(364,222)</b>	<b>3,414,982</b>
<b>Segment profit/loss</b>	<b>253,425</b>	<b>17,573</b>	<b>310,677</b>	<b>3,912</b>	<b>141,187</b>	<b>18,109</b>	<b>41,372</b>	<b>54,334</b>	<b>(48)</b>	<b>29,972</b>	<b>(59,328)</b>	<b>811,184</b>
<b>Unallocated (costs) / income</b>												<b>(497,679)</b>
<b>Operating profit</b>												<b>313,505</b>
Net financial income (costs)												(300,242)
Share of profit of associates	-	-	-	-	-	-	-	-	-	5,062	-	5,062
Tax												(48,096)
Profit on discontinued operations												-
<b>Net profit</b>												<b>(29,771)</b>

## 2.6 Assets

At the end of December 2008 the non-current assets of the Group amounted to PLN 2,784,740 thousand. As compared to the status as at December 31st, 2007, the value of non-current assets increased by PLN 382,941 thousand, i.e. by 16%). The highest increase was observed in the case of property, plant and equipment which grew by PLN 309,501 thousand, i.e. by 15,4% as compared to the end of 2007.

The increase was mainly due to investment expenditure on production assets in order to keep up with the current pace of growth. In particular, this related to the SODA MAŁY Group, Z.Ch. "Organika-Sarzyna" S.A., ZACHEM S.A. and Soda Deutschland Ciech Group. The share of non-current assets in total assets is 64% (nearly 61% the year before).

Moreover, the increase in non-current assets was also due to the purchase of a block of 6.5% shares in Zakłady Azotowe w Tarnowie-Mościcach S.A. in June 2008; as at the balance-sheet day the block was recognised at PLN 17,715 thousand.

The Group's current assets amounted to PLN 1,562,987 thousand as at December 31st, 2008. The structure of current assets was dominated by: trade and other receivables – 63.9% of the current assets, inventories – 27.5% and cash and cash equivalents – 7.3%. In comparison to the end of December 2007 the value of current assets maintained a similar level, while there were reallocations within the current asset structure. The major part of this resulted from the recognition of the non-current assets of the Soda Deutschland Ciech Group held for sale (caverns) in the consolidated balance sheet for 2007. In 2008 there was a significant increase in inventories in the FOSFOR Group resulting from the concentration of purchases of raw materials before the autumn season for fertilisers and relatively low sales of fertilisers in August and September due to a downturn on the agricultural market.

## 2.7 Liabilities

The (total long- and short-term) liabilities of the Ciech Group amounted to PLN 3,410,728 thousand as at December 31st, 2008, which accounts for an increase as compared to the status as at the end of December 2007 by PLN 556,551 thousand, (i.e. by 19.5%).

The increase in liabilities is mainly due to a rise in the liabilities due to loans and borrowings (increase by PLN 474,877 thousand, (i.e. by 37.5%), of which short-term liabilities that rose by PLN 784,816 thousand, while the long-term ones dropped by PLN 347,374 thousand.

The information on the change in the structure of liabilities is presented in Point 19 of this Report.

The overdraft facility was used to finance the purchase of shares in ZA Tarnów (expense of PLN 49,920 thousand). The Ciech Group intensified its use of loan limits due to the higher demand for current capital because of: (i) an increase in trade receivables resulting from an increase in product prices and (ii) an increase in inventories (including the purchase of raw materials: anthracite and phosphorites). Moreover, the Group Companies used external financing for a number of investment expenditures on production assets, mainly for: the SODA MAŃWY Group, Z.Ch. "Organika-Sarzyna" S.A., ZACHEM Group and "VITROSILICON" Spółka Akcyjna.

An increase in other long-term liabilities is mainly due to the measurement of financial instruments as at the balance-sheet date.

The total debt ratio (short- and long-term debt / total assets) was 78.4% as at December 31st, 2008 (71.9% the year before). The consolidated net debt of the Group (calculated as total long-term and short-term liabilities due to loans, borrowings and other debt instruments plus overdraft facilities less cash and cash equivalents) amounted to PLN 1,625,799 thousand as at December 31st, 2008 and increased by PLN 484,847 thousand as compared to the end of December 2007.

The current ratio, calculated as the ratio of total current assets to total short-term liabilities, amounted to 0.7 as at December 31st, 2008 (1 the year before), while the quick ratio amounted to 0.5 (0.8 the year before). Lower levels of ratios are largely due to the reclassification of liabilities due to debt instruments as described in Point 19 of this Report.

## 2.8 Cash flows

Net cash flows in the four quarters of 2008 was PLN -53,262 thousand. As compared to the same period of the previous year the Group generated cash flows lower by PLN 17,345 thousand. Cash flows from operating activities amounted to PLN 63,828 thousand and were lower by PLN 179,361 thousand than flows generated in the period from January to December 2007, mainly due to an increase in the current capital.

The increase in the current capital was mainly a result of a significant increase in receivables and inventories compared to an increase in liabilities of the FOSFORY Group. The receivables increased due to an increase in prices of products, and the inventories increased due to the downturn on the agricultural in August and September, where the sales volumes of fertilisers were lower than planned.

The Group paid higher interest in relation to the four quarters of 2007 (an increase in expenditure by PLN 59,902 thousand), which resulted from a significant increase in the use of external funding sources.

A significant increase in the item of other adjustments (operating flows) by PLN 136,119 thousand as compared to 2007 is due to the measurement of derivative instruments held in CIECH S.A.

The surplus of investment expenditure over inflows amounted to PLN 435,160 thousand and was lower by PLN 140,682 thousand (i.e. by 24.4%) as compared to the same period in 2007. The balance of cash flows from investing activities was influenced to the greatest extent by transactions of purchase and disposal of intangible assets and property, plant and equipment.

Net cash from financing activities was positive and amounted to PLN 318,070 thousand and was higher by PLN 21,334 thousand in relation to the four quarters of 2007. The increase was due to the excess of loans and borrowings taken over loans and borrowings repaid, which amounted to PLN 379,832 thousand and resulted from an increase in the use of loans and borrowings to finance investment project, mainly by the SODA MAŃWY Group, ZACHEM Group, "VITROSILICON" Spółka Akcyjna and Z.Ch. "Organika-Sarzyna" S.A.

The cash recognised in the cash flow statement as at the end of December 2008 amounted to PLN 48,197 thousand and was lower by PLN 47,405 thousand than at the end of December 2007.

## 2.9 Investment tasks carried out

The most significant investment tasks are related to soda and organic segment companies. The main investment tasks carried out in the presented period are as follows:

- Soda Deutschland Ciech Group - development investments involving an increase in the manufacturing capacity of the soda plant to 510 thousand t/year (around 460 thousand t/year at present),
- Soda Małwy Group - investments related to the modernisation of the power plant (steam boilers and turbogenerators) and soda plants, where lime-kilns and carbonating columns are being modernised. Moreover, development investments are carried out for the salt business, including the development of two systems: for tableting and for packaging salt.
- ZACHEM Group – development investments related to the development of the TDI complex to reach 75 thousand t/year, increasing the manufacturing capacity for PUR foams to 25 thousand t/year (planned investment completion - 1st quarter of 2009); while modernisation and renovation investments are related mainly to the EPI Plant and the reduction of losses in the power distribution network.
- Z. Ch. "Organika-Sarzyna" S.A. – development investment "Construction of a new installation line for manufacturing unsaturated polyester resins" (an increase in the manufacturing capacity to 25 thousand t/year),
- FOSFORY Group - development investment "Construction of a storage tank for imported trioxophosphoric acid",
- "Alwernia" S.A. - development investment called "Fertiliser manufacturing system - a second dryer and packaging line",
- VITROSILICON Spółka Akcyjna - development investment "Increasing the manufacturing capacity of the Pobiedziska plant to 75 t/day".

## 2.11 Derivative instrument transactions

The total valuation of transaction that were not settled as at December 31st, 2008 is PLN - 236,306.7 thousand. The amount comprises of:

- measurement of instruments that hedge the interest rate risk: - PLN 6,415.3 thousand,
- measurement of instruments that hedge the currency risk: - PLN 229,891.3 thousand.

The table below presents selected information on unsettled transactions on the FX market:

Conclusion Date	Nominal value of "Call" options sold	Nominal value of "Put" options bought	Rate range	Knock-out	Maturity
05-08-2008	1,000,000.00 EUR/week	500,000.00 EUR/week	3.4400-3.2400	3.2040	until 01.08.2010
06-08-2008	1,600,000.00 EUR/week	800,000.00 EUR/week	3.3700	3.2040	until 09.08.2010
12-08-2008	500,000.00 EUR/week	250,000.00 EUR/week	3.5900-3.3300	3.2400	until 05.08.2010

The Ciech Group has a surplus of currency inflows over expenditures in EURO. An increase in the EUR/PLN rate will lead to an increase in the value of inflows in PLN and balance losses on hedging transactions in the future.

The table below presents the estimated currency exposure of the Ciech Group in EURO as at December 31st, 2008 due to financial instruments and future net operating income.

Exposure to currency risk in EURO	('000 EUR)	Impact on P&L account	Impact on equity	Impact from 1.1.2009 to 31.08.2010
<b>Assets</b>				
Borrowings granted sensitive to FX rate changes	100,284	x		
Trade and other receivables	51,833	x		
Bank deposits	4,000	x		
<b>Liabilities</b>				
Trade and other liabilities	-18,814	x		
Liabilities due to loans and borrowings	-32,058	x		
<b>Derivative instruments</b>				
Cross Currency Interest Rate Swap (hedging the currency risk of loans taken)	1,600	x		
Option structures (delta equivalent)	-247,066	x	x	
Future net sales planned				
<b>Future forecast net income on sales in EURO - Ciech to August 2010</b>	<b>280,000</b>			<b>x</b>
Future forecast net income on sales in EURO of the other Companies in the Ciech Group to August 2010	<b>134,000</b>			<b>x</b>
<b>Total item</b>	<b>273,779</b>			

The next table contains an analysis of the sensitivity of individual balance-sheet items to FX rate changes as at 31.12.2008:

Analysis of sensitivity to FX rate changes	('000 PLN)*	Impact on P&L account	Impact on equity	Impact from 1.1.2009 to 31.08.2010
FX balance-sheet items (excluding borrowings)	65.6	65.6		
Borrowings granted sensitive to FX rate changes	1,002	1,002		
Future forecast net income on sales in EURO	4,140			4,140
Change in option portfolio value				
- based on the delta factor	-2,471	-1,255	-1,216	
- based on vega (volatility)	- 200			
<b>Total impact</b>	<b>N/A</b>	<b>-187.4</b>	<b>-1,216</b>	<b>4,140</b>

\*for the exchange rate - an increase in the EUR/PLN rate by 1 grosz; for the volatility (vega) - an increase in the volatility by 1 percentage point

**Delta** – Determines how an option price will change in the case of a change in the price of the underlying asset; however, the approximation is good for small changes only.

**Vega** – Determines how an option price will change in the case of a change in the volatility factor. The approximation is good for small changes only

## 2.12 Financial instruments assigned for hedge accounting

In October 2008 the Management Board of CIECH S.A. approved the Financial Risk Management Policy for use. Since then the Ciech Group has been applying the principles of hedge accounting. The following groups of relations were assigned within the hedge accounting:

Hedged risk	Type of hedge (relationship)	Hedged item	Hedging instrument
Interest rate risk	Cash flow hedging	Future cash flows due to interest payments	Interest rate swap (IRS)
			- Collar strategy (put and call option combination)
Currency risk	Cash flow hedging	Future cash flows due to sales income	- Loan liabilities denominated in EURO
			- Other financial instruments as liabilities denominated in EURO



Detailed information concerning instruments assigned for hedge accounting is provided in the table below:

Item	FINANCIAL INSTRUMENTS			TRANSACTION DETAILS			CASH FLOW HEDGING					Ineffectiveness recognised in the result (after tax deferred)	
	swap transactions	Loan	Other financial liabilities, Liability	currency options		type of instrument used	Fair value as at the reporting date	nature of hedged risk	generation of flows				amount removed from equity and recognised in the financial result
				put	call				forecasted period of flows	expected date of impact on the financial result	amount recognised in equity (after tax deferred)		P&L account (after tax deferred)
	<i>in thousand EUR</i>						<i>in thousand PLN</i>				<i>in thousand PLN</i>		
1				41,500	-41,500	EUR/PLN	112,596.60	currency risk	04.08.2010 2 x week	until 04.08.2010	-70,934.1	-4,454.3	-2,638.7
2			20,750	-20,750	EUR/PLN	09.08.2010 1 x week			until 09.08.2010				
3			67,200	-67,200	EUR/PLN	05.08.2010 1 x week			until 05.08.2010				
4			15,938.8			EUR/PLN	66,503.2	currency risk	09.01.2015 1 x year	until 09.01.2015	-8,733.9	0.0	0.0
5		672.6				EUR/PLN	2,806.4	currency risk	16.11.2009 1 x month,	until 16.11.2009	-289.6	-40.7	
6		10,400.0				EUR/PLN	43,393.0	currency risk	31.03.2009	until 31.03.2009	-5,698.8	0.0	0.0
7		9,800.0				EUR/PLN	40,889.5	currency risk	31.03.2009	until 31.03.2009	-5,370.1	0.0	0.0
8			1,859.2			EUR/PLN	7,757.3	currency risk	14.04.2013 1 x month	until 14.04.2013	-990.1	-19.0	0.0
9			1,409.5			EUR/PLN	5,881.0	currency risk	14.02.2013 1x month	until 14.02.2013	-749.4	-15.2	0.0
10			585.9			EUR/PLN	2,444.6	currency risk	14.10.2013 1x month	until 14.10.2013	-311.0	-6.7	0.0
11			1,018.7			EUR/PLN	4,250.3	currency risk	14.12.2013 1x month	until 14.12.2013	-541.1	-11.3	0.0
12		9,000.0				EUR/PLN	0.0	currency risk	30.06.2009	until 30.06.2009	-1,909.3	0.0	0.0
13			10,017.0			EUR/PLN	41,794.9	currency risk	15.07.2009	until 15.07.2009	-6,776.5	0.0	0.0
14			5,414.0			EUR/PLN	22,589.4	currency risk	31.12.2010	until 31.12.2010	-3,372.4	0.0	0.0
15	21,250.0					3M EURIBOR	88,663.5	interest rate risk	29.07.2011	until 29.07.2011	-2,374.1	117.9	0.0
16	16,250.0					3M EURIBOR	67,801.5	interest rate risk	31.03.2011	until 31.03.2011	-1,785.3	29.5	0.0

Item	FINANCIAL INSTRUMENTS				TRANSACTION DETAILS			CASH FLOW HEDGING					Ineffectiveness recognised in the result (after tax deferred)	
	swap transactions	Loan	Other financial liabilities, Liability	currency options		type of instrument used	Fair value as at the reporting date	nature of hedged risk	generation of flows			amount removed from equity and recognised in the financial result		
				put	call				forecasted period of flows	expected date of impact on the financial result	amount recognised in equity (after tax deferred)	P&L account (after tax deferred)		
	<i>in thousand EUR</i>						<i>in thousand PLN</i>				<i>in thousand PLN</i>			
17		8,000.0				EUR/PLN	0.0	currency risk	31.06.2009	until 31.06.2009	-573.5	0.0	0.0	
18		4,000.0				EUR/PLN	0.0	currency risk	30.06.2009	until 30.06.2009	-284.8	0.0	0.0	
19		1,000.0				EUR/PLN	0.0	currency risk	30.06.2009	until 30.06.2009	-166.1	0.0	0.0	
20		10,000.0				EUR/PLN	41,724.0	currency risk	30.06.2009	until 30.06.2009	-556.5	0.0	0.0	

The relations included in the table under no. 12, 17, 18 and 19 were closed during the 4th quarter of 2008. Points 1, 2 and 3 were assigned for hedge accounting in the individual statement.

### 3. Seasonality and cyclicity of the operations of Ciech S.A. and the Ciech Group

The Ciech Group's level of income and financial performance depends to a large extent on the general standing of the economy. Cyclical fluctuations in income and profit are especially noticeable in the organic segment, which is marked by high-demand cycles. Due to the fact that 30% of the income and 21% of the gross sales profit of the Group for 2008 is achieved from sales of organic chemical products, the markets of which are known for their high cyclicity, prompted by fluctuations in the world economies and the pricing of basic raw materials that are derived mainly from petroleum refining, fluctuations of income and results of the Group may be relatively high. TDI, EPI and epoxy resins are basic products sold in the organic segment. In 2008 the market prices for most products above reached record levels. In the second half of the year we could observe a downturn in the economy and prices.

It is difficult to determine the present moment of the pricing cycle for these products on account of the scale and unpredictability of the current global economic slowdown.

Markets of the other segments of the Ciech Group activity (soda and inorganic segments) are characterised historically by good stability, thus fluctuations of income and results are relatively small. However the prices of basic raw materials in these segments: phosphorites, coal and energetic raw materials for soda manufacture undergo fluctuations.

Seasonality is recorded in the case of products used for road maintenance in winter.

The seasonality resulting from the periodic demand and supply fluctuations has a certain impact on the general sales trends in the Ciech Group. Products especially prone to seasonality are those closely associated with agriculture, and these are: fertilisers, raw materials for fertiliser manufacture and plant protection agents.

Concentration of sales of fertilisers takes place in Q3 of a given year. This is due to intensive field fertilisation in autumn. Likewise, the majority of plant protection agents are used in the first half of a year, in the period of intense plant growth, when approx. 90% of total sales of these goods takes place.

Seasonality of sales is recorded in the two key product ranges of the glass segment: glass blocks and glass lanterns. The highest sales for these products are recorded in May - October (blocks) and June - October (lanterns).

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

### 4. Fulfilment of profit forecasts previously published for the given year against the performance disclosed in the quarterly report.

In its current report no. 15/2008 of February 29th, 2008, the Management Board of CIECH SA published a forecast of the consolidated profit of the Ciech Group for 2008. The forecast provided for the consolidated sales income at PLN 4,270 m and the consolidated net profit of the Ciech Group at PLN 225 m.

After an analysis of the financial results of the Ciech Group key companies for 9 months of 2008 and on the basis of the prepared estimates for the financial result of the Ciech Group for Q4 2008, the Management Board of CIECH S.A. decided to:

- maintain the forecast of the sales income,
- update the forecast of the Group's net financial result to PLN 88 m.

The updated forecast was published in current report no. 68 on November 7th, 2008.

In the presented periodic report the Ciech Group disclosed a net consolidated profit amounting to PLN 79,977 thousand, which is a deviation from the forecast presented by -9.1%. The consolidated sales income amounted to PLN 3,792,258 thousand. In this case the deviation from the forecast presented was -11.2% on account of a much lower demand in Q4 2008 which in the Ciech Group was reflected in the deteriorating sales situation in the organic and agro-chemical segments.

### 5. Factors that have impact on the Ciech Group's profit/loss, with a particular regard to the next quarter

#### 5.1 External factors

##### Economic situation

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

According to the forecasts of CEFIC, European Chemistry Industry Council, the whole 2008 year saw a general economic slowdown: to 2.5% GDP worldwide (from 3.7% in 2007) and to 1.3% GDP in EU (27) (from 2.8% in 2007). Relevant forecasts concerning further growth in 2009 provide for a continued slowdown both worldwide and in the EU.

Expectations as to the chemical sector in the EU indicate even a decrease in the chemical output without pharmacy by 0.6% in 2008 (compared to the increase by 2.2% in 2007). At the same time CEFIC forecasts for 2009 a further drop in this output by 1.3% (mainly in the area of plastics and petrochemicals; to the smallest extent in the area of inorganic basic chemicals).

### Polish zloty to major currencies

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

The impact of the measurement of hedging transactions on the Ciech Group's profit/loss was described in Part III Point 2.11 of this Report.

### Regulatory risks – REACH and emission permits

December 1st, 2008 saw the end of a half-year phase of initial registration of substances subject to the requirements of the REACH regulation. Within this process the Companies of the Ciech Group reported around 700 substances marketed at > 1 t/year to the European Chemicals Agency. The participation in the initial registration procedure enables the Companies to continue their operations in the current areas until the full registration of substances (years 2010, 2013 and 2018) and thus guarantees the continuity of supplies for their customers. Moreover, the Companies gain more time to gather and evaluate available data, exchange information and prepare additional data as provided for by the provisions of the REACH regulations.

Another stage of the REACH process will consist of the participation of the Companies of the Ciech Group in forums for the exchange of information about substances, set up by entities that register the same substance and in consortia established for the purposes of common submission of registration data. Due to their membership in industry associations, some Companies of the Ciech Group (ZACHEM S.A., Soda Polska Ciech Sp. z o.o. Ch. "Organika-Sarzyna" S.A.), have been taking an active part in works on the establishment of REACH consortia for some time; the other Companies are preparing successively to collaborate with entities that may be registered.

Pursuant to the Regulation of the Council of Ministers concerning the adoption of NAP (Polish National Allocation Plan) for 2008-2012, the allocation of allowances for the emission of carbon dioxide corresponds to the actual verified emissions of this gas in 2007. In the case of production intensification, there is a risk of too few allowances for the Companies that participate in the emission trading scheme, which may lead to the need to increase financial expenditure on the purchase of lacking allowances.

## 5.2 Internal factors

### Maintenance of cost and quality competitiveness

The competitiveness of the Ciech Group focuses on basic market factors, that is costs, quality, marketing, position in the market and their direct sources. The following ones are the most important:

- cost competitiveness based on the effects of the large scale of manufacturing, specialisation, standardisation and effects of experience,
- quality leadership and quality control systems,
- competition based on the enterprise's market force (market leader),
- marketing competitiveness,
- cost leadership and differentiation.

In the global economy the competitiveness of companies is related to innovations and entrepreneurship that are the fundamental characteristics of a company. Innovative product and process technologies which "added" to the traditional industries make it possible to restructure them and enhance their capability to compete in the market thus becoming the basic for competition.

### Commitments due to the acquisition of ZACHEM S.A., Z.Ch. "Organika-Sarzyna" S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and Sodawerk Staßfurt GmbH & Co. KG

Pursuant to the agreements for the acquisition of ZACHEM S.A. and Z.Ch. "Organika-Sarzyna" S.A., S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and Sodawerk Staßfurt GmbH & Co. KG, CIECH S.A. has commitments related mainly to the execution of investment packages, employee guarantees and minority interest buyout options.

Detailed information on the commitments undertaken by CIECH S.A. was presented in the Consolidated Report of the Ciech Group for the 1st half of 2008.

## 6. Consolidated entities

### Organisational description of the Ciech Group

The Ciech Capital Group's parent company is CIECH Spółka Akcyjna, with its current registered office located in Warsaw, at ul. Puławska 182, registered under number 0000011687 at the District Court for the capital city of Warsaw, XIII Economic Division of the National Court Register.

The Ciech Group is a group of domestic and foreign manufacturing, distribution and trade companies operating in the chemical industry. As at December 31st, 2008, it comprised of 59 business entities, including:

- parent company CIECH S.A.,
- 41 subsidiaries, including:
  - 26 domestic subsidiaries,
  - 15 foreign subsidiaries.
- 14 domestic associates,
- 2 foreign associates,
- 1 foreign jointly-controlled entity.

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

The Ciech Group conducts manufacturing activities connected with the sale of its own products and commercial activities related to trading in goods. Commercial activities are carried out mostly by CIECH S.A. and by its domestic and foreign commercial companies, being CIECH S.A.'s subsidiaries. Manufacturing activities are carried out by CIECH S.A.'s subsidiaries, being manufacturers. The parent company does not have branches.

When preparing the consolidated financial statement for Q4 2008, the following companies underwent consolidation:

**List of consolidated entities accounted for using the equity method in Q4 2008 and in the comparative period.**

Company/Group	Consolidation method as at 31.12.2008 and CIECH S.A.'s control	Consolidation method as at 31.12.2007 and CIECH S.A.'s control	Business
1) CIECH S.A.	Parent company	Parent company	The core business of the parent company as defined in the Articles of Association includes: trade activities, investments, manufacturing, services, and financial operations, including in particular foreign and domestic trade in chemicals and related operations. The Company is also licensed to act as an agent for Polish and foreign companies.
2) "POLFA" Sp. z o.o.	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	<ul style="list-style-type: none"> <li>- wholesale of pharmaceutical goods,</li> <li>- wholesale of chemical products,</li> <li>- wholesale of perfume and cosmetics,</li> <li>- retail sale of medical and orthopaedic goods.</li> </ul>
<b>CIECH FINANCE Group</b>	-	-	
3) CIECH FINANCE Spółka z ograniczoną odpowiedzialnością	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	<ul style="list-style-type: none"> <li>- management of disinvestment projects connected with unnecessary fixed assets (immovable property)</li> <li>- and financial assets (stocks and shares in capital companies).</li> </ul>
3.1.) Cheman S.A.	Indirect subsidiary of CIECH S.A. – full consolidation at the level of the Ciech Group.	Indirect subsidiary of CIECH S.A. – full consolidation at the level of the Ciech Group.	<ul style="list-style-type: none"> <li>- wholesale and distribution of solid inorganic and organic chemicals,</li> <li>- wholesale and distribution of raw materials for household chemicals,</li> <li>- wholesale and distribution of cosmetic and pharmaceutical materials,</li> <li>- wholesale and distribution of builders, pigments, raw materials for paints and varnishes,</li> <li>- wholesale and distribution of food and feed additives,</li> <li>- wholesale and distribution of acids, bases and other liquid chemicals</li> </ul>
<b>SODA MĄTWEY Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	<ul style="list-style-type: none"> <li>- manufacture of other inorganic basic chemicals,</li> <li>- wholesale of chemical products,</li> <li>- production and distribution of electricity,</li> <li>- transport services of goods shipping</li> </ul>
4) SODA MĄTWEY S.A.	Lower-tier parent company (CIECH S.A.'s subsidiary)	Lower-tier parent company (CIECH S.A.'s subsidiary)	
4.1.) Soda Polska CIECH Sp. z o.o.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation	
4.1.1.) Elektrociepłownie Kujawskie Spółka z ograniczoną odpowiedzialnością	As of the 19th of June merged with Soda Polska CIECH Sp. z o.o.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation.	
4.1.2) TRANSODA Sp. z o.o.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation. As of March 10th, 2006, merged with "Jantrans-Janikowo" Spółka z ograniczoną odpowiedzialnością	
4.2) Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna	Indirect associate of CIECH S.A. accounted for using the equity method at lower tier.	Indirect associate of CIECH S.A. accounted for using the equity method at lower tier.	
<b>JANIKOSODA Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	<ul style="list-style-type: none"> <li>- production of salt,</li> <li>- manufacture of industrial gases,</li> <li>- manufacture of other inorganic basic chemicals,</li> <li>- manufacture of other chemical products n.e.c.</li> </ul>
5) JANIKOSODA S.A.	Lower-tier parent company (CIECH S.A.'s subsidiary)	Lower-tier parent company (CIECH S.A.'s subsidiary)	
5.1) Polskie	Indirect associate of	Indirect associate of	

Company/Group	Consolidation method as at 31.12.2008 and CIECH S.A.'s control	Consolidation method as at 31.12.2007 and CIECH S.A.'s control	Business
Towarzystwo Ubezpieczeń Spółka Akcyjna	CIECH S.A. accounted for using the equity method at lower tier.	CIECH S.A. accounted for using the equity method at lower tier.	
<b>FOSFORY Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	<ul style="list-style-type: none"> <li>- manufacture of fertilisers and nitrogen compounds,</li> <li>- manufacture of other inorganic chemicals,</li> <li>- manufacture of other organic chemicals,</li> <li>- manufacture of refined petroleum products,</li> <li>- manufacture of plastics,</li> <li>- wholesale of grain, seeds and animal feeds,</li> <li>- transshipment services based on own transshipment and storage base.</li> </ul>
6.) GZNF "FOSFORY" Sp. z o.o.	Lower-tier parent company (CIECH S.A.'s subsidiary)	Lower-tier parent company (CIECH S.A.'s subsidiary)	
6.1) "AGROCHEM" Spółka z ograniczoną odpowiedzialnością - in Dobre Miasto	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation.	
6.2) "AGROCHEM" Spółka z ograniczoną odpowiedzialnością - in Człuchów	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation.	
<b>7) "Alwernia" S.A.</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	<ul style="list-style-type: none"> <li>- manufacture of other inorganic basic chemicals,</li> <li>- manufacture of dyes and pigments,</li> <li>- manufacture of other organic basic chemicals,</li> <li>- manufacture of fertilisers and nitrogen compounds,</li> <li>- manufacture of gypsum,</li> <li>- production of heat (steam and hot water)</li> </ul>
<b>8) POLSIN PRIVATE LIMITED</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	<ul style="list-style-type: none"> <li>- wholesale and retail sale of a variety of goods in Far East markets.</li> </ul>
<b>9) DALTRADE PLC.</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	<ul style="list-style-type: none"> <li>- distribution and wholesale of chemicals in the UK market.</li> </ul>
<b>10) VITROSILICON Spółka Akcyjna</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	<ul style="list-style-type: none"> <li>- manufacture of other inorganic basic chemicals,</li> <li>- manufacture of household and technical glassware,</li> <li>- manufacture of plastic packing goods,</li> <li>- manufacture of other plastic products</li> </ul>
<b>11) Przedsiębiorstwo Transportowo-Usługowe TRANSCLEAN Sp. z o.o.</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	<ul style="list-style-type: none"> <li>- international transport of liquid chemicals,</li> <li>- tank truck- and rail tank car wash</li> </ul>
<b>12) Zakłady Chemiczne "Organika-Sarzyń" S.A.</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	<ul style="list-style-type: none"> <li>- manufacture of plastics,</li> <li>- manufacture of pesticides and other agro-chemical products</li> </ul>
<b>ZACHEM Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	<ul style="list-style-type: none"> <li>- manufacture of organic and other non-organic chemicals,</li> <li>- manufacture and sales of plastics,</li> <li>- manufacture of plastic plates, sheets, tubes and profiles,</li> <li>- manufacture of dyes and pigments,</li> <li>- services of installation, repairs and maintenance of general-purpose machinery n.e.c.</li> </ul>
<b>13) ZACHEM S.A.</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	
13.1) ZACHEM UCR Spółka z ograniczoną odpowiedzialnością	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation.	
13.2) ZACHEM Barwniki Spółka z ograniczoną odpowiedzialnością	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation.	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation.	
<b>14) S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.</b>	Fully consolidated subsidiary of CIECH S.A.	Fully consolidated subsidiary of CIECH S.A.	<ul style="list-style-type: none"> <li>- manufacture of other inorganic basic chemicals,</li> <li>- wholesale of chemical products</li> </ul>
<b>Soda Deutschland Ciech Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group	<ul style="list-style-type: none"> <li>- manufacture of other inorganic basic chemicals,</li> <li>- wholesale of chemical products,</li> <li>- production and distribution of electricity</li> </ul>
<b>15.) Soda Deutschland Ciech GmbH</b>	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation as of December 31st, 2007	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation as of December 31st, 2007	
15.1.) Sodawerk Holding Stassfurt GmbH	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation as of December 31st, 2007	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation as of December 31st, 2007	
15.1.1.) Sodawerk Stassfurt Verwaltungs	Indirect subsidiary of CIECH S.A.; lower-tier	Indirect subsidiary of CIECH S.A.; lower-tier	

Company/Group	Consolidation method as at 31.12.2008 and CIECH S.A.'s control	Consolidation method as at 31.12.2007 and CIECH S.A.'s control	Business
GmbH	full consolidation as of December 31st, 2007	full consolidation as of December 31st, 2007	
15.1.2) Sodawerk Stassfurt GmbH&Co.KG	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation as of December 31st, 2007	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation as of December 31st, 2007	
15.1.3) KWG GmbH	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation as of December 31st, 2007	Indirect subsidiary of CIECH S.A.; lower-tier full consolidation as of December 31st, 2007	

## 7. Effects of changes in the organisational structure of the Ciech Group business units in Q4 2008, including business mergers, acquisitions or disposals of the group's entities, long-term investments, demergers, restructuring and discontinuation of activity

With a notarial deed of November 18th, 2008 CIECH S.A. established Polskie Konsorcjum Chemiczne Sp. z o.o., with a share capital amounting to PLN 50 thousand, which is divided into 1,000 shares of a nominal value of PLN 50 each. The shares in the share capital were wholly assumed by CIECH S.A., i.e. 1,000 shares of a nominal value of PLN 50 each, with a total value of PLN 50 thousand and were covered in cash. The company was entered in the National Court Register on December 23rd, 2008.

Then, on January 5th, 2009 the General Meeting of Shareholders of Polskie Konsorcjum Chemiczne Sp. z o.o. adopted a resolution on increasing the share capital by PLN 50 thousand by issuance of 1,000 new shares of a nominal value of PLN 50 each, with a total nominal value of PLN 50 thousand. All the new shares were assigned for the assumption by new Shareholders, i.e. Zakłady Azotowe Kędzierzyn S.A. and Zakłady Azotowe w Tarnowie-Mościcach S.A., 500 shares for each Shareholder. On January 5th, 2009 the new Shareholders made Statements on their entry to a limited liability company and assumption of the new shares in the company.

Upon the registration of the resolution of the GSM on increasing the share capital in the National Court Register, the share capital of Polskie Konsorcjum Chemiczne Sp. z o.o. will amount to PLN 100 thousand and will be divided into 2,000 shares of a nominal value of PLN 50 each. Shares in the share capital will be assumed as follows:

- CIECH S.A. - 1,000 shares that account for 50% of the share capital,
- ZAK S.A. - 500 shares that account for 25% of the share capital,
- ZAT S.A. - 500 shares that account for 25% of the share capital.

On November 19th, 2008 the District Court in Bydgoszcz, XIII Economic Division of the National Court Register, registered a merger of Soda Polska CIECH sp. z o.o. and SODA – MED Sp. z o.o., in which Soda Polska CIECH sp. z o.o. held 100% interest. Soda Polska CIECH sp. z o.o. took over the latter and SODA – MED Sp. z o.o. was taken over by the former.

## 8. CIECH S.A.'s shareholders holding at least 5% of shares/votes at the General Meeting of Shareholders

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

Shareholder	As at 04.11.2008	Shares acquired	Shares sold	As at 27.02.2009	% share in the share capital	% number of votes at GSM
State Treasury	10,270,800	-	-	10,270,800	36.68%	36.68%
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	1,712,732	-	-	1,712,732	6.12%	6.12%
Pioneer Pekao Investment Management S.A. (PPIM):	5,255,045	-	-	5,255,045	18.77%	18.77%
including the Pioneer investment funds managed by PPIM	5,184,274	-	-	5,184,274	18.52%	18.52%
including Pioneer Zrównoważony Fundusz Inwestycyjny Otwarty	1,402,040	-	-	1,402,040	5.01%	5.01%
including Pioneer Akcji Polskich Fundusz Inwestycyjny Otwarty	1,507,398	--	-	1,507,398	5.38%	5.38%



## 9. Changes in the shares of CIECH S.A. held by the Members of the Management Board and Supervisory Board

Declarations submitted by persons holding managerial and supervisory positions state that:

- Mr. Artur Osuchowski – Member of the Company Management Board holds 2,100 shares in CIECH S.A.

Other persons holding managerial and supervisory positions do not hold any shares in CIECH S.A., nor shares or stakes in its affiliates.

## 10. Provisions and asset impairment charges from 01.10.2008 to 31.12.2008

The Ciech Group's consolidated financial statements for Q4 2008 disclosed the following recognitions and reversals of provisions and asset impairment charges.

<b>Provisions recognised from 01.10. to 31.12.2008</b>	<i>thousand PLN</i>
Income tax provision	18,156
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc	9,697
Provision for expected losses	64
Provision for environmental protection	13,591
Restructuring provision	2,166
Provision for liabilities (costs)	3,034
<b>Total</b>	<b>50,259</b>

<b>Provisions reversed from 01.10. to 31.12.2008</b>	<i>Euro PLN</i>
Income tax provision	12,866
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc	11,081
Provision for expected losses	1,526
Provision for environmental protection	25,195
Restructuring provision	1,459
Provision for liabilities (costs)	555
<b>Total</b>	<b>52,480</b>

<b>Asset impairment charges (increase) from 01.10. to 31.12.2008</b>	<i>Euro PLN</i>
Impairment charges on intangible assets	-
PPE impairment charges	8,101
Impairment charges on long-term receivables	-
Impairment charges on short-term receivables	4,128
Inventory impairment charges	8,354
Impairment charges on long-term financial assets	18
Impairment charges on short-term financial assets	787
<b>Total</b>	<b>21,388</b>

<b>Asset impairment charges (decrease) from 01.10. to 31.12.2008</b>	<i>thousand PLN</i>
Impairment charges on intangible assets	-
PPE impairment charges	5,301
Impairment charges on long-term receivables	1,920
Impairment charges on short-term receivables	2,369
Inventory impairment charges	1,745
Impairment charges on long-term financial assets	1
Impairment charges on short-term financial assets	-
<b>Total</b>	<b>11,336</b>

---

<b>Change in deferred income tax assets from 01.10. to 31.12.2008</b>	<i>thousand PLN</i>
Increase	48,142
Decrease	3,167

---

## 11. Purchase and disposal of property, plant and equipment

From January 1st, 2008 to December 31st, 2008 the Ciech Group carried out the following transactions of purchase and disposal of property, plant and equipment:

<i>in thousand PLN</i>	a) Fixed assets, of which:					b) Fixed assets under construction	c) Advances on fixed assets under construction (net)	Total property, plant and equipment
	<i>land, buildings, premises and civil engineering structures</i>	<i>machinery and equipment</i>	<i>means of transport</i>	<i>other fixed assets</i>				
<b>PURCHASE</b>	<b>283,099</b>	<b>43,086</b>	<b>223,105</b>	<b>8,612</b>	<b>8,296</b>	<b>85,334</b>	<b>9,804</b>	<b>378,236</b>
CIECH S.A.	9,391	3,516	3,861	204	1,810	-	-	9,391
SODA MAŁY Group	87,784	19,006	67,362	181	1,235	10,007	859	98,650
FOSFOR Group	8,849	1,899	5,700	337	913	2,200	-	11,049
Alwernia S.A.	1,243	380	397	230	236	0	-	1,243
Chemman S.A.	357	-	156	200	1	28	-	385
VITROSILICON Spółka Akcyjna	71	-	-	-	71	17,423	-	17,494
POLFA Sp. z o.o.	406	160	47	181	18	-	-	406
POLSIN PTE LTD	244	-	-	-	244	-	-	244
DALTRADE PLC	154	-	77	77	-	-	-	154
Z.Ch. "Organika-Sarzyna" S.A.	33,993	12,652	19,816	636	889	-	-	33,993
ZACHEM Group	23,799	5,372	14,900	709	2,818	-	-	23,799
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	8,169	-	8,004	115	50	13,359	8,945	30,472
PTU TRANSCLEAN Sp. z o.o.	5,886	101	32	5,742	11	3,167	-	9,053
CIECH FINANCE Sp. z o.o.	4	-	4	-	-	0	-	4
SODA DEUTSCHLAND CIECH Group	102,749	-	102,749	-	-	39,150	-	141,898
<b>SALES</b>	<b>12,740</b>	<b>956</b>	<b>8,258</b>	<b>3,212</b>	<b>313</b>	<b>-</b>	<b>-</b>	<b>12,740</b>
CIECH S.A.	1,061	-	440	489	132	-	-	1,061
SODA MAŁY Group	129	-	0	129	-	-	-	129
FOSFOR Group	147	-	58	60	29	-	-	147
Alwernia S.A.	204	-	102	102	-	-	-	204
Chemman S.A.	259	-	40	215	4	-	-	259
VITROSILICON Spółka Akcyjna	7,762	-	7,401	361	-	-	-	7,762
POLFA Sp. z o.o.	52	-	-	48	4	-	-	52
POLSIN PTE LTD	161	-	72	-	89	-	-	161
Z.Ch. "Organika-Sarzyna" S.A.	127	-	10	117	-	-	-	127
ZACHEM Group	1,202	956	135	56	55	-	-	1,202
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	245	-	-	245	-	-	-	245
PTU TRANSCLEAN Sp. z o.o.	1,380	-	-	1,380	-	-	-	1,380
CIECH FINANCE Sp. z o.o.	10	-	-	10	-	-	-	10

The PPE purchased were financed mainly with own resources, investment loans and to a small extent with finance lease.

## 12. Information concerning changes in contingent liabilities or contingent assets that have occurred since the end of the last financial year

As at December 31st, 2008, contingent receivables did not occur in the Ciech Group.

As at December 31st, 2008 contingent liabilities amounted to PLN 23,538 thousand, which is a decrease by PLN 17,970 thousand as compared to December 31st, 2007. This was due to a decrease in guarantees and sureties granted by PLN 18,050 thousand and an increase in other off-balance sheet items by PLN 80 thousand.

The significant decrease in guarantees and sureties granted results from the expiry of a surety for PLN 18,160 thousand granted by ZACHEM S.A. for Spółka Wodna Kapuściska.

The increase in other off-balance sheet items as compared to December 31st, 2007 is related to higher value of bills of exchange discounted by "Alwernia" S.A. for PLN 80 thousand.

A decrease in the 'other' items by PLN 606 thousand to the level of PLN 406 thousand results from the expiry of a bill of exchange of JANIKOSODA S.A. for PLN 775 thousand that secured an agreement for the purchase of blast-furnace coke.

On the other hand, a liability for operating lease of motor cars at VITROSILICON Spółka Akcyjna to the amount of PLN 253 thousand was established.

Detailed information concerning off-balance sheet items was presented under the consolidated balance sheet (Part I Point 2).

## 13. Procedures pending before courts, in arbitration proceedings or public administration bodies as at December 31st, 2008

### 13.1 CIECH S.A.

#### Liabilities of CIECH S.A. (domestic and foreign) claimed in court or arbitration proceedings as at December 31st, 2008.

##### Action by Comexport

In September 2003, Comexport (Brazil) filed an action with the Court of Arbitration at the International Chamber of Commerce in Paris, claiming damages for the failure to complete Polish sulphur deliveries to Brazil between 1996 and 1999. The sued parties were CIECH S.A. and the sulphur mines in Tarnobrzeg and Grzybów. The current claim is for US \$ 3,873 thousand (equivalent of PLN 11,471 thousand) and statutory interest according to Polish law, calculated from September 16th, 2003, which as at December 31st, 2008 amounted to PLN 7,288 thousand. In addition, Comexport demanded the return of the court fees and legal charges of EUR 204 thousand EURO (equivalent of PLN 851 thousand).

The principal claim amount comprises of Comexport's lost profits on contractual quantities of sulphur not delivered to Brazilian customers, losses from overstated freight costs, etc. In November 2003, CIECH S.A. answered the claim by filing for dismissal of Comexport's action, on the grounds of the force majeure certificate evidencing that the mines had been put into liquidation and that the sulphur industry had been restructured; moreover, it claimed that the action had lapsed, and that the claim for damages was not supported by sufficient evidence. The Court of Arbitration appointed one arbitrator to investigate the dispute. Upon investigation, the arbitrator determined the schedule for further proceedings. Each party filed two detailed pleadings supported by evidence.

On April 22nd, 2005, a hearing was held before the Court of Arbitration at the International Chamber of Commerce in Paris, attended by the representatives and attorneys of Comexport and CIECH S.A. The sued sulphur mines in Tarnobrzeg and Grzybów did not join the arbitration proceedings, nor did they appoint any attorneys. CIECH S.A. filed for Comexport's claim to be dismissed and for the costs of proceedings to be refunded, sustaining its previous allegations as described in the pleadings and the accompanying documentation. Comexport also sustained its claims. After closing of the proceedings, the arbitration proceedings ended.

On October 27th, 2005 CIECH S.A. received a court judgement, according to which all three defendants: CIECH S.A. and sulphur mines in Tarnobrzeg and Grzybów, shall jointly and severally pay the amount of US \$ 2,474 thousand (equivalent of PLN 7,327 thousand) and the interest of 5% from September 17th, 2003, amounting as at December 31st, 2008 to US \$ 655 thousand (equivalent of PLN 1,940 thousand) and US \$ 123 thousand (equivalent of PLN 364 thousand) for court proceedings costs. The awarded amount constitutes the lost profit moved for by Comexport.

On November 18th, 2005 CIECH S.A. informed the Appeals Court in Paris of their intention to petition for the reversal of the Arbitration Court judgement. The complaint, with a statement of reasons, was filed by CIECH S.A. on March 22nd, 2006. The subject of the complaint was a breach of the rules by an arbitrator in the arbitration proceedings (Adversarial principle) by citing the Polish Supreme Court judgement decision of 1973, on the relevant issue concerning interruption of the operation of a time limit without allowing the parties to voice their opinions about the issue. In the opinion of the law office representing CIECH S.A., the judgement of 1973, cited by the arbitrator, does not apply to the arbitration proceedings. On July 21st, 2006, Comexport answered the complaint of CIECH S.A. by filing for its dismissal. During the hearing before the Appeals Court on May 15th, 2007, the parties' attorneys

maintained their respective positions. On June 15th, 2007, the Appeals Court announced the judgement dismissing CIECH S.A.'s complaint.

Presently, having received the legal advice on the legitimacy of filing for a cassation, CIECH S.A. resolved to appeal for a cassation of the judgement by the Appeals Court. The intention to petition for the cassation was filed with the Supreme Court in November 2007, while the material grounds for the cassation were delivered to the Appeals Court in Paris by Ciech S.A. in May 2008. The case is pending.

#### **Action by Enapharm**

In June 2004, the Liquidator for Enapharm in Algeria filed a claim which now amount to US \$ 173 thousand (equivalent of PLN 512 thousand) as damages concerning deliveries of expired medications by CIECH S.A. between 1985 and 1991.

According to the claimant, CIECH S.A. did not replace expired medications that the customer had not sold, in violation of the contract between the parties. CIECH S.A. claims that it was exempt from the replacement provision, in light of the claimant failing to make the payments due from its sales of the medications in the Algerian market; what is more, CIECH S.A. raised an objection that the Enapharm's claims fall under the statute of limitations.

In June 2007, an opinion of the court expert was delivered to CIECH S.A., notifying an increase in value of the medications subject to the complaint to US \$ 372 thousand (equivalent of PLN 1,102 thousand).

The opinion was reviewed by CIECH S.A. for credibility and compliance with the purchase-sales contract. CIECH S.A. questioned the findings of the expert's report on formal and material grounds, claiming that the value of medications as promptly reported by Enapharm in line with the contractual provisions, accounts only for 10% of the amount claimed by Enapharm. In November 2007, the Algerian court announced the judgement in favour of CIECH S.A., in which it rejected the existing expert's report declaring infringement of the laws applicable to civil proceedings. At the same time, the court ordered a new expert opinion to be prepared and appointed a new expert recommending that a representative of the defendant attend the next examination. So far the Liquidator for Enapharm has not requested the expert to set the date for examination of the medicines.

The case is pending before the Algerian court. CIECH S.A. is represented by a local attorney, supervised by a reputable Paris law office. The case is pending.

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

On December 31st, 2007, the President of UOKiK initiated an anti-trust procedure against CIECH S.A. on the charge of abuse of a dominant position in the domestic market for table salt marketing, manifesting itself in hindering conditions necessary for the competition to emerge or develop by including provisions in their contracts committing purchasing parties to sell table salt purchased exclusively from the selling party, i.e. CIECH S.A., and by prohibiting table salt purchases from any other entity than the selling party, which may breach article 9, para. 1 in conjunction with para. 2, point 5 of the Act on Competition and Consumer Protection.

Several times, on January 31st, March 14th, June 6th, September 8th and October 14th, 2008, CIECH S.A. submitted explanations to the President of UOKiK refuting the presented charge and filing for dismissal of the proceedings. CIECH S.A. claims that the abuse of the dominant position on the table salt market cannot have taken place in this case.

The aforesaid proceedings are the first anti-trust procedure against CIECH S.A.

#### **Action by Consolidated Oil Services**

Consolidated Oil Services (COS), with its registered office in Warsaw, has brought an action against CIECH S.A. for payment of PLN 188 thousand as damages for refusal to pay the administrative fee between May 2004 and February 2006, as provided in the Consortium Agreement concluded by the parties in 2003. The subject of the agreement was cooperation on the reconstruction of facilities in Iraq. CIECH S.A. terminated the Consortium Agreement in January 2005, due to non-achievement of its objective. The complainant (COS) claims that the termination of CIECH S.A. was ineffective. The case is pending before the Court of Arbitration at the International Chamber of Commerce in Warsaw. The case is pending.

#### **Employee claims**

One industrial case is currently pending against CIECH S.A., filed by a former employee laid off due to no fault of their own. The employee is demanding to be restored to work and compensated. The projections as to the result of the above suit are good.

CIECH S.A. has established a provision for the aforementioned liabilities to the amount of PLN 7,418 thousand.

#### **CIECH S.A.'s (domestic and international) claims**

##### Claims in courts or courts of arbitration

CIECH S.A. is currently conducting six cases against its trade and other debtors under Polish civil law for a total of PLN 477 thousand. The Company wrote-down the above-mentioned amount in full.

##### Claims in bankruptcy proceedings

A total of PLN 8,897 thousand is being claimed in thirty-five domestic bankruptcy proceedings.

CIECH S.A. is claiming US \$ 315 thousand and EUR 508 thousand (totalling PLN 3,050 thousand) via international bankruptcy proceedings, with the largest claims being the bankruptcy proceedings for:

- Chemapol – Prague (PLN 1,056 thousand);
- Euroftal N.V. Belgium (PLN 871 thousand);
- 

The projections as to the results of the bankruptcy proceedings are not good, as CIECH S.A.'s claims are not privileged. The Company wrote down all the pending proceedings.

#### Claims in enforcement and composition proceedings

CIECH S.A. is claiming PLN 9,360 thousand from domestic debtors through twenty-three enforcement proceedings. The projections as to the results of the enforcement proceedings are different, depending on the debtors' assets.

The amount of EUR 27 thousand (equivalent of PLN 112 thousand) is claimed in foreign enforcement proceedings. The Company established a 100% write-down on the above-mentioned amounts.

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

US \$ exchange rate	PLN 2.9618
EUR exchange rate	PLN 4.1724

### 13.2 Subsidiaries

Subsidiaries wrote down pending cases. No material claims (liabilities) have been filed against the companies that could affect their business.

#### **SODA MAŁY Group**

The Soda Polska Ciech Sp. z o.o.'s claims pending in civil court actions against several dozen trade debtors in relation to its business total PLN 328 thousand.

The amount of PLN 1,806 thousand is being claimed through bankruptcy proceedings.

The total of all the claims of the individual companies in the Soda Polska CIECH Sp. z o.o. Capital Group in court actions and in enforcement proceedings amounts to PLN 17,815 thousand (claims of Soda Mały amounting to PLN 15,020 thousand, claims of JANIKOSODA S.A. - to PLN 2,785 thousand, while claims of TRANSODA Sp. z o.o. - to PLN 9 thousand).

No material claims (liabilities) have been filed against any company belonging to the Soda Polska CIECH Sp. z o.o. that could affect its business.

#### **"VITROSILICON" Spółka Akcyjna**

The company is claiming a total of PLN 1,053 thousand from trade debtors, including the largest claim pursued through enforcement proceedings for PLN 536 thousand and PLN 466 thousand pursued through bankruptcy proceedings.

#### **"ALWERNIA" S.A.**

"Alwernia" S.A. is claiming trade receivables and damages to a total amount of PLN 377 thousand through court actions and enforcement proceedings. The amount of PLN 1,058 thousand is claimed in bankruptcy proceedings.

#### **CHEMAN S.A.**

Cheman S.A. filed court cases against several dozen trade debtors for a total of PLN 4,535 thousand, including PLN 2,560 thousand claimed in court and enforcement proceedings and PLN 1,011 thousand in bankruptcy and composition proceedings.

#### **FOSFORY Group**

The FOSFORY Group is claiming a total of PLN 4,748 thousand in court actions, enforcement and bankruptcy proceedings from several dozen debtors, with the largest claim of PLN 2,978 thousand in bankruptcy and composition proceedings.

#### **POLFA Sp. z o.o.**

The company is claiming a total of US \$ 34 thousand (equivalent of PLN 101 thousand) from trade debtors for unpaid deliveries of goods.

#### **ZAKŁADY CHEMICZNE "ORGANIKA-SARZYNA" Spółka Akcyjna**

Z.Ch. "Organika – Sarzyna" S.A. is claiming the amount of PLN 3,282 thousand from a dozen or so domestic companies in court actions, bankruptcy, enforcement and composition proceedings. The largest amount of PLN 2,166 thousand is claimed in bankruptcy and composition proceedings. The amount of PLN 1,083 thousand is claimed in enforcement proceedings, while the amount of PLN 33 thousand is claimed from trade debtors for unpaid deliveries of goods.

**ZACHEM Group**

At present the largest claim filed against ZACHEM S.A. is the one of company unions for the payment of PLN 14,433 thousand to the account of the social fund for the sale of leisure facilities. The proceedings are suspended on account of conciliatory talks. The ZACHEM Group's claims pending in business lawsuits, bankruptcy, enforcement and administrative proceedings from several dozen debtors total PLN 18,548 thousand, with the largest claim being PLN 14,832 thousand in bankruptcy and composition proceedings.

**S.C. UZINELE SODICE GOVORA - Ciech Chemical Group S.A.**

The value of settlements filed against the Company amounts at present to RON 2,309 thousand (equivalent of PLN 2,401 thousand).

On the other hand, S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. is claiming a total of RON 8 thousand (equivalent of PLN 8.3 thousand) from various debtors in business lawsuits.

The exchange rate (as at December 31st, 2008) adopted for translation is: RON 1 = PLN 1.0409.

**14. Information concerning non-standard and non-routine transaction or transactions with affiliated entities concluded by CIECH S.A. or its subsidiaries**

Transaction party	Affiliation with the party to the transaction	Transaction	Financial terms	Specific characteristics of the contract deviating from generally applicable terms and conditions for similar contracts	Additional information
<b>CIECH S.A.</b>					
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Subsidiary	Loan	Interest rate: 3M EURIBOR + margin, interest payable at quarter ends	Final repayment – December 31st, 2008, option of extension	Transaction value: EUR 5 million
S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.	Subsidiary	Loan	Interest rate: 3M EURIBOR + margin, interest payable at quarter ends	Final repayment – December 31st, 2008, option of extension	Transaction value: EUR 1.4 million
Boruta Kolor Sp. z o.o.	Indirect subsidiary	Sales of shares for redemption		Payment date – 7 days of the receipt of the court's decision that the share capital decrease is registered	Transaction value: PLN 2.5 million
ZACHEM S.A.	Subsidiary	Sales of shares in Boruta Kolor Sp. z o.o.		Final repayment – 5 days from the signature of the agreement, i.e. from July 25th, 2008.	Transaction value: EUR 14.4 million
<b>SODA MAŁTWY Group</b>					
Loan agreement between Soda Polska CIECH Sp. z o.o. (lender) and SODA MAŁTWY S.A. (borrower)	Soda Polska CIECH Sp. z o.o. - subsidiary of SODA MAŁTWY S.A.	Loan agreement of November 19th, 2007 with an Addendum of February 29, 2008 for PLN 5,385 thousand	3M WIBOR from each interest period increased by a 0.5% margin annually.	None	Long-term loan falling due on June 30th, 2009 to repay public law liabilities and other current liabilities.

Transaction party	Affiliation with the party to the transaction	Transaction	Financial terms	Specific characteristics of the contract deviating from generally applicable terms and conditions for similar contracts	Additional information
Loan agreement between Soda Polska CIECH Sp. z o.o. (lender) and JANI-KOSODA S.A. (borrower)	Soda Polska CIECH Sp. z o.o. - associate of JANI-KOSODA S.A.	Loan agreement of November 14th, 2007 for PLN 1,950 thousand	3M WIBOR from each interest period increased by a 0.5% margin annually.	None	Long-term loan falling due on June 30th, 2009 to repay public law liabilities and other current liabilities.
Loan agreement between Soda Polska CIECH Sp. z o.o. (lender) and JANI-KOSODA S.A. (borrower)	Soda Polska CIECH Sp. z o.o. - associate of JANI-KOSODA S.A.	Loan agreement of November 19th, 2007 with an Addendum of February 29, 2008 for the amount of PLN 4,935 thousand.	3M WIBOR from each interest period increased by a 0.5% margin annually.	None	Long-term loan falling due on June 30th, 2009 to repay public law liabilities and other current liabilities.

## 15. Information on loan and borrowing sureties or guarantees granted by CIECH S.A. or its subsidiaries

### Sureties and guarantees granted

Obligee's name	Amount of loans covered by surety in whole or in specific part	Effective date of surety	Financial terms: surety fee due to the company	Principal	Affiliation between CIECH S.A. and the borrower
	currency in in thousand thousands PLN				
<b>CIECH S.A.</b>					
KREDYT BANK S.A. Sieradz Branch	4,000	until 31.08.2009	Payment to CIECH S.A. equal to 1% of the surety value + PLN 3.5 thousand + PLN 2.5 thousand + PLN 62.5 thousand	Chemana S.A.	Subsidiary
KREDYT BANK S.A. Sieradz Branch	4,000	until 31.08.2009	Payment to CIECH S.A. equal to 1% of the surety value + PLN 3.5 thousand + PLN 2.5 thousand	Chemana S.A.	Subsidiary
PKN ORLEN S.A.	1,200	no fixed term	Payment to CIECH S.A. equal to 1% of the surety value	Chemana S.A.	Subsidiary
BANK PKO S.A. First Branch in Warsaw	3,400	until 31.07.2009	Payment to Ciech S.A. equal to 1% of the surety value (from PLN 2 million) + PLN 10 thousand on increase + PLN 4 thousand + PLN 5 thousand on extension	Chemana S.A.	Subsidiary
BANK PKO S.A. First Branch in Warsaw	500	until 30.04.2012		Chemana S.A.	Subsidiary
BANK PKO S.A.	40,000	until 30.04.2013		ZACHEM S.A.	Subsidiary
<b>Total CIECH S.A.</b>	<b>53,100</b>				
<b>JANI-KOSODA S. A.</b>					
BOŚ Poznań	EUR 531	2,214	until 16.11.2009	No fee	"VITROSILICON" Spółka Akcyjna Subsidiary



Obligee's name	Amount of loans covered by surety in whole or in specific part		Effective date of surety	Financial terms: surety fee due to the company	Principal	Affiliation between CIECH S.A. and the borrower
	currency in thousands	in thousand PLN				
<b>Total JANIKOSODA S.A.</b>		<b>2,214</b>				
<b>ZACHEM S.A.</b>						
Nordea Bank		18,160	until 30.07.2009	None	Spółka Wodna Kapuściska	None
<b>Total ZACHEM S.A.</b>		<b>18,160</b>				
<b>Total amount of loans covered by surety</b>		<b>73,474</b>				

Obligee's name	Total amount of loans covered by surety in whole or in specific part		Effective date of surety	Financial terms: surety fee due to the company	Principal	Affiliation between CIECH S.A. and the borrower
	currency in thousands	in thousand PLN				
<b>ZACHEM S.A.</b>						
Wojewódzki Fundusz Ochrony Zdrowia i Gospodarki Wodnej Toruń (Voivodship Fund of Healthcare and Water Management in Toruń)		3,632	until 31.03.2011		Spółka Wodna Kapuściska	None
<b>Total ZACHEM S.A.</b>		<b>3,632</b>				
<b>Total amount of loans covered by surety</b>		<b>3,632</b>				

Obligee's name	Amount of total guarantees granted, backed in whole or in specific part		Guarantee period	Financial terms: guarantee fee due to the company	Principal	Affiliation between CIECH S.A. and the Principal
	currency in thousands	in thousand PLN				
<b>CIECH S.A.</b>						
Citibank Romania S.A.	EUR 13,000	54,241	until 28.03.2009	Payment to CIECH S.A. equal to 0.5% of the surety value; 0.3% fee on increase	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
ING Bank NV Amsterdam – Branch in Bucharest	EUR 11,000	45,896	until 31.05.2009	Payment of EUR 19.1 thousand as a return 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	4,590	30.09.2009	To the lease agreement concluded between S.C Uzinele Sodice Govora – Ciech Chemical Group S.A. and ECS International Polska Sp. z o.o. of July 10th, 2007	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
SG Equipment Leasing Polska Sp. z o.o. - Warsaw	EUR 1,700	7,093	30.09.2009		S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
Air Products, LLC and Air Products Chemicals Europe B.V.	USD 38,500	114,029	2013	The surety was estimated on the basis of semi-annual deliveries under the contract concluded by ZACHEM S.A. in 2004, and annexed in October 2007. Annual deliveries are worth US \$ 77 million.	ZACHEM S.A.	Subsidiary
COMMERZBANK AG	EUR 25,000	104,310	31.01.2013	To the loan agreement of 23.01.2008 for EUR 75 million	Soda Deutschland Ciech GmbH	Subsidiary
KREDYT BANK S.A. in Warsaw		90	Until 25.02.2012	Aval of the guarantee	Chemana S.A.	Subsidiary
ING Tease Romania IFN S.A.	2,237	9,334	30.04.2013		S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
<b>Total CIECH S.A.</b>		<b>339,583</b>				
<b>Total amount of guarantees granted</b>		<b>339,583</b>				

## 16. Information regarding issue, redemption and repayment of debt securities and equity securities in the Ciech Group

In Q4 2008, the Ciech Group did not issue any securities.

In 2007 the Ciech Group issued securities being bonds and did not redeem debt or equity securities.

On December 14th, 2007 CIECH S.A. issued Class A Bonds to the amount of PLN 300,000 thousand under the following terms and conditions:

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

The issue price of the bonds is equal to their nominal value and amounts to PLN 100 thousand. The bonds are unsecured. Proceeds from the issue have been allotted mainly to financing the acquisitions of Sodawerk Holding Staßfurt GmbH and partial repayment of the short-term debt of CIECH S.A.

#### 17. Information concerning dividends paid or (declared), in total and per share, broken down into ordinary shares and preference shares

By virtue of the resolution of June 26th, 2008, the Ordinary General Meeting of Shareholders of CIECH S.A. decided to allot the net profit of CIECH S.A. for 2007 amounting to PLN 58,100,898.57 as follows:

- PLN 57,960,000.00 to dividends for the Shareholders (PLN 2.07 per share),
- PLN 140,898.57 for the company's uncalled capital.

The 2007 dividend, to the amount of PLN 2.07 per share was paid to the Shareholders who held CIECH S.A. shares as at July 11th, 2008 (dividend day). The dividend was paid on August 1st, 2008.

There are only ordinary shares in the structure of the CIECH S.A.

#### 18. Discontinued operations and assets held for sale

In 2008 discontinued operations did not occur in the Ciech Group.  
As at December 31st, 2008, the Ciech Group did not have non-current assets held for sale.

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

In the presented financial statements for Q4 2008 the amount of PLN 437,329 thousand of long-term liabilities due to loans and borrowings was reclassified from long-term liabilities to short-term liabilities.

Results obtained by the Ciech Group and some of its subsidiaries have lead to a violation of conditions of loan agreements which include provisions concerning relevant financial indices:

- net debt / EBITDA: violation occurred at two companies,
- debt service coverage ratio: violation occurred at one subsidiary,
- net return and current ratio: violation occurred at one subsidiary,

According to the requirements of IAS 1 a violation of conditions of loan agreements which may limit the unconditional availability of loans in the following year makes it necessary to classify such liabilities as short-term ones.

There were no violations of conditions concerning the repayment of the principal or interest due to financial liabilities in the period covered in this statement or in the period to its publication. No loan agreement was called.

#### 20. Information concerning non-consolidated subsidiaries and associates

When selecting entities for consolidation, the Management Board of the parent company applied the materiality principle (in line with the IFRS objectives) to their financials, in order to comply with the requirement of true and fair view of the economic and financial standing and profit of the Group. It was assumed that entities whose balance-sheet totals and net sales revenue and revenue from financial operations are irrelevant compared to the same items recorded by the parent company, and their combined figures are lower than 5% of the corresponding combined figures (of all subsidiaries of the Ciech Group), were irrelevant for compliance with the requirements of the standards.

Non-consolidated entities	Shares of CIECH S.A. in the company (direct + indirect)	Net revenue from sale of goods and products and from financial operations	Net profit / loss	Balance sheet total of the entity/ Group**	CIECH S.A.'s income (%)	CIECH S.A.'s balance-sheet total (%)	CIECH S.A.'s control
---------------------------	---	---	-------------------	--	-------------------------	--------------------------------------	----------------------

Non-consolidated entities	Shares of CIECH S.A. in the company (direct + indirect)	Net revenue from sale of goods and products and from financial operations	Net profit / loss	Balance sheet total of the entity/ Group**	CIECH S.A.'s income (%)	CIECH S.A.'s balance-sheet total (%)	CIECH S.A.'s control
1) Chemia.com S.A.	100.00%	15,103	(275)	3,438	0.68%	0.16%	Subsidiary
2) Polcommerce Handel und Vertretungsgesellschaft m.b.H.	100.00%	43,765	260	4,883	1.97%	0.23%	Subsidiary
3) CIECH SERVICE Sp. z o.o.	100.00%	6,924	3	1,679	0.31%	0.08%	Subsidiary
4) Ciech America Latina LTDA	99.99%	208	(508)	330	0.01%	0.02%	Subsidiary
5) Polskie Konsorcjum Chemiczne Sp. z o.o.	100%						Subsidiary
6) Nordiska Unipol Aktienbolag	97.78%	22,579	689	8,540	1.02%	0.41%	Subsidiary
<b>7) POLFA Group</b>							
6.1.) POLFA Hungaria KFT., (former Polcommerce Kft.), Hungary	100.00%	2,157	(70)	832	0.10%	0.04%	Indirect subsidiary
<b>9) ALWERNIA Group</b>							
9.1.) "ALWERNIA-FOSFORANY" Limited liability company	73.75%	-	-	50	0.00%	0.00%	Indirect subsidiary
9.2.) SOC-AL. Limited liability company	69.88%	2,047	35	1,702	0.09%	0.08%	Indirect subsidiary
10) CHEMIEPETROL* Außenhandelsgesellschaft mit beschränkter Haftung in liquidation	60.00%	255	(1,976)	2,209	0.01%	0.10%	Subsidiary
<b>11) ORGANIKA - SARZYNA Group</b>							
11.1.) Z.D. "ORGANIKA" Sp. z o.o.	51%	3,332	46	2,472	0.15%	0.12%	Indirect subsidiary
<b>12) Soda Deutschland Ciech Group</b>							
12.1.Sodachem GmbH	100%	6,273	1,685	2,168	0.28%	0.10%	Subsidiary
12.2 KPG Kavernen-Projekt-Beteiligungsgesellschaft mbH	100%	-	(4)	92	0.00%	0.00%	Subsidiary
* out of business							

Total value	Non-consolidated entities	Ciech Group (without eliminations)	% share	
Balance sheet totals		44,211	6,715,318	0.66%
Net revenue from sale of goods and products and from financial operations		114,451	6,145,291	1.86%

While applying the principle of materiality (as per the IFRS objectives), the Management Board of CIECH S.A. decided to exclude the following associates from the consolidated statement.

Entities not accounted for using the equity method	Shares of CIECH S.A. in the company (direct + indirect)	Total number of votes at the General Meeting	Acquisition cost	Allowances for the acquisition cost	Equity as at 31.12.2008 attributable to the Ciech Group	Net revenue from sale of goods and products and from financial operations of a given entity	Balance-sheet total of the entity	Net profit / (loss)
						(thousand PLN)		
1) Suomen Unipol Oy*	24.78%	24.78%	132	-	1,164	56,237	24,609	985
<b>2) ORGANIKA - SARZYNA Group</b>								
2.1.) "Komunalna Biologiczna Oczyszczalnia Ścieków - Spółka z ograniczoną odpowiedzialnością"	56.62%	48,77%	8,358	-	8,080	2,820	14,536	26
2.2.) Zakłady Chemiczne "Silikony Polskie" Spółka z ograniczoną odpowiedzialnością	30.00%	25.84%	5,209	-	5,722	16,084	20,380	59
2.3.) "Bud -Org" Sp. z o.o.	24.85%	21.40%	43	-	340	6,685	1,881	519
2.4.) "Gumokor - Organika" Sp. z o.o.	24.81%	21.37%	16	-	119	1,028	603	13
2.5.) "ORGANIKA-PROJEKT" Sp. z o.o.	24.49%	21.09%	18	-	42	866	229	(21)
2.6.) "DREWREM - ORGANIKA" Sp. z o.o.	24.14%	20.79%	8	-	17	995	199	(6)
2.7.) "EL -CHEM" Sp. z o.o.	24.73%	21.29%	92	-	567	6,589	3,985	405
2.8.) "WOD - REM" Sp. z o.o.	24.94%	21.48%	146	-	484	7,613	2,813	166
2.9.) "NS Automatyka" Sp. z o.o.	22.44%	19.32%	115	-	501	7,205	4,786	474
<b>3) ZACHEM Group</b>								
3.1.) "BUDPUR" Spółka z ograniczoną odpowiedzialnością	27.73%	23.60%	63	-	177	2,912	833	144
3.2.) Przedsiębiorstwo Transportowo Spedycyjne "TRANSCHEM" Spółka z ograniczoną odpowiedzialnością	27.81%	23.66%	89	54	(159)	5,127	946	(873)
3.3.) Zakład Remontowo-Produkcyjny "Metalpur" Spółka z ograniczoną odpowiedzialnością	24.52%	20.87%	26	-	214	3,990	1,205	309
3.4.) Natural Chemical Products	44.03%	37.47%	214	-	2,109	26,524	11,511	(35)
<b>4) Soda Deutschland Ciech Group</b>								
4.1. Kaverngesellschaft Stassfurt GmbH	50%	50%	no data available	-	1,190	6,340	8,403	1,939
<b>Total value</b>	-	-	<b>14,529</b>	<b>54</b>	<b>20,567</b>	<b>151,015</b>	<b>96,919</b>	<b>4,104</b>

CIECH S.A. holds stock/shares in entities where its control has been restricted or lost:

- Calanda Polska Sp. z o.o., in liquidation, 95.70% shares/votes held directly by Ciech S.A.; the company has not been shown in the table above because no data is available.
- ZAO - Polfa Ciech, Russia, in liquidation, 65.00 % shares/votes held directly by Ciech S.A.
- Polsin-Karbid Sp. z o.o., in liquidation, 22.76% total shares/votes held by CIECH S.A., shares/votes (direct + indirect) through CIECH S.A. and POLSIN PRIVATE LIMITED
- K.Foster&Son Ltd. - lost control, 46.51%, shares/votes held indirectly by CIECH S.A. through DALTRADE PLC
- Polfa Nigeria - lost control, no contact with the company, 20% share held directly by CIECH S.A.
- Zach-Ciech Sp. z o.o.- 35.65% shares/votes held directly by CIECH S.A., on January 24th, 2006, the District Court in Katowice declared the company bankrupt.
- Zakład Gastronomiczno-Hotelowy "MIREX" Sp. z o.o. – in liquidation, 27%, shares/votes held indirectly by CIECH S.A. through ZACHEM S.A.
- Polsin Overseas Shipping Ltd. is an associate of CIECH S.A. The company did not deliver its financials for Q4 2008.

## 21. Reconciliation of equity presented in the annual statement for 2007 with the currently presented financials as comparable data – completion of the initial accounting determined provisionally for the Soda Deutschland Ciech Group (data before an audit)

As at December 31st, 2007 an initial accounting for the merger of the Soda Deutschland Ciech Group was determined provisionally in accordance with IFRS 3 "Business Combinations" points 61-62. In 2008, identification and establishment of fair value of all identifiable assets, liabilities and contingent liabilities were made. Costs of the merger were also subject to verification.

The balance sheet data as at December 31st, 2007, as well as performance information for the period from January 1st, to December 31st 2007, as disclosed in this report, is comparable and as such, it covers any adjustments of accounting estimates recognised to date and resulting from the completion of the initial accounting determined provisionally.

Due to the purchase price allocation process implemented in 2008 in the Soda Deutschland Ciech Group, property, plant and equipment as well as long-term investments (shares and stocks) were subject to measurement. Current assets - gas caverns - were measured and recognised in the balance sheet.

Moreover, the value of the reclamation provision liabilities was measured and recognised in the balance sheet. Deferred tax provisions and assets were recognised in respect of adjustments made on account of measurement at fair value.

Furthermore, intangible assets were identified and measured at the Soda Deutschland Ciech Group. These are:

- customer relations – the company established a long-term and stable relation with its major customers, the fluctuation of customers is small; the most significant customers depend to a large extent on SWS as their main raw material supplier;
- intangible assets related to contracts – contract with EVZA (Energie und Verwertungszentrale GmbH) concerning electric energy.

In accordance with the positions of the Management Board of Ciech S.A. as presented in the previous interim statements of the Ciech CG, the agreement for the buyout of shares in Soda Deutschland Ciech from Mr J. Ohm as regarded the 2nd and 3rd tranches of the payment for Mr J. Ohm was treated as a cost of the period. Upon thorough evaluation during the PPA process, the Management Board of Ciech S.A. verified the above position and decided that all the tranches in the shareholders' agreement are an item of merger costs.

On February 18th, 2009 a settlement was concluded; it is described in point III.1 of this statement. The result of the agreement signed will be recognised in the statements of Ciech S.A. and the Ciech Group for Q1 2009.

On account of the adjustment of accounting estimates recognised to date by the result of measurement at fair value, the goodwill disclosed in the statement as at December 31st, 2007, was subject to change. The table below shows the data presented to date and currently:

Calculation of the goodwill on the level of the consolidation of the Ciech Group	31.12.2007 (initial accounting determined provisionally)	31.12.2007 (upon completion of initial accounting determined provisionally)
Net assets acquired	(336)	(336)
Merger cost	16,410	68,937
Goodwill / surplus of net assets acquired over merger cost	16,746	69,273

<b>Calculation of the goodwill on the level of the consolidation of the Soda Deutschland Ciech Group</b>	<b>31.12.2007 (initial accounting determined provisionally)</b>	<b>31.12.2007 (upon completion of initial accounting determined provisionally)</b>
Net assets acquired	(7,684)	108,742
Merger cost	344,151	344,151
Goodwill / surplus of net assets acquired over merger cost	351,835	235,409

The goodwill which resulted from the settlement of the merger of the Ciech Group with the Soda Deutschland Ciech Group underwent an impairment review. Results of the review showed that the goodwill on the Ciech Group level which resulted from the settlement of the merger of the Soda Deutschland Ciech Group was written off as a whole from the profit/loss of 2007.

The goodwill recognised on the level of the Soda Deutschland Ciech Group was written down to PLN 33,230 thousand as at the end of 2007.

The write-down of the goodwill both on the level of the lower-tier Group and of CIECH S.A. was performed on the basis of the results of the goodwill impairment review prepared according to mid-term plans.

The table below presents adjustments made in the statements for 2007 and for Q3 2008 due to the completion of the initial accounting determined provisionally, which had impact on the net profit/loss and individual items of equity.

<i>in thousands of PLN</i>	<b>31.12.2007 presented in the Annual Report for 2007</b>	Goodwill written down on the level of the Soda Deutschland Ciech Group	Goodwill written down on the level of the Ciech Group relative to the Soda Deutschland Ciech Group	Other consolidation adjustments	<b>31.12.2007 presented in the extended consolidated quarterly report for Q4 2008 as comparable data*</b>
<b>LIABILITIES</b>					
Equity					
Share capital	164,115	-	-	-	164,115
Treasury shares	-	-	-	-	-
Share premium	151,328	-	-	-	151,328
Equity components relative to assets held for sale	-	-	-	-	-
Revaluation reserve	19,161	-	-	-	19,161
Other reserve capital	78,433	-	-	88	78,521
Foreign exchange differences on translation of subordinates	(19,301)	-	-	383	(18,918)
Retained earnings	945,540	(202,175)	(69,273)	(521)	673,570
<b>Equity attributable to shareholders of the parent company</b>	<b>1,339,276</b>	<b>(202,175)</b>	<b>(69,273)</b>	<b>(50)</b>	<b>1,067,777</b>
Minority interest	44,898	-	-	6	44,904
<b>Total equity</b>	<b>1,384,174</b>	<b>(202,175)</b>	<b>(69,273)</b>	<b>(44)</b>	<b>1,112,681</b>
<b>Liabilities</b>					
<i>of which net profit for the financial year</i>	<b>241,857</b>	<b>(202,175)</b>	<b>(69,273)</b>	<b>(178)</b>	<b>(29,770)</b>
<i>including:</i>					
<i>Net profit/loss of shareholders of the parent company</i>	240,186	(202,175)	(69,273)	(194)	(31,457)
<i>Net profit/loss of minority shareholders</i>	1,671	-	-	16	1,687
<i>* data before an audit</i>					



<i>in thousands of PLN</i>	<b>30.09.2008 acc. to IFRS presented with the extended consolidated quarterly report for Q3 2008</b>	Measurement at fair value of the Soda Deutschland Ciech Group	Goodwill written down on the level of the Soda Deutschland Ciech Group	Goodwill written down on the level of the Ciech Group relative to the Soda Deutschland Ciech Group	Other consolidation adjustments	Adjustment of the liability due to the acquisition of the Soda Deutschland Ciech Group (exchange difference gains)	<b>31.09.2008 acc. to IFRS presented with the extended consolidated quarterly report for Q4 2008 as comparable data</b>
<b>Equity</b>							
Share capital	164,115	-	-	-	-	-	164,115
Treasury shares	-	-	-	-	-	-	-
Share premium	151,328	-	-	-	-	-	151,328
Equity components relative to assets held for sale	-	-	-	-	-	-	-
Revaluation reserve	(26,116)	-	-	-	-	-	(26,116)
Other reserve capital	78,433	-	-	-	-	-	78,433
Foreign exchange differences on translation of subordinates	(27,295)	-	9,756	-	(2,547)	-	(20,086)
Retained earnings	990,288	9,969	(202,175)	(69,273)	-	1,396	730,202
<b>Equity attributable to shareholders of the parent company</b>	<b>1,330,753</b>	<b>9,969</b>	<b>(192,419)</b>	<b>(69,273)</b>	<b>(2,547)</b>	<b>1,396</b>	<b>1,077,875</b>
Minority interest	50,077	-	-	-	-	-	50,077
<b>Total equity</b>	<b>1,380,830</b>	<b>9,969</b>	<b>(192,419)</b>	<b>(69,273)</b>	<b>(2,547)</b>	<b>1,396</b>	<b>1,127,952</b>
<i>of which net profit for the financial year</i>	<b>113,770</b>	<b>9,969</b>	-	-	-	<b>1,396</b>	<b>125,135</b>
<i>including:</i>							
<i>Net profit/loss of shareholders of the parent company</i>	103,042	9,969	-	-	-	1,396	114,407
<i>Net profit/loss of minority shareholders</i>	10,728	-	-	-	-	-	10,728

#### IV. Condensed Individual Financial Statement of CIECH S.A. for Q4 2008 drawn up in accordance with the International Financial Reporting Standards.

##### 1. Separate profit and loss account

	01.01.-31.12.2008	01.01.-31.12.2007	01.10.-31.12.2008	01.10.-31.12.2007
	Continued operations	Continued operations	Continued operations	Continued operations
<b>Net sales revenue</b>	<b>2,048,651</b>	<b>2,053,545</b>	<b>379,676</b>	<b>496,183</b>
Cost of goods sold	(1,729,379)	(1,732,020)	(310,784)	(425,627)
<b>Gross profit/loss on sales</b>	<b>319,272</b>	<b>321,525</b>	<b>68,892</b>	<b>70,556</b>
Other operating income	37,535	6,193	28,651	1,455
Costs of sales	(121,114)	(117,373)	(22,398)	(30,335)
Administrative expenses	(72,510)	(78,679)	(16,010)	(21,270)
Other operating expenses	(17,350)	(8,085)	(715)	3,728
<b>Operating profit/loss</b>	<b>145,833</b>	<b>123,581</b>	<b>58,420</b>	<b>24,134</b>
Financial income	170,657	42,887	129,629	6,467
Financial costs	(200,744)	(87,096)	(109,428)	(64,310)
<b>Net financial income / costs</b>	<b>(30,087)</b>	<b>(44,209)</b>	<b>20,201</b>	<b>(57,843)</b>
Share of the net profits of subsidiaries accounted for using the equity method	-	-	-	-
<b>Profit/loss before taxes</b>	<b>115,746</b>	<b>79,372</b>	<b>78,621</b>	<b>(33,709)</b>
Income tax	(17,797)	(21,271)	(10,627)	(772)
<b>Net profit/loss</b>	<b>97,949</b>	<b>58,101</b>	<b>67,994</b>	<b>(34,481)</b>
Sales profit/loss relative to discontinued operations	-	-	-	-
<b>Net profit for the financial year</b>	<b>97,949</b>	<b>58,101</b>	<b>67,994</b>	<b>(34,481)</b>

**2. Separate balance sheet**

<i>in thousands of PLN</i>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	13,259	23,408
Perpetual leasehold rights	-	65
Intangible assets, including:	8,648	9,318
- goodwill	-	-
Investment property	19,578	12,064
Long-term receivables	46,270	44,506
Investments in associates and jointly-controlled entities accounted for using the equity method	-	-
Other long-term investments	1,405,455	1,277,126
Deferred income tax assets	29,957	4,731
<b>Total non-current assets</b>	<b>1,523,167</b>	<b>1,371,218</b>
<b>Current assets</b>		
Inventories	17,365	16,085
Short-term investments	116,831	40,097
Income tax receivable	12,528	3,714
Trade and other receivables	404,761	358,485
Cash and cash equivalents	32,092	33,274
Non-current assets held for sale	-	-
<b>Total current assets</b>	<b>583,577</b>	<b>451,655</b>
<b>Total Assets</b>	<b>2,106,744</b>	<b>1,822,873</b>
<b>LIABILITIES</b>		
Equity		
Share capital	164,115	164,115
Treasury shares	-	-
Share premium	151,328	151,328
Equity components relative to assets held for sale	-	-
Revaluation reserve	(26,159)	1,044
Cash flow hedge	(70,934)	-
Other reserve capital	76,199	76,199
Retained earnings	377,755	337,766
<b>Equity attributable to shareholders of the parent company</b>	<b>672,304</b>	<b>730,452</b>
Minority interest	-	-
<b>Total equity</b>	<b>672,304</b>	<b>730,452</b>
Liabilities		
Loans, borrowings and other debt instruments	299,802	476,114
Employee benefits	1,644	336
Provisions (other long-term)	-	-
Other long-term liabilities	136,699	46,209
Deferred tax provision	-	-
<b>Total long-term liabilities</b>	<b>438,145</b>	<b>522,659</b>
Overdraft facility	-	-
Loans, borrowings and other debt instruments	560,356	181,754

<i>in thousands of PLN</i>	<b>31.12.2008</b>	<b>31.12.2007</b>
Trade and other liabilities	428,168	352,947
Income tax liabilities	-	17,824
Provisions (short-term employee-benefit and other provisions)	7,771	17,237
Liabilities arising from non-current assets held for sale	-	-
<b>Total short-term liabilities</b>	<b>996,295</b>	<b>569,762</b>
<b>Total liabilities</b>	<b>1,434,440</b>	<b>1,092,421</b>
<b>Total Liabilities</b>	<b>2,106,744</b>	<b>1,822,873</b>

### Off-balance sheet items

#### OFF-BALANCE SHEET ITEMS

<i>in thousands of PLN</i>	<b>31.12.2008</b>	<b>31.12.2007</b>
<b>1. Contingent receivables</b>	-	-
<b>2. Contingent liabilities</b>	<b>392,682</b>	<b>173,269</b>
1.1. Towards affiliated entities	392,682	173,269
- guarantees and sureties granted	392,682	173,269
1.2. Towards other entities	-	-
<b>3. Other</b>	<b>21,460</b>	<b>18,978</b>
- other trade sureties	21,460	9,400
- investment liabilities	-	9,578
<b>Total off-balance sheet items</b>	<b>414,142</b>	<b>192,247</b>

### 3. Separate Cash Flow Statement

<i>in thousands of PLN</i>	<b>01.01-31.12.2008</b>	<b>01.01-31.12.2007</b>
<b>Operating cash flows</b>		
<b>Net profit (loss) for the period</b>	<b>97,949</b>	<b>58,101</b>
Depreciation	5,856	6,048
Recognition / reversal of revaluation write-downs	(19,279)	43,146
Foreign exchange gains/losses	(87,560)	17,366
Investment property revaluations	-	-
Gains / losses on investing activities	(31,110)	(1,742)
Gains / losses on disposal of fixed assets	(33)	(4)
Interest and profit sharing	(3,042)	(12,320)
Input income tax	17,797	21,271
Gains / losses on shares in entities accounted for using the equity method	-	-
<b>Operating profit before changes in working capital and provisions</b>	<b>(19,422)</b>	<b>131,866</b>
Change in receivables	(74,804)	(66,971)
Change in inventories	(1,280)	(3,418)
Change in short-term liabilities	(38,125)	104,155
Change in provisions and employee benefits	11,343	1,371
<b>Net cash generated from operating activities</b>	<b>(122,288)</b>	<b>167,003</b>
Interest paid	(35,629)	(11,929)
Income tax paid	(46,208)	(3,636)
other adjustments	140,596	990
Gains / losses on disposal of discontinued operations	-	-
<b>Net cash from operating activities</b>	<b>(63,529)</b>	<b>152,428</b>
<b>Cash flows from investing activities</b>		
<b>Inflows (in "+")</b>		
Disposal of intangible assets and property, plant and equipment	35,447	23
Disposal of a subsidiary	17,821	-
Disposal of investments	1,758	-
Dividends received	8,314	14,923
Interest received	4,470	3,973
Other inflows	-	-
<b>Outflows (in "-")</b>		
Acquisition of intangible assets and property, plant and equipment	(11,651)	(6,568)
Acquisition of a subsidiary (net of cash acquired)	(32,999)	(9,360)
Purchase of investment property	-	-
Purchase of other investments	(49,920)	-
Research and development expense	-	-
Other expenditure	(55,474)	(428,656)
<b>Net cash from investing activities</b>	<b>(82,234)</b>	<b>(425,665)</b>

<i>in thousands of PLN</i>	<b>01.01-31.12.2008</b>	<b>01.01-31.12.2007</b>
<b>Cash flows from financing activities</b>		
<b>Inflows (in "+")</b>		
Net inflows from issue of shares and other equity instruments, and equity contributions	-	-
Inflows from issue of convertible preference shares	-	-
Proceeds from loans and borrowings	234,764	52,227
Other financial inflows	-	299,810
<b>Outflows (in "-")</b>		
Purchase of treasury shares	-	-
Dividends paid and other payments to equity holders	(57,960)	(58,800)
Dividends paid to minority shareholders	-	-
Expenditure on repayment of loans and borrowings	(34,441)	(47,885)
Redemption of debt securities	-	-
Payment of finance lease liabilities	-	-
Other financial outflows	-	-
<b>Net cash from financing activities</b>	<b>142,363</b>	<b>245,352</b>
<b>Total net cash flows</b>	<b>(3,400)</b>	<b>(27,885)</b>
<b>Cash at the beginning of period</b>	<b>33,274</b>	<b>61,074</b>
Impact of foreign exchange differences	2,218	85
<b>Cash at the end of period</b>	<b>32,092</b>	<b>33,274</b>

## 4. Statement of changes in unitary equity

<i>in thousands of PLN</i>	Share capital	Treasury shares	Share premium	Equity components relative to assets held for sale	Revaluation reserve	Cash flow hedge	Other reserve capital	Retained earnings	Total equity
<b>Equity as at ( beginning of period) 01/01/2008</b>									
<b>Brought forward</b>	<b>164,115</b>		<b>151,328</b>	-	<b>1,044</b>	-	<b>76,199</b>	<b>337,766</b>	<b>730,452</b>
Changes in accounting principles									-
Corrections of fundamental errors									-
<b>Equity (restated) as at:</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>1,044</b>	-	<b>76,199</b>	<b>337,766</b>	<b>730,452</b>
Profit (loss) on measurement of hedging instruments (including deferred tax)	-	-	-	-	-	(70,934)	-	-	(70,934)
Measurement of financial instruments (including deferred tax)	-	-	-	-	(27,203)	-	-	-	(27,203)
<b>Total income and expenditure for the financial year recognised directly in equity</b>	-	-	-	-	<b>(27,203)</b>	<b>(70,934)</b>	-	-	<b>(98,137)</b>
Net profit / (loss)	-	-	-	-	-	-	-	97,949	97,949
<b>Total income/(expenditure) for the period</b>	-	-	-	-	<b>(27,203)</b>	<b>(70,934)</b>	-	<b>97,949</b>	<b>(188)</b>
Payment of dividends to shareholders	-	-	-	-	-	-	-	(57,960)	(57,960)
<b>Equity as at (end of period) 31/12/2008:</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>(26,159)</b>	<b>(70,934)</b>	<b>76,199</b>	<b>377,755</b>	<b>672,304</b>

<i>in thousands of PLN</i>	Share capital	Treasury shares	Share premium	Equity components relative to assets held for sale	Revaluation reserve	Cash flow hedge	Other reserve capital	Retained earnings	<b>Total equity</b>
<b>Equity as at (beginning of period) 01/01/2007</b>									
<b>Brought forward</b>	<b>164,115</b>	-	<b>151,328</b>	-	-	-	<b>76,199</b>	<b>338,465</b>	<b>730,107</b>
Changes in accounting principles									-
Corrections of fundamental errors									-
<b>Equity (restated) as at:</b>	<b>164,115</b>	-	<b>151,328</b>	-	-		<b>76,199</b>	<b>338,465</b>	<b>730,107</b>
Measurement of financial instruments (including deferred tax)	-	-	-	-	1,044	-	-	-	1,044
<b>Total income and expenditure for the financial year recognised directly in equity</b>	-	-	-	-	<b>1,044</b>		-	-	<b>1,044</b>
Net profit / (loss)	-	-	-	-	-	-	-	58,101	58,101
<b>Total income/(expenditure) for the period</b>	-	-	-	-	<b>1,044</b>	-	-	<b>58,101</b>	<b>59,145</b>
Payment of dividends to shareholders	-	-	-	-	-	-	-	(58,800)	(58,800)
<b>Equity as at (end of period) 31/12/2007</b>	<b>164,115</b>	-	<b>151,328</b>	-	<b>1,044</b>	-	<b>76,199</b>	<b>337,766</b>	<b>730,452</b>



## 5. Explanatory notes to the financial statement prepared for Q4 2008 ending on December 31st, 2008

### 5.1. Basis for preparation and accounting principles (policy)

On January 31st, 2007, the Extraordinary General Meeting of Shareholders of CIECH S.A. adopted resolution no. 4 on the preparation of individual financial statements according to IFRS/IAS. In connection with the above resolution, since 2007, the reports of CIECH S.A. have been prepared in accordance with the IFRS/IAS using the principles of valuation of assets and liabilities and measurement of the net financial result, as set out in the accounting policy.

Detailed information regarding the principles and methods of the valuation of assets and liabilities and measurement of the financial result, as well as the method of preparation of financial statements and comparable data, were included in the report of the Ciech Group for H1 2008, publicly disclosed on September 30th, 2008.

In October 2008 the Company adopted a financial risk management policy and assigned hedging relations. A detailed description has been presented in Point 2.12 of the extended consolidated quarterly report of the Ciech Group for Q4 2008.

### 5.2. Earnings per share

Data concerning profit and shares, which are the basis to calculate the basic and diluted earnings per share, has been presented below.

<i>in thousand PLN</i>	31.12.2008	31.12.2007
Net profit (loss) from continued operations for shareholders of the parent	97,949	58,101
Net profit (loss) from discontinued operations for shareholders of the parent	-	-
Net profit (loss) for shareholders of the parent company, applied to calculate the basic earnings profit per share	97,949	58,101
Net profit (loss) for shareholders of the parent company, applied to calculate the diluted earnings per share	97,949	58,101
<i>in items</i>	31.12.2008	31.12.2007
Weighted average number of ordinary shares issued, applied to calculate the basic earnings per share	28,000,000	28,000,000
Weighted average number of ordinary shares issued, applied to calculate the diluted earnings per share	28,000,000	28,000,000

### 5.3. Seasonality and cyclicity of the operations

Information on seasonality and cyclicity of the operations are presented in Part III Point 3 of the extended consolidated quarterly report of the Ciech Group for Q4 2008.

### 5.4. Changes in accounting estimates

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

### 5.5. Information regarding issue, redemption and repayment of debt securities and equity securities

Information regarding issue, redemption and repayment of debt securities and equity securities is presented in Part III Point 16.1. of the extended consolidated quarterly report of the Ciech Group for Q4 2008.

### 5.6. Information concerning dividends paid

Information on dividends paid is presented in Part III, Point 17 of the extended consolidated quarterly report of the Ciech Group for Q4 2008.

## 5.7. Income and profits/losses by business segments

01.01.-31.12.2008

<i>in thousands of PLN</i>	Soda	Organic	Petrochemical	Agro-Chemical	Silicates and glass products	Inorganic	Other Operations	TOTAL
Income from third parties	712,93	500,538	39,466	99,563	52,614	105,829	460	1,510,763
Income from inter-segment sales	158,259	23,430	3,804	269,627	-	66,090	16,678	537,888
<b>Total income</b>	<b>870,552</b>	<b>523,968</b>	<b>43,270</b>	<b>369,190</b>	<b>52,614</b>	<b>171,919</b>	<b>17,138</b>	<b>2,048,651</b>
<b>Segment profit/loss</b>	<b>189,662</b>	<b>42,811</b>	<b>6,073</b>	<b>13,304</b>	<b>8,676</b>	<b>43,330</b>	<b>15,416</b>	<b>319,272</b>
<b>Unallocated costs / income</b>								(173,439)
<b>Operating profit</b>								<b>145,833</b>
Net financial income / costs								(30,087)
Tax								(17,797)
<b>Net profit</b>								<b>97,949</b>

01.01.-31.12.2007

<i>in thousands of PLN</i>	Soda	Organic	Petrochemical	Agro-Chemical	Silicates and glass products	Inorganic	Other Operations	TOTAL
Income from third parties	769,157	698,439	29,758	115,414	48,055	95,952	871	1,757,646
Income from inter-segment sales	66,550	60,713	2,725	84,804	-	54,886	26,221	295,899
<b>Total income</b>	<b>835,707</b>	<b>759,152</b>	<b>32,483</b>	<b>200,218</b>	<b>48,055</b>	<b>150,838</b>	<b>27,092</b>	<b>2,053,545</b>
<b>Segment profit/loss</b>	<b>194,529</b>	<b>55,053</b>	<b>2,370</b>	<b>8,757</b>	<b>7,817</b>	<b>35,456</b>	<b>17,543</b>	<b>321,525</b>
<b>Unallocated costs / income</b>								(197,944)
<b>Operating profit</b>								<b>123,581</b>
Net financial income / costs								(44,209)
Tax								(21,271)
<b>Net profit</b>								<b>58,101</b>

### 5.8. Information concerning material events that occurred after the end of Q4 2008 and have not been reflected in the presented periodical report

No material events, which have not been reflected in the financial statement for the period from January 1st to December 31st, 2008, occurred after the end of Q4 2008.

### 5.9. Changes in the entity structure

In December 2008 Polskie Konsorcjum Chemiczne Sp. z o.o. was established, with a share capital amounting to PLN 50 thousand, which was assumed as a whole by CIECH S.A. and covered in cash. The establishment and registration of Polskie Konsorcjum Chemiczne Sp. z o.o. are the accomplishment of decisions in the Letter of Intent concerning the purchase of the controlling block of Anwil S.A., signed on October 9th, 2008 by CIECH S.A., Zakłady Azotowe w Tarnowie-Mościcach S.A. (ZAT) and Zakłady Azotowe Kędzierzyn S.A. (ZAK). Pursuant to the above Letter of Intent the target share of CIECH S.A. in the capital of Polskie Konsorcjum Chemiczne Sp. z o.o. will amount to 50%, while ZAT and ZAK will assume 25% of the capital each when entering the Company and assuming shares in its increased initial capital in the future.

### 5.10. Information concerning changes in contingent liabilities or contingent assets

OFF-BALANCE SHEET ITEMS	31.12.2008	31.12.2007
<i>in thousands of PLN</i>		
<b>1. Contingent receivables</b>	-	-
<b>2. Contingent liabilities</b>	<b>392,682</b>	<b>173,269</b>
1.1. Towards affiliated entities	392,682	173,269
- guarantees and sureties granted	392,682	173,269
1.2. Towards other entities	-	-
<b>3. Other</b>	<b>21,460</b>	<b>18,978</b>
- other trade sureties	21,460	9,400
- investment liabilities	-	9,578
<b>Total off-balance sheet items</b>	<b>414,142</b>	<b>192,247</b>

As at December 31st, 2008, contingent receivables did not occur in CIECH S.A.

As at December 31st, 2008 contingent liabilities amounted to PLN 392,682 thousand, which is a decrease as compared to December 2007 by PLN 219,413 thousand. The main reasons for this difference are as follows:

- increase in the value of guarantees granted for liabilities of the subsidiary S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. by EUR 11,236 thousand,
- granting guarantees for liabilities of Soda Deutschland CIECH GmbH of EUR 25,000 thousand and PLN 7,560 thousand
- granting an aval of the guarantee of PLN 90 thousand to Kredyt Bank S.A. for CHEMAN S.A.
- granting a loan surety and a guarantee for liabilities of ZACHEM S.A. amounting to PLN 44,500 thousand.

### 5.11. Information concerning impairment charges on inventories, property, plant and equipment, intangible assets and other assets

01.10.-31.12.2008

<i>in thousands of PLN</i>	As at the beginning of period	Increases	Decreases	As at the end of period
Property, plant and equipment	238	-	-	238
Investment property	1,568	-	1,568	-
Long-term investments	63,232	-	19,787	43,445
Inventories	149	-	8	141
Receivables	43,954	197	-	44,151
Short-term investments	6,180	787	-	6,967

**01.10.-31.12.2007**

<i>in thousands of PLN</i>	<b>As at the beginning of period</b>	<b>Increases</b>	<b>Decreases</b>	<b>As at the end of period</b>
Intangible assets	39	-	39	-
Property, plant and equipment	238	-	-	238
Investment property	1,568	-	-	1,568
Long-term investments	30,177	45,400	10,878	64,699
Inventories	278	85	122	241
Receivables	54,028	-	8,447	45,581
Short-term investments	3,792	2,000	800	4,992

**5.12. Information concerning the reversal of all provisions for restructuring costs**

CIECH S.A. has not established any provisions for restructuring costs.

**5.13. Information concerning the purchase and disposal of property, plant and equipment and commitments to purchase property, plant and equipment****01.01.-31.12.2008**

<i>in thousands of PLN</i>	<b>land, buildings, premises and civil engineering structures</b>	<b>machinery and equipment</b>	<b>means of transport</b>	<b>other fixed assets</b>	<b>fixed assets under construction</b>	<b>Total</b>
purchase	3,516	3,861	204	1,810	-	9,391
disposal	-	2,174	489	305	818	3,786
reclassification to investment property	15,056	3,914	-	44	-	19,014

CIECH S.A. purchased PPE for the total of PLN 9,391 thousand. The purchase was financed from the Company's own funds.

The HQ of CIECH S.A. were in Warsaw at ul. Powązkowska 46/50. In the financial statement for 2007, the building and the perpetual leasehold of land related to the property were presented in the 2007 balance sheet assets under "Fixed assets". As the Company's HQ were relocated (since February 2008, the Company has leased premises in IO-1 building at ul Puławska 182), the planned use was changed and new investment plans were drawn for the land and the building thereon, in March 2008, the property was reclassified to "Investment Property".

**01.01.-31.12.2007**

<i>in thousands of PLN</i>	<b>land, buildings, premises and civil engineering structures</b>	<b>machinery and equipment</b>	<b>means of transport</b>	<b>other fixed assets</b>	<b>fixed assets under construction</b>	<b>Total</b>
purchase	-	2,268	233	35	1,660	4,196
disposal	-	121	-	1	-	122

CIECH S.A. purchased PPE for the total of PLN 4,196 thousand. The property, plant and equipment were purchased from the Company's own resources.

**5.14. Court proceedings****Liabilities of CIECH S.A. (domestic and foreign) claimed in court or arbitration proceedings as at December 31st, 2008.**

Information was presented in Part III, Point 13.1. of the extended consolidated quarterly report of the Ciech Group for Q4 2008.

**5.15. Corrections of errors from previous periods**

Not applicable.

### 5.16. Information concerning unpaid loans or breach of loan agreement provisions

In the presented financial statements for Q4 2008 the amount of PLN 148,503 thousand of long-term liabilities due to loans was reclassified from long-term liabilities to short-term liabilities.

Results obtained by the Ciech Group have lead to a violation of conditions of a loan agreement which included provisions concerning the required value of the Net debt / EBITDA ratio.

According to the requirements of IAS 1 a violation of conditions of loan agreements which may limit the unconditional availability of loans in the following year makes it necessary to classify such liabilities as short-term ones.

There were no violations of conditions concerning the repayment of the principal or interest due to financial liabilities in the period covered in this statement or in the period to its publication.

The loan agreement was not called.

### 5.17. Transactions with affiliates

Transactions with affiliates are concluded in line with typical market conditions.

<i>in thousands of PLN</i>	Sales revenue 01.01.-31.12.2008	Purchase of goods and services 01.01.- 31.12.2008	Financial income 01.01.-31.12.2008	Receivables as at 31.12.2008	Liabilities as at 31.12.2008
Consolidated entities	449,944	1,259,291	45,004	70,831	231,982
Non-consolidated entities	64,091	8,713	249	11,718	2,023

<i>in thousands of PLN</i>	Sales revenue 01.01.-31.12.2007	Purchase of goods and services 01.01.- 31.12.2007	Financial income 01.01.-31.12.2007	Receivables as at 31.12.2007	Liabilities as at 31.12.2007
Consolidated entities	295,899	1,354,779	26,639	33,756	270,656
Non-consolidated entities	68,695	8,968	9,906	11,178	4,083

### 5.18. Events occurring after the balance-sheet date

On February 18th, 2009 CIECH S.A. and Jochen Ohm concluded a settlement under which:

- Jochen Ohm, a former minority shareholder of Soda Deutschland Ciech GmbH and President of German subsidiaries of CIECH S.A., resigns early from all his positions and functions.
- The collaboration between CIECH S.A. and its subsidiaries, on the one hand, and Jochen Ohm, on the other hand, is settled and finished conclusively.
- CIECH S.A. acquires the remaining 8% of shares in Soda Deutschland Ciech GmbH, thus becoming the sole shareholder of the company.
- CIECH S.A. obtains the title of ownership for the land where caverns held for sale are located.
- CIECH S.A. acquires rights to 100% of profits on the sale and exploitation of caverns

The value of the settlement is EUR 12,500 thousand. That amount is much lower than the expected amount of liabilities which has arisen from the agreements which were concluded by the parties previously. This settlement fulfils early an obligation provided in the Agreement of Shareholders concluded on November 20th, 2007, between CIECH S.A. and Mr Jochen Ohm, which constitutes an element of the purchase transaction of Soda Deutschland Ciech GmbH by CIECH SA. The agreement set the principles of management of Soda Deutschland Ciech GmbH, competitive business and buyback of its shares from Mr Jochen Ohm by CIECH S.A. by the end of 2009. In addition, Mr Jochen Ohm was to hold the position of President of the Board of Soda Deutschland Ciech GmbH to the end of June 2010.

## V. Statement by the Management Board.

This extended consolidated quarterly report of the Ciech Capital Group for Q4 2008 was approved by the Management Board of CIECH S.A. in its headquarters on February 27th, 2009.

Warsaw, February 27th 2009.

.....  
**Ryszard Kunicki – President of the Management Board of CIECH Spółka Akcyjna**

.....  
**Robert Bednarski – Member of the Management Board of CIECH Spółka Akcyjna**

.....  
**Marcin Dobrzański – Member of the Management Board of CIECH Spółka Akcyjna**

.....  
**Artur Osuchowski – Member of the Management Board of CIECH Spółka Akcyjna**

.....  
**Katarzyna Rybacka – Chief Accountant of CIECH Spółka Akcyjna**