



**EXTENDED CONSOLIDATED  
QUARTERLY REPORT  
OF THE CIECH CHEMICAL GROUP  
for Q1 2008**

**SELECTED FIGURES OF THE CIECH GROUP:**

SELECTED FIGURES	in PLN '000		in EUR '000	
	Q1 year-to-date from 01.01.08 to 31.03.08	Q1 year-to-date from 01.01.07 to 31.03.07	Q1 year-to-date from 01.01.08 to 31.03.08	Q1 year-to-date from 01.01.07 to 31.03.07
Net sales income	1 032 119	919 741	290 133	235 451
Operating profit (loss)	157 970	147 390	44 406	37 731
Profit (loss) before taxes	130 355	143 129	36 643	36 641
Total net profit (loss)	97 891	121 890	27 518	31 203
Net profit (loss) of shareholders of the parent company	94 525	121 248	26 571	31 039
Net profit (loss) of minority shareholders	3 366	642	946	164
Net cash flow from operating activities	(23 769)	27 484	(6 682)	7 036
Net cash flow from investment activities	14 214	(47 460)	3 996	(12 150)
Net cash flow from financing activities	62 218	62 359	17 490	15 964
Total net cash flow	52 663	42 383	14 804	10 850
Total assets	4 357 756	3 015 135	1 235 962	779 205
Long-term liabilities	1 314 615	709 428	372 856	183 338
Short-term liabilities	1 571 516	992 611	445 719	256 522
Total equity	1 471 625	1 313 096	417 388	339 345
Equity attributable to equity holders of the parent company	1 424 897	1 263 555	404 134	326 542
Minority shares	46 728	49 541	13 253	12 803
Share capital	164 115	164 115	46 547	42 412
Profit (loss) per share (in PLN / EUR)	3.38	4.49	0.95	1.15

**SELECTED FIGURES OF CIECH SA:**

SELECTED FIGURES	in PLN '000		in EUR '000	
	Q1 year-to-date from 01.01.08 to 31.03.08	Q1 year-to-date from 01.01.07 to 31.03.07	Q1 year-to-date from 01.01.08 to 31.03.08	Q1 year-to-date from 01.01.07 to 31.03.07
Net income from sale of products, goods and materials	555 784	533 332	156 233	136 531
Profit (loss) on operating activities	29 126	43 756	8 187	11 201
Gross profit (loss)	27 394	44 241	7 701	11 326
Net profit (loss)	21 176	35 896	5 953	9 189
Net cash flow from operating activities	13 155	66 140	3 698	16 932
Net cash flow from investment activities	(37 433)	(34 196)	(10 523)	(8 754)
Net cash flow from financing activities	41 742	33 142	11 734	8 484
Total net cash flow	17 464	65 086	4 909	16 662
Total assets	1 885 749	1 566 380	534 843	404 802
Liabilities and reserves for liabilities	1 133 878	800 377	321 595	206 842
Long-term liabilities	508 301	252 827	144 166	65 338
Short-term liabilities	625 577	547 550	177 428	141 504
Equity	751 871	766 003	213 248	197 959
Share capital	164 115	164 115	46 547	42 412

## I. CONSOLIDATED FINANCIAL REPORT OF THE CIECH CHEMICAL GROUP

in thousands of PLN

CONSOLIDATED PROFIT AND LOSS ACCOUNT <i>in thousands of PLN</i>	01.01.-31.03.2008			01.01.-31.03.2007		
	Continued operations	Discontinued operations	TOTAL	Continued operations	Discontinued operations	TOTAL
<b>Net sales income</b>	<b>1 032 119</b>	-	<b>1 032 119</b>	<b>919 518</b>	<b>223</b>	<b>919 741</b>
Prime cost of sales	(771 335)	-	(771 335)	(671 918)	(210)	(672 128)
<b>Gross profit/loss on sales</b>	<b>260 784</b>	-	<b>260 784</b>	<b>247 600</b>	<b>13</b>	<b>247 613</b>
Other operating income	47 644	-	47 644	45 087	-	45 087
Selling costs	(62 873)	-	(62 873)	(64 144)	(356)	(64 500)
Administrative expenses	(70 859)	-	(70 859)	(66 145)	-	(66 145)
Other operating expenses	(16 726)	-	(16 726)	(14 665)	-	(14 665)
<b>Operating profit/loss</b>	<b>157 970</b>	-	<b>157 970</b>	<b>147 733</b>	<b>(343)</b>	<b>147 390</b>
Finance income	5 895	-	5 895	3 832	-	3 832
Finance costs	(35 672)	-	(35 672)	(10 229)	-	(10 229)
<b>Net financial income / costs</b>	<b>(29 777)</b>	-	<b>(29 777)</b>	<b>(6 397)</b>	-	<b>(6 397)</b>
Share of the net profits of subsidiaries accounted for using the equity method	2 162	-	2 162	2 136	-	2 136
<b>Profit/loss before taxes</b>	<b>130 355</b>	-	<b>130 355</b>	<b>143 472</b>	<b>(343)</b>	<b>143 129</b>
Income tax	(32 464)	-	(32 464)	(21 239)	-	(21 239)
<b>Net profit / loss</b>	<b>97 891</b>	-	<b>97 891</b>	<b>122 233</b>	<b>(343)</b>	<b>121 890</b>
Sales profit/loss relative to discontinued operations	-	-	-	-	-	-
<b>Profit for the marketing year</b>	<b>97 891</b>	-	<b>97 891</b>	<b>122 233</b>	<b>(343)</b>	<b>121 890</b>
including:						
Net profit/loss of shareholders of the parent company	94 525	-	94 525	121 591	(343)	121 248
Net profit/loss of minority shareholders	3 366	-	3 366	642	-	642
Profit per share (in PLN):						
Basic	3.38	-	3.38	4.50	(0.01)	4.49
Diluted	3.38	-	3.38	4.50	(0.01)	4.49

**CONSOLIDATED BALANCE SHEET***in thousands of PLN***CONSOLIDATED BALANCE SHEET***in thousands of PLN***ASSETS****Non-current assets**

Property, plant and equipment	1 907 166	1 931 641	1 514 210	1 518 400
Perpetual leasehold rights	32 749	32 843	33 158	33 210
Intangible assets, including:	522 666	530 823	95 136	97 661
- goodwill	398 880	403 024	33 840	33 650
Investment property	31 397	16 543	17 018	17 181
Long-term receivables	1 943	24	35	37
Investments in associates and joint ventures accounted for using the equity method	49 822	51 819	46 370	42 220
Other long-term investments	74 097	77 344	58 261	42 644
Deferred tax assets	5 694	10 411	3 728	3 907
<b>Total non-current assets</b>	<b>2 625 534</b>	<b>2 651 448</b>	<b>1 767 916</b>	<b>1 755 260</b>

**Current assets**

Inventories	305 680	284 563	222 654	245 763
Short-term investments	5 317	2 066	3 228	614
Income tax receivable	12 390	9 483	8 596	10 399
Trade and other receivables	1 088 964	969 795	815 739	699 337
Cash and cash equivalents	199 310	124 496	197 002	145 620
Non-current assets held for sale	120 561	192 411	-	2 327
<b>Total current assets</b>	<b>1 732 222</b>	<b>1 582 814</b>	<b>1 247 219</b>	<b>1 104 060</b>
<b>Total assets</b>	<b>4 357 756</b>	<b>4 234 262</b>	<b>3 015 135</b>	<b>2 859 320</b>

**EQUITY AND LIABILITIES**

	<b>31.03.2008</b>	<b>31.12.2007</b>	<b>31.03.2007</b>	<b>31.12.2006</b>
Equity				
Share capital	164 115	164 115	164 115	164 115
Treasury shares	-	-	(5 051)	(5 051)
Share premium reserve	151 328	151 328	151 328	151 328
Equity components relative to assets held for sale	-	-	-	-
Revaluation reserve	15 271	19 161	13 990	11 986
Other reserve capital	78 433	78 433	78 683	78 683
Foreign exchange differences arising from translation of subsidiaries	(24 609)	(19 301)	(1 619)	(1 095)
Retained earnings	1 040 359	945 540	862 109	737 379
<b>Equity attributable to equity holders of the parent company</b>	<b>1 424 897</b>	<b>1 339 276</b>	<b>1 263 555</b>	<b>1 137 345</b>
Minority shares	46 728	44 898	49 541	50 008
<b>Total equity</b>	<b>1 471 625</b>	<b>1 384 174</b>	<b>1 313 096</b>	<b>1 187 353</b>

## Liabilities

Loans, borrowings and other debt instruments	840 178	766 059	365 900	373 163
Employee benefits	56 702	55 201	55 274	54 970
Other long-term reserves	90 371	92 827	163 965	163 352
Other long-term liabilities	268 025	313 545	78 491	68 299
Deferred tax provision	59 339	68 895	45 798	45 160
<b>Total long-term liabilities</b>	<b>1 314 615</b>	<b>1 296 527</b>	<b>709 428</b>	<b>704 944</b>
Overdraft facility	51 747	28 888	23 744	14 311
Loans, borrowings and other debt instruments	505 223	480 599	372 637	316 819
Trade and other payables	823 697	850 129	496 363	542 723
Income tax payable	35 330	28 867	42 362	27 732

<b>EQUITY AND LIABILITIES</b>	<b>31.03.2008</b>	<b>31.12.2007</b>	<b>31.03.2007</b>	<b>31.12.2006</b>
Provisions (short-term employee-benefit and other provisions)	155 519	165 078	57 505	65 438
Liabilities arising from non-current assets held for sale	-	-	-	-
<b>Total short-term liabilities</b>	<b>1 571 516</b>	<b>1 553 561</b>	<b>992 611</b>	<b>967 023</b>
<b>Total liabilities</b>	<b>2 886 131</b>	<b>2 850 088</b>	<b>1 702 039</b>	<b>1 671 967</b>
<b>Total Liabilities</b>	<b>4 357 756</b>	<b>4 234 262</b>	<b>3 015 135</b>	<b>2 859 320</b>

## OFF-BALANCE SHEET ITEMS

*in thousands of PLN*

	<b>31.03.2008</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>41 447</b>	<b>41 508</b>
- guarantees and sureties granted	40 081	40 082
- other off-balance sheet liabilities	1 366	1 426
<b>3. Other</b>	<b>1 134</b>	<b>1 012</b>
- other	1 134	1 012
<b>Total off-balance sheet items</b>	<b>42 581</b>	<b>42 520</b>

## CONSOLIDATED CASH FLOW STATEMENT

*in thousands of PLN*

### CONSOLIDATED CASH FLOW STATEMENT

**01.01-31.03.2008**

**01.01-31.03.2007**

*in thousands of PLN*

#### Cash flows from operating activities

<b>Net profit (loss) for the period</b>	<b>97 891</b>	<b>121 890</b>
Depreciation	52 876	44 911
Recognition / reversal of revaluation write-downs	28	(63)
Gains / losses on foreign exchange differences	12 496	(1 265)
Investment property revaluations	-	(27)
Gains / losses on investment activities	(4 658)	(540)
Gains / losses on disposal of non-current assets	(33 125)	(16 215)
Interest and dividends	16 134	6 747
Input income tax	32 462	21 239
Gains / losses on shares in entities accounted for using the equity method	(2 162)	(2 136)
<b>Operating profit before changes in current assets and reserves</b>	<b>171 942</b>	<b>174 541</b>
Changes in receivables	(119 139)	(442 560)
Changes in inventories	(22 215)	27 227
Changes in short-term liabilities	(1 594)	287 008
Changes in reserves and employee benefits	(5 273)	(3 774)
<b>Net cash generated from operations</b>	<b>23 721</b>	<b>42 442</b>
Interest paid	(12 599)	(4 937)
Income taxes paid	(30 570)	(7 344)
Other adjustments	(4 321)	(2 677)
Gains / losses on disposal of discontinued operations	-	-
<b>Net cash from operating activities</b>	<b>(23 769)</b>	<b>27 484</b>

	01.01-31.03.2008	01.01-31.03.2007
<b>Cash flows from investment activities</b>		
<b>Inflows (in "+")</b>		
Disposal of intangible assets and property, plant and equipment	104 112	18 695
Disposal of a subsidiary	-	-
Disposal of investments	-	-
Dividends received	-	-
Interest received	812	2 136
Other inflows	5 589	-
<b>Outflows (in "-")</b>		
Acquisition of intangible assets and property, plant and equipment	(69 347)	(50 468)
Acquisition of a subsidiary (net of cash acquired)	(12 448)	(2 763)
Purchase of investment property	-	-
Purchase of other investments	(14 504)	-
Research and development expense	-	-
Other expense	-	(15 060)
<b>Net cash from investment activities</b>	<b>14 214</b>	<b>(47 460)</b>
<b>Cash flows from financing activities</b>		
<b>Inflows (in "+")</b>		
Proceeds from the issue of share capital and other equity instruments, and capital contributions	-	-
Proceeds from issue of convertible preference shares	-	-
Proceeds from loans and borrowings	126 593	90 548
Other financial inflows	2 028	-
<b>Outflows (in "-")</b>		
Purchase of treasury shares	-	-
Dividends paid and other payments to equity holders	-	-
Dividends paid to minority shareholders	-	-
Repayment of loans and borrowings	(61 500)	(27 813)
Redemption of debt securities	-	-
Payment of finance lease liabilities	(512)	(376)
Other financial outflows	(4 391)	-
<b>Net cash from financing activities</b>	<b>62 218</b>	<b>62 359</b>
<b>Total net cash flow</b>	<b>52 663</b>	<b>42 383</b>
<b>Cash at beginning of period</b>	<b>95 608</b>	<b>131 309</b>
Impact of foreign exchange differences	(708)	(435)
<b>Cash at end of period</b>	<b>147 563</b>	<b>173 257</b>

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

<i>in thousands of PLN</i>	Allocated to shareholders of the parent company						Retained earnings	Total equity attributable to equity holders of the parent company	Minority shares	Total equity
	Share capital	Treasury shares	Share premium reserve	Revaluation reserve	Other reserve capital	Foreign exchange differences arising from translation of subsidiaries				
<b>Equity as at (beginning of period) 01.01.2008:</b>										
<b>Brought forward</b>	<b>164 115</b>	<b>-</b>	<b>151 328</b>	<b>19 161</b>	<b>78 433</b>	<b>(19 301)</b>	<b>945 540</b>	<b>1 339 276</b>	<b>44 898</b>	<b>1 384 174</b>
Changes in accounting principles								-		-
Fundamental error corrections								-		-
<b>Equity (restated) as at:</b>	<b>164 115</b>		<b>151 328</b>	<b>19 161</b>	<b>78 433</b>	<b>(19 301)</b>	<b>945 540</b>	<b>1 339 276</b>	<b>44 898</b>	<b>1 384 174</b>
Exchange differences on translating foreign operations						(5 308)	294	(5 014)	(849)	(5 863)
Measurement of financial instruments				(3 890)				(3 890)	(11)	(3 901)
<b>Total income and costs for the financial year recognised directly in equity</b>				<b>(3 890)</b>		<b>(5 308)</b>	<b>294</b>	<b>(8 904)</b>	<b>(860)</b>	<b>(9 765)</b>
Net profit/ (loss)							94 525	94 525	3 366	97 891
<b>Total income and costs for the financial year</b>				<b>(3 890)</b>		<b>(5 308)</b>	<b>94 819</b>	<b>85 621</b>	<b>2 506</b>	<b>88 127</b>
Change in the group's composition								-	(676)	(676)
<b>Equity as at (end of period) 31.03.2008:</b>	<b>164 115</b>	<b>-</b>	<b>151 328</b>	<b>15 271</b>	<b>78 433</b>	<b>(24 609)</b>	<b>1 040 359</b>	<b>1 424 897</b>	<b>46 728</b>	<b>1 471 625</b>

<i>in thousands of PLN</i>	Share capital	Treasury shares	Share premium reserve	Revaluation reserve	Other reserve capital	Foreign exchange differences arising from translation of subsidiaries	Retained earnings			
<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>11 986</b>	<b>78 683</b>	<b>(1 095)</b>	<b>741 215</b>	<b>1 141 181</b>	<b>50 481</b>	<b>1 191 662</b>
Changes in accounting principles								-		-
Fundamental error corrections							(3 836)	(3 836)	(473)	(4 309)
<b>Equity (restated) as at:</b>	<b>164 115</b>	<b>(5 051)</b>	<b>151 328</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 operations						(524)		(524)	(14)	(538)
Measurement of non-current assets							4 189	4 189	5	4 194
Measurement of financial instruments				2 004				2 004	12	2 016
<b>Total income and costs for the financial year recognised directly in equity</b>				<b>2 004</b>		<b>(524)</b>	<b>4 189</b>	<b>5 669</b>	<b>3</b>	<b>5 672</b>
Net profit/ (loss)							121 248	121 248	642	121 890
<b>Total income and costs for the financial year</b>				<b>2 004</b>		<b>(524)</b>	<b>125 437</b>	<b>126 917</b>	<b>645</b>	<b>127 562</b>
Change in the group's composition							(83)	(83)	(1 071)	(1 154)
Other increases							(624)	(624)	(41)	(665)
<b>Equity as at (end of period) 31.03.2007:</b>	<b>164 115</b>	<b>(5 051)</b>	<b>151 328</b>	<b>13 990</b>	<b>78 683</b>	<b>(1 619)</b>	<b>862 109</b>	<b>1 263 555</b>	<b>49 541</b>	<b>1 313 096</b>



## Additional information to the consolidated financial report of the Ciech Capital Group

### 1. General information

The presented consolidated financial report for the period from January 1<sup>st</sup>, 2008 to December 31<sup>st</sup>, 2008, including comparative information, was approved for publication by the Management Board of CIECH SA on May 15<sup>th</sup>, 2008.

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

### 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, 13<sup>th</sup> Commercial Division of the National Court Register.

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

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

The Ciech Group comprises of direct subsidiaries and associates, for which CIECH SA 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 SA and by its domestic and foreign commercial companies, being CIECH SA's subsidiaries. Manufacturing activities are carried out by CIECH SA's subsidiaries, being manufacturers.

When preparing the consolidated financial statements for Q1 2008, the following companies were taken into consideration:

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

The consolidated financial statements also include five capital groups of a lower tier:

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

The parent company does not have branches.

**List of consolidated entities accounted for using the equity method in Q1 2008 and in the comparative period.**

Company/Group	Consolidation method as at 31.03.08 and CIECH SA's control	Consolidation method as at 31.03.07 and CIECH SA's control
<b>1) CIECH SA</b>	Parent company	Parent company
<b>2) "POLFA" "Sp. z o.o. (previously "CIECH POLFA" Sp. z o.o.)</b>	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
<b>CIECH FINANCE Group</b>	-	-
3) CIECH FINANCE Spółka z ograniczoną odpowiedzialnością	Fully consolidated subsidiary of CIECH SA	The company was not subject to consolidation due to intangibility of financial data
3.1.) <b>Chemana S.A.</b>	Indirect subsidiary of CIECH SA – full consolidation at the level of the Ciech Group.	Fully consolidated subsidiary of CIECH SA
<b>SODA MAŁTWY Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group
4) SODA MAŁTWY S.A.	Lower-tier parent company (CIECH SA subsidiary)	Lower-tier parent company (CIECH SA subsidiary)
4.1.) Soda Polska Ciech Sp. z o.o.	Indirect subsidiary of CIECH SA; lower-tier full consolidation.	-
4.1.1.) Elektrociepłownie Kujawskie Spółka z ograniczoną odpowiedzialnością	Indirect subsidiary of CIECH SA; lower-tier full consolidation.	Indirect subsidiary of CIECH SA; lower-tier full consolidation.
4.1.2) TRANSODA Sp. z o.o.	Indirect subsidiary of CIECH SA; lower-tier	Indirect subsidiary of CIECH SA; lower-tier

Company/Group	Consolidation method as at 31.03.08 and CIECH SA's control	Consolidation method as at 31.03.07 and CIECH SA's control
	full consolidation.	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 SA accounted for using the equity method at lower tier.	Indirect associate of Ciech SA accounted for using the equity method at lower tier.
<b>JANIKOSODA Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group
5) JANIKOSODA S.A.	Lower-tier parent company (CIECH SA subsidiary)	Lower-tier parent company(CIECH S.A. subsidiary)
5.1) Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna	Indirect associate of CIECH SA accounted for using the equity method at lower tier.	Indirect associate of CIECH SA accounted for using the equity method at lower tier.
<b>FOSFORY Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group
6.) GZNF "FOSFORY" Sp. z o.o.	Lower-tier parent company (CIECH SA subsidiary)	Lower-tier parent company (CIECH S.A. subsidiary)
6.1) "AGROCHEM" Spółka z ograniczoną odpowiedzialnością in Dobrze Miasto	Indirect subsidiary of CIECH SA; full consolidation at lower tier.	Indirect subsidiary of CIECH SA; full consolidation at lower tier.
6.2) "AGROCHEM" Spółka z ograniczoną odpowiedzialnością in Człuchów	Indirect subsidiary of CIECH SA; full consolidation at lower tier.	Indirect subsidiary of CIECH SA; full consolidation at lower tier.
<b>7) "Alwernia" S.A.</b>	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
<b>8) POLSIN PRIVATE LIMITED</b>	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
<b>9) DALTRADE PLC.</b>	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
<b>10) VITROSILICON Spółka Akcyjna</b>	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
<b>11) Przedsiębiorstwo Transportowo - Usługowe TRANSCLEAN Sp. z o.o.</b>	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
<b>12) Zakłady Chemiczne "Organika - Sarzyna" S.A.</b>	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
<b>ZACHEM Group</b>	Fully consolidated lower-tier Group	Fully consolidated lower-tier Group
<b>13.) ZACHEM S.A.</b>	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
<b>13.1) ZACHEM UCR Spółka z ograniczoną odpowiedzialnością</b>	Indirect subsidiary of CIECH SA; full consolidation at lower tier.	Indirect subsidiary of CIECH SA; full consolidation at lower tier.
<b>13.2) ZACHEM Barwniki Spółka z ograniczoną odpowiedzialnością</b>	Indirect subsidiary of CIECH SA; full consolidation at lower tier.	Indirect subsidiary of CIECH SA; full consolidation at lower tier.
<b>14) S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.</b>	Fully consolidated subsidiary of CIECH SA	Fully consolidated subsidiary of CIECH SA
<b>Soda Deutschland Ciech Group</b>	Fully consolidated lower-tier Group	-
<b>15.) Soda Deutschland Ciech GmbH</b>	Indirect subsidiary of CIECH SA; full consolidation at lower tier as of December 31 <sup>st</sup> , 2007	-
<b>15.1.) Sodawerk Holding Staßfurt GmbH</b>	Indirect subsidiary of CIECH SA; full consolidation at lower tier as of December 31 <sup>st</sup> , 2007	-
<b>15.1.1.) Sodawerk Staßfurt Verwaltungs GmbH</b>	Indirect subsidiary of CIECH SA; full consolidation at lower tier as of December 31 <sup>st</sup> , 2007	-
<b>15.1.2) Sodawerk Stassfurt GmbH &amp; Co.KG</b>	Indirect subsidiary of CIECH SA; full consolidation at lower tier as of December 31 <sup>st</sup> , 2007	-
<b>15.1.3) KWG GmbH</b>	Indirect subsidiary of CIECH SA; full consolidation at lower tier as of December 31 <sup>st</sup> , 2007	-

**The business of the parent company and its subsidiaries is:**

▪ **CIECH SA, Parent Company**

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

**Fully consolidated lower-tier subsidiary Groups:**

- **SODA MAŁY Group**
  - manufacture of other inorganic basic chemicals,
  - wholesale of chemical products,
  - production and distribution of electricity,
  - transport services in goods shipping.
- **Soda Deutschland Ciech Group**
  - manufacture of other inorganic basic chemicals,
  - wholesale of chemical products,
  - production and distribution of electricity.
- **JANIKOSODA Group**
  - production of salt,
  - manufacture of industrial gases,
  - manufacture of other inorganic basic chemicals,
  - manufacture of other chemical products n.e.c.
- **ZACHEM Group**
  - manufacture of organic and other inorganic chemicals,
  - manufacture and sales of plastics,
  - manufacture of plastic plates, sheets, tubes and profiles,
  - manufacture of dyes and pigments,
  - installation, repairs and maintenance of general-purpose machinery n.e.c.
- **FOSFORY Group**
  - manufacture of chemical fertilisers and nitrogen compounds,
  - manufacture of other inorganic chemicals,
  - manufacture of other organic chemicals,
  - manufacture of refined petroleum products,
  - manufacture of plastics,
  - wholesale of grain, seeds, and animal feeds,
  - transshipment services based on own transshipment and storage base.

**Fully consolidated companies:**

- **S.C. Uzinele Sodice Govora – Ciech Chemical Group SA**
  - manufacture of other inorganic basic chemicals,
  - wholesale of chemical products,
- **Zakłady Chemiczne "Organika - Sarzyna" Spółka Akcyjna**
  - manufacture of plastics,
  - manufacture of pesticides and other chemical products.
- **"VITROSILICON" Spółka Akcyjna**
  - manufacture of other inorganic basic chemicals,
  - manufacture of household and technical glassware,
  - manufacture of plastic packaging,
  - manufacture of other plastic products.
- **"POLFA" Spółka z ograniczoną odpowiedzialnością**
  - wholesale of pharmaceutical products,
  - wholesale of chemical products,
  - wholesale of perfume and cosmetics,
  - retail sale of medical and orthopaedic products.
- **Zakłady Chemiczne "Alwernia" Spółka Akcyjna**
  - manufacture of other inorganic basic chemicals,
  - manufacture of dyes and pigments,
  - manufacture of other organic basic chemicals,
  - manufacture of chemical fertilisers and nitrogen compounds,
  - manufacture of gypsum,
  - production of heat (steam and hot water).

- **Przedsiębiorstwo Chemiczne Cheman Spółka Akcyjna**
  - wholesale and distribution of solid organic and inorganic chemicals,
  - wholesale and distribution of materials for household chemicals,
  - wholesale and distribution of cosmetic and pharmaceutical materials,
  - wholesale and distribution of builders, pigments, raw materials for paints and varnishes,
  - wholesale and distribution of food and feed additives,
  - wholesale and distribution of acids, bases, and other liquid chemicals.
- **CIECH FINANCE Spółka z ograniczoną odpowiedzialnością**
  - management of disinvestment projects connected with unnecessary fixed assets (real estate) and financial assets (stocks and shares in capital companies).
- **Przedsiębiorstwo Transportowo - Usługowe TRASCLEAN Spółka z ograniczoną odpowiedzialnością**
  - international transport of liquid chemicals,
  - tank truck- and rail tank car wash.
- **POLSIN PRIVATE LIMITED**
  - wholesale and retail sale of a variety of goods in Far East markets.
- **DALTRADE PLC.**
  - distribution and wholesale of chemicals in the UK market.

## 2. Statement of compliance

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

As regards the Soda Deutschland Ciech Group, the initial settlement established on a provisional basis provided for by IFRS 3 "Business mergers" was applied. The Soda Deutschland Ciech Group was consolidated as of December 31<sup>st</sup>, 2007, based on the estimated value of its assets and liabilities. After finalisation of the measurement at fair value of individual identifiable assets, liabilities and contingent liabilities of all companies included in the Soda Deutschland Ciech Group, any adjustments resulting from finalisation of initial provisional settlements will be entered into the consolidated financial statements of the Ciech Group as at the date of acquisition and as at subsequent balance sheet dates.

The parent company's Management Board used its best judgement in the selection and interpretation of the applicable standards, as well as in the selection of the measurement methods and principles for individual items of the Ciech Group's consolidated financial statements in line with IFRS as at March 31<sup>st</sup>, 2008, comparative figures included. Due diligence was exercised when preparing the tables and explanations provided below. The financial information presented here was not audited.

## 3. Basis for preparing the consolidated financial statements

The presented financial statements have been prepared under the assumption of continued operation of CIECH SA, the parent company, as well as of all subsidiaries and associates consolidated or accounted for using the equity method.

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

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

The estimates and related assumptions are verified on a continuous basis. Changes in accounting estimates are recognised in the period in which they are made, if such changes apply only to that period, or in the current 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 Sections 10 and 21 of these financial statements.

For the purposes of presentation of selected financial data, particular assets and liabilities disclosed in the balance sheet were translated into EUR at the average exchange rate announced as at the balance-sheet date (March 31<sup>st</sup>, 2008) by the National Bank of Poland, i.e. 3.5258. Individual items of the profit and loss account were translated into EUR at a rate calculated as the arithmetic mean of the average EUR exchange rates determined by the National Bank of Poland as at the last day of each month, i.e. from January to March 2008, which are respectively 3.6260; 3.5204; 3.5258. The exchange rate for the presented reporting period is 3.5574.

#### 4. Significant accounting and consolidation principles

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

##### **Accounting principles applicable in the preparation of the periodical report for Q1 ending March 31<sup>st</sup>, 2008.**

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

Detailed information regarding principles and methods of valuation of assets and liabilities and the measurement of the financial result, as well as the method of preparation of financial statements and comparable data at the Ciech Group, has been included in the interim consolidated financial statements of the Ciech Group for H1 2007, publicly disclosed on October 1<sup>st</sup>, 2007. 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 1<sup>st</sup>, 2004.

#### 5. Major achievements and most significant events at the Ciech Group in Q1 2008.

##### **CIECH SA**

- On January 7th, 2008, CIECH SA granted a loan of EUR 5,000 thousand to its subsidiary, Uzinele Sodice Govora – Ciech Chemical Group S.A. under the following terms and conditions: maturity date on December 31<sup>st</sup>, 2008, interest rate is 3M EURIBOR + margin, interest payable within a three-month period.
- On January 14<sup>th</sup>, 2008, the second routine contract with CIECH SA's subsidiary, i.e., Zakłady Chemiczne ZACHEM S.A. was signed. The contract was concluded for an indefinite period of time, with a 6-month notice period before termination thereof by each party. The subject of this contract is the exclusive distribution of TDI manufactured by ZACHEM S.A. in the domestic and foreign market. The estimated contract value in 2008 is PLN 500 million.
- On February 8th, 2008, CIECH SA signed a cooperation contract for an indefinite period of time with Soda Polska CIECH Sp. z o.o., regarding the purchase and sale of Soda Polska CIECH Sp. z o.o. products. Volumes and pricing for purchase and sales of soda ash, baking soda, calcium chloride, precipitated chalk and vacuum pan salt were established for 2008. The contract value in 2008 will be approx. PLN 692 million.
- On March 6<sup>th</sup>, 2008, CIECH SA purchased 234 shares in GZNF "FOSFOR" Sp. z o.o., and currently is the owner of 51 841 shares, which accounts for 89.43% of the share capital.

##### **SODA MATWY S.A. and JANIKOSODA S.A.**

- On January 2<sup>nd</sup>, 2008, CIECH SA was notified of affixing the last signature on the Agreement of the Shareholders of "Polskie Towarzystwo Ubezpieczeń S.A." dated January 30<sup>th</sup>, 2008, and concluded by the subsidiaries of CIECH SA such as Janikowskie Zakłady Sodowe JANIKOSODA Spółka Akcyjna and Inowrocławskie Zakłady Chemiczne SODA MATWY Spółka Akcyjna with Polskie Towarzystwo Reasekuracji S.A. The agreement defines terms and conditions of cooperation of the contracting parties acting as shareholders of Polskie Towarzystwo Ubezpieczeń S.A. The Soda Companies hold jointly approx. 46%, while Polskie Towarzystwo Reasekuracji S.A. approx. 23% of votes at the General Meeting of Shareholders of Polskie Towarzystwo Ubezpieczeń S.A. The agreement regulates the method of exercising the voting rights at the General Meeting of Shareholders of Polskie Towarzystwo Ubezpieczeń S.A. by the Soda Companies and Polskie Towarzystwo Reasekuracji S.A., particularly as regards the appointment and dismissal of the members of the Supervisory Board, and the rules of establishing its composition. The agreement was concluded for the period until December 31<sup>st</sup>, 2008. It became effective on

April 8<sup>th</sup> after administrative permits were obtained by all parties. The agreement does not give rise to any obligation on the side of the Soda Companies to sell the Shares of Polskie Towarzystwo Ubezpieczeń S.A. to Polskie Towarzystwo Reasekuracji S.A., nor any entitlement on the side of Polskie Towarzystwo Reasekuracji S.A. to purchase the shares of Polskie Towarzystwo Ubezpieczeń S.A.

### **ZACHEM S.A.**

- As regards an agreement concluded on September 17<sup>th</sup>, 2007, between Zakłady Chemiczne Zachem Spółka Akcyjna in Bydgoszcz and Mostostal Puławy SA, regarding expansion of the TDI system, on March 4<sup>th</sup>, 2008, the project budget amounting to PLN 90 521 thousand (planning estimates provided for the amount of PLN 80 000 thousand) was approved. Within the project budget, the contract budget amounting to PLN 75 396 thousand (planning estimates provided for PLN 70 000 thousand) was established with the General Contractor i.e. Mostostal Puławy SA. Changes in amounts compared to planning estimates result from the natural increase in prices of construction-related services and from adjustments to and providing further details of the scope of the project in the course of implementation of project-related works.

### **"Alwernia" S.A.**

- Total tonnage production of NPK fertiliser pellets was launched. Within the system, two types of products under the trade name Vitaplon are produced alternately: chloride-free fertiliser with NPK 3.5-8-15 and the potassium chloride-based fertiliser with NPK 5-9-18.
- Technological parameters of the production of calcium nitrate on the flaker were obtained. Production technology for flaked calcium nitrate was developed. A test batch was produced and made available on the market.

### **FOSFORY Group**

- On February 5<sup>th</sup>, 2008, the Voivode of the Pomorskie Voivodeship ordered obligatory closure of the phospho-gypsum storage facility, Gmina Pruszcz Gdański by December 31<sup>st</sup>, 2009. The technical closure of the storage facility is based on the following documentation: "Technical procedure for closing the phospho-gypsum storage facility in Wiślinka" including:
  - Volume I Technical Reclamation by "Geosyntex" Sp. z o.o. in Gdynia, dated October 2007,
  - Volume II Biological Reclamation by Pracownia Modelowania Hydrogeologicznego (*Hydrological Modelling Laboratory*) in Chwaszczyn, dated October 2007.

At the same time, the Voivode of the Pomorskie Voivodeship granted GZNF "FOSFORY" Sp z o.o. a permit to pursue activities in the recovery of waste, other than hazardous waste, at the waste disposal site in Wiślinka, Gmina Pruszcz Gdański for "phospho-gypsum" - code 06 09 80", amounting to 250.000 Mg a year. The permit is valid for the period until December 31<sup>st</sup>, 2008.

### **"VITROSILICON" Spółka Akcyjna**

- On January 15<sup>th</sup>, 2008, CIECH SA's subsidiary – "VITROSILICON" Spółka Akcyjna acquired 419 684 shares of Huta Szkła in Wymiarki accounting for 34.295% of the share capital. At the same time, negotiations were held on the acquisition of further 5 - 10% shares in Huta Szkła in Wymiarki. Share purchase in Huta Szkła in Wymiarki is an element of the strategy of the Ciech Group for 2007 - 2011 in the area of Silicates and Glass.

### **Soda Deutschland Ciech Group**

- On January 23<sup>rd</sup>, 2008, a loan agreement of EUR 75 million was concluded in Berlin between Soda Deutschland Ciech GmbH, Sodawerk Staßfurt GmbH & Co. KG and COMMERZBANK Aktiengesellschaft. The loan was granted to refinance the existing bank debt of SWS KG and finance the Company development investments. A guarantee for a max. EUR 25 million was issued by CIECH SA as collateral for a portion of the loan. The final repayment date is on December 31<sup>st</sup>, 2012.

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

- The Company was renamed from CIECH POLFA Sp. z o.o. to POLFA Sp. z o.o.
- The Company concluded an agreement with CIECH SA for the transfer of the right to protection of the POLFA trademarks.
- The Company recorded a higher share of sales to the Russian market, compared to Q1 2007. Sales value amounted to approx. EUR 3.6 million, compared to EUR 2 million in the corresponding period in the previous year.

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

In Q1 2008, the Ciech Group recorded a net profit amounting to PLN 97 891 thousand; the balance-sheet showed a total of PLN 4 357 756 thousand, and net cash increased by PLN 52 663 thousand. The table below presents selected financial data and basic financial ratios for Q1 2008 and 2007.

**Table 1. Selected figures**

<i>in PLN '000</i>	<b>Q1 2008</b>	<b>Q1 2007</b>	<b>2008/2007 dynamics</b>
<b>Net sales income</b>	<b>1 032 119</b>	<b>919 741</b>	<b>12.2%</b>
Prime cost of sales	771 335	672 128	14.8%
Gross sales profit	260 784	247 613	5.3%
Selling costs	62 873	64 500	-2.5%
Administrative expenses	70 859	66 145	7.1%
Other operating income/costs	30 918	30 422	-
<b>Operating profit</b>	<b>157 970</b>	<b>147 390</b>	<b>7.2%</b>
Financial income/costs	(29 777)	(6 397)	-
Share of net profits of subsidiaries accounted for using the equity method	2 162	2 136	1.2%
Income tax	32 464	21 239	52.9%
Sales profit relative to discontinued operations	-	-	-
<b>Net profit</b>	<b>97 891</b>	<b>121 890</b>	<b>-19.7%</b>
Net profit of minority shareholders	3 366	642	424.3%
<b>Net profit attributable to equity holders of the parent company</b>	<b>94 525</b>	<b>121 248</b>	<b>-22.0%</b>
EBITDA	210 846	192 301	9.6%

<i>in PLN '000</i>	<b>31.03.2008</b>	<b>31.03.2007</b>	<b>2008/2007 dynamics</b>
<b>Value of assets</b>	<b>4 357 756</b>	<b>3 015 135</b>	<b>44.5%</b>
Non-current assets	2 625 534	1 767 916	48.5%
Current assets, including:	1 732 222	1 247 219	38.9%
- inventories	305 680	222 654	37.3%
- short-term receivables	1 101 354	824 335	33.6%
- cash and cash equivalents	199 310	197 002	1.2%
- short-term investments	5 317	3 228	64.7%
<b>Total equity</b>	<b>1 471 625</b>	<b>1 313 096</b>	<b>12.1%</b>
Equity attributable to equity holders of the parent company	1 424 897	1 263 555	12.8%
Minority shares	46 728	49 541	-5.7%
Long-term liabilities	1 314 615	709 428	85.3%
Short-term liabilities	1 571 517	992 611	58.3%

<i>in PLN '000</i>	<b>Q1 2008</b>	<b>Q1 2007</b>	<b>2008/2007 dynamics</b>
Net cash flow from operating activities	(23 769)	27 485	-
Net cash flow from investment activities	14 214	(47 460)	-
Net cash flow from financing activities	62 218	62 359	-0.2%
<b>Total net cash flow</b>	<b>52 663</b>	<b>42 384</b>	<b>24.3%</b>
	<b>Q1 2008</b>	<b>Q1 2007</b>	<b>2008/2007 dynamics</b>



<b>Net earnings per share</b>	<b>3,38</b>	<b>4,49</b>	<b>-24,8%</b>
Net return	9.2%	13.2%	-30.5%
EBIT%	15.3%	16.0%	-4.5%
EBITDA %	20.4%	20.9%	-2.3%
Current ratio	1.1	1.3	-15.4%
Quick ratio	0.9	1	-10.0%
Total debt ratio	66.2%	56.4%	17.3%
Equity to assets ratio	33.8%	43.6%	-22.5%

Source: CIECH SA

*Calculation principles:*

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

*Net return – net profit for the shareholders in the parent company for a given period / net income from sales of products, services, goods and materials in a given period,*

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

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

*Current ratio – current assets 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 liabilities as at the period-end / total assets as at the period-end,*

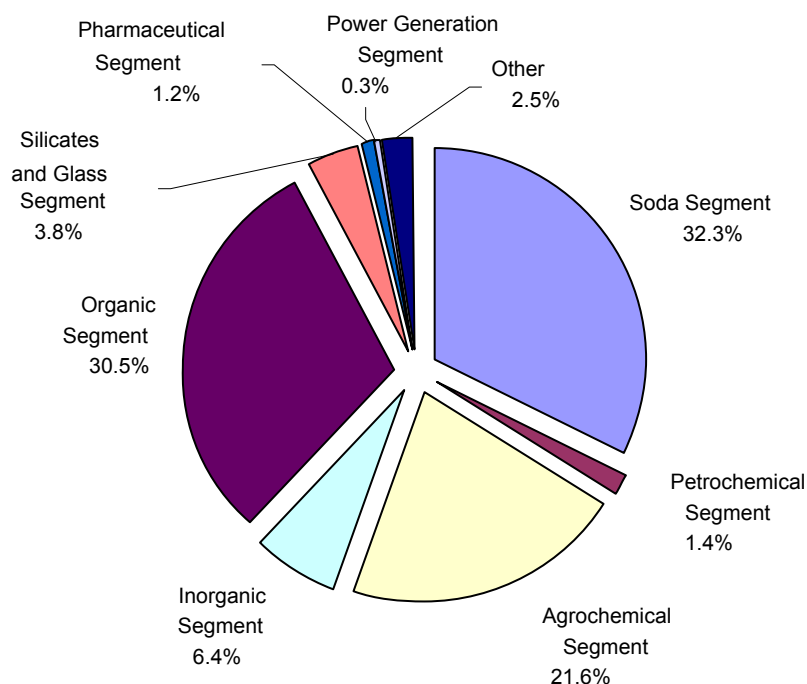
*Equity to assets ratio – total equity as at the period-end / total assets as at the period-end*

### **Sales income**

The Ciech Group's net consolidated income from sales for Q1 2008 amounted to PLN 1 032 119 thousand. Compared to the corresponding period in 2007, the income has increased by PLN 112 378 thousand, i.e. by 12.2%. The increase was mainly due to income generated by the Soda Deutschland Ciech Group that joined the Ciech Group in December 2007. The increase in income was also due to an upturn for the Company products on the market of agrochemical products.

The net sales income in 2008 by business segments has been presented in the figure below.

**Figure 1. Sales income distribution in Q1 2008**



Source: CIECH SA

In 2008, the Ciech Group business focused on four fundamental segments, namely the soda, organic, agrochemical and inorganic segments. These segments generated in total more than 90% of the Group's sales income. The structure of the Group income has changed compared to the previous year, mostly on account of the purchase of the Soda Deutschland Ciech Group in Q4 2007. Consequently, the greatest share in income is attributed to the sales of soda segment products (last year the organic segment played a leading role).

#### Soda segment

In Q1 2008, the soda segment generated over 32% of the income from the Group's sales. The parent company, Ciech SA, plays a key role in the sales operations, processing the total sales of the output of the SODA MAŁY Capital Group. The Group companies are the sole manufacturers of soda in Poland. Sales in the soda segment are also implemented by the Ciech Group companies such as: S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. – a Romanian Soda Company purchased in December 2006, and the German Soda Deutschland Ciech Group purchased in December 2007. The core product in this segment is dense soda ash, which accounts for approx. 62% of the segment sales, and light soda ash accounting for approx. 20% of the segment income. As compared with the corresponding period in 2007, sales income in the segment increased by more than 43%, mostly due to recognition of sales of the Soda Deutschland Ciech Group as the Group consolidated income. Moreover, average sales prices for core products of the Polish companies in 2008 were higher compared to the corresponding period in the previous year. At the same time, a smaller sales volume of calcium chloride and dry salt caused by mild winter had an adverse effect on income.

#### Organic segment

Sales in the organic segment in Q1 2008 amounted to approx. 31% of the income from the Group's sales. The ZACHEM Group, which is the manufacturer of TDI, EPI and plastics, plays a key role in the segment. The organic segment also includes sales of products by Z.Ch. "Organika-Sarzyna" S.A., which are mainly resins. The main products of this segment are as follows: TDI – more than 43% of the segment sales, plastics – more than 20% of the segment income, resins – also more than 20% and epichlorohydrin (EPI) – almost 6%. Income from sales in the organic segment decreased compared to 2007. This is mainly due to lower income from TDI sales (as a result of the failure of the TDI reactor at ZACHEM SA), and EPI sales as a result of a decrease in sales prices and high supply on the market. The majority of sales of the organic segment products are executed by CIECH SA.

#### Agrochemical segment

The agrochemical segment generated approx. 22% of the income from the Group's sales in Q1 2008. The following Group entities operate within the agrochemical segment: (a) the FOSFOR Group dealing with the production of fertilisers and their sales on the domestic market, (b) Z.Ch. "Organika - Sarzyna" S.A. manufacturing mainly plant protection agents (c) CIECH SA, the parent company, exporting products of GZNF "FOSFOR" Sp. z o.o., acting as

an agent in sales of the Z.Ch. "Organika - Sarzyna" S.A. products and of other domestic manufacturers, and importing raw materials for the production of fertilisers. Plant protection agents (34%) and fertilisers (31%) are the leading items generating the segment's income. Income in the segment increased by 32% compared to Q1 in the previous year, which is mostly due to favourable price and demand relations on the market of the agrochemical products.

#### Inorganic segment

The inorganic segment generated over 6% of the Group's sales income in Q1 2008. The major segment manufacturer is "Alwernia" SA, the Ciech subsidiary, with the following products: phosphorus compounds (more than 28% of the segment income), sodium tripolyphosphorus (13.4% of the segment sales). The company imports raw materials and exports some of its products through CIECH SA. The segment also comprises of such products as sodium hydroxide (13.3% of the segment income) and hydrochloric acid (7%), whose suppliers are ZACHEM S.A., and companies from outside of the Group. These products are sold by CIECH SA and other commercial companies of the Ciech Group. Sulphur accounting for 21.7% of the segment income is sold by CIECH SA. The segment income after Q1 2008 decreased compared to the corresponding period in 2007 by almost 14%.

#### Silicates and glass segment

The share of the silicates and glass segment in the income from the Group sales amounted to more than 4%. The subsidiary, "VITROSILICON" Spółka Akcyjna, which manufactures silicates, glass blocks and glass lanterns, is the main manufacturer in this segment. "VITROSILICON" Spółka Akcyjna is the sole manufacturer of glass blocks in Poland. Glass blocks and lanterns accounting for 61% of the segment income, as well as soda glaze (almost 25%) and sodium water glass accounting for 10% of the segment income contribute the most to the segment's income. Income from sales of the segment products increased compared to Q1 last year by more than 18%. The increase was mainly due to increased demand for the segment products and higher prices.

#### Other segments

The share of the petrochemical segment in the Group's sales remains insignificant (1.4% of the income) and covers transactions related to trade agent services provided by CIECH SA and CHEMAN SA. The pharmaceutical segment covers commercial activity of POLFA Sp. z o.o. The power generation segment includes EC KUJAWY Sp. z o.o. from the SODA MĄTWY Group, which deals with the production and distribution of electricity for the purposes of the Group and external entities.

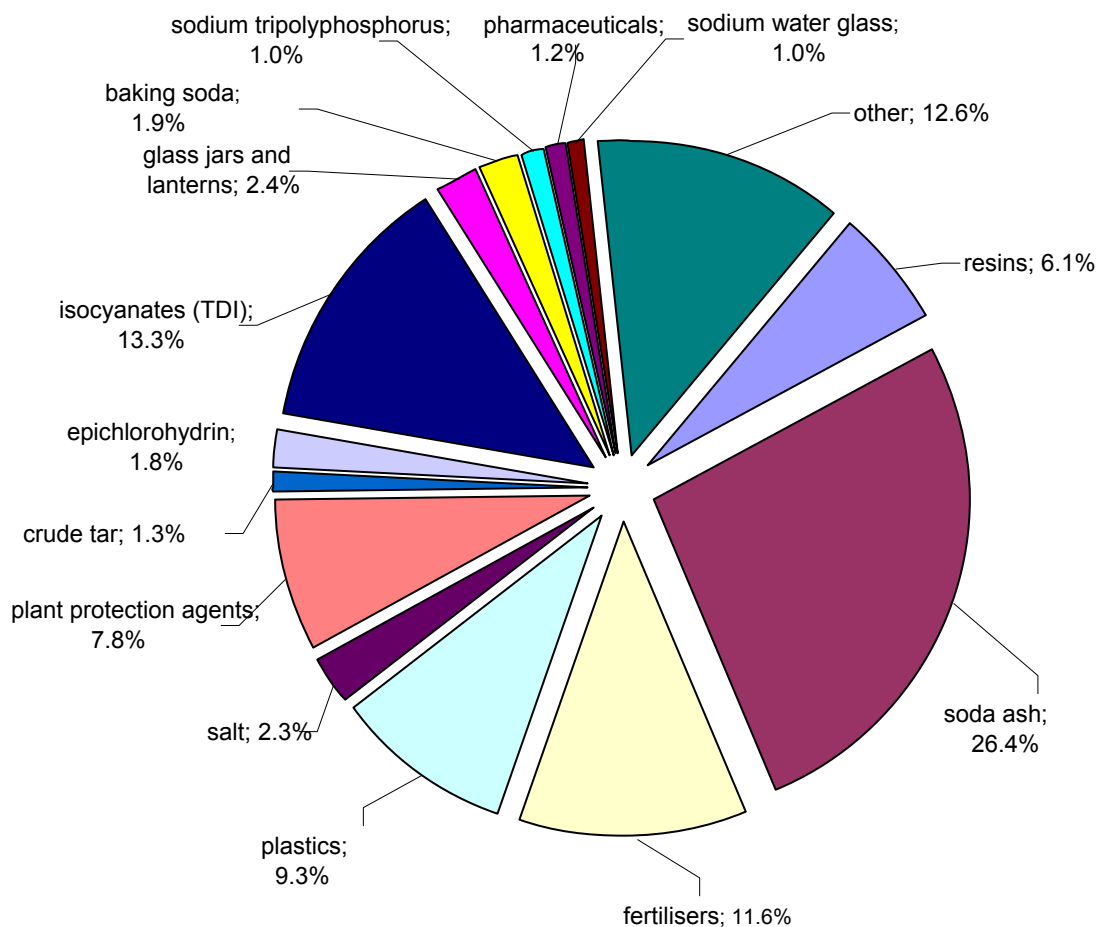
**Table 2**  
**Net sales income by business segment**

<i>in PLN '000</i>	<b>01.01.-31.03.2008</b>	<b>01.01.-31.03.2007</b>
Soda Segment	333 566	232 627
Organic Segment	315 307	366 385
Agrochemical Segment	223 320	167 960
Inorganic Segment	66 185	76 900
Silicates and Glass Segment	38 892	32 899
Other	24 512	14 656
Petrochemical Segment	14 850	7 411
Pharmaceutical Segment	12 216	11 472
Power Generation Segment	3 271	9 208
Discontinued Operations	-	223
<b>TOTAL</b>	<b>1 032 119</b>	<b>919 741</b>

Source: CIECH SA

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

**Figure 2. Sales income distribution by core products.**



Source: CIECH SA

### **Gross sales profit**

The consolidated gross sales profit after Q1 2008 was PLN 260 784 thousand and was higher by PLN 13 171 thousand, compared to Q1 in the previous year. Increased profit is mostly due to the consolidation of the results of the Soda Deutschland Ciech Group acquired in December 2007. A significant improvement was also recorded for the FOSFORY Group (increased demand and sales prices for core products) as well as "Alwernia" SA (lower prime cost of sales; cheaper raw materials from last year's inventories).

### **Operating profit (EBIT)**

After Q1 2008 the operating profit was PLN 157 970 thousand (PLN 147 390 thousand in 2007). In 2007, the Group EBIT included a one-off event, namely sales of fixed assets at the ZACHEM Group. In 2008, an upturn on the market of fertilisers had a positive effect on the result, which brought about an increased profit from sales in "Alwernia" SA and the FOSFORY Group (higher sales prices and product profitability). Increased sales prices of plant protection agents also had a positive effect on the result. A failure of the reactor at ZACHEM SA that resulted in smaller TDI output and sales had a negative effect on the operating profit. Compared to Q1 last year, unfavourable price and demand relations could be observed on the market of EPI sales. Due to a high level of supply of the product on the market, a decrease in sales prices and volume was recorded. Prices of epoxy resins went down as well, which had a negative effect on the sales profit. Moreover, a significantly lower exchange rate for US \$ and EUR compared to 2007 had an impact on the operating result.

EBIT margin rate amounted to 15.3% after Q1 2008 (16% the year before).

**Net result**

The consolidated net profit for Q1 2008 was PLN 97 891 thousand, with PLN 94 525 thousand accounting for net profit for shareholders of the parent company. Net return reached 9.5% (13.3% the year before). The Group recorded a decrease in the net result by PLN 23 999 thousand in relation to the corresponding period of the previous year. It is attributed mostly to increased external funding used by the Group for the purposes of financing acquisitions and investment expenditure. Negative exchange differences had a negative impact on the result. The balance of exchange differences was lower by PLN 13 761 thousand compared to Q1 2007. The operating profit increase by PLN 10 580 thousand had a positive impact on the result.

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

	Q1 2008	Q1 2007	2008/2007 dynamics
1. Operating profit	157 970	147 390	7.2%
2. Net financial income / costs	(29 777)	(6 397)	-
3. Share of the net profits of subsidiaries accounted for using the equity method	2 162	2 136	1.2%
4. Income tax	32 464	21 239	52.9%
5. Sales profit relative to discontinued operations	-	-	-
<b>6. Net profit (1+2+3-4+5)</b>	<b>97 891</b>	<b>121 890</b>	<b>-19.7%</b>
7. Profit attributable to minority shareholders	3 366	642	424.3%
<b>8. Profit for the shareholders in the parent company (6-7)</b>	<b>94 525</b>	<b>121 248</b>	<b>-22.0%</b>

Source: CIECH SA

**Balance sheet****Equity**

The consolidated equity of the Group as at March 31<sup>st</sup>, 2008, amounted to PLN 1 471 625 thousand and was higher compared to the year before by PLN 158 529 thousand. Retained earnings had a decisive share in the increase, including net profit for Q1 2008 amounting to PLN 97 891 thousand.

**Non-current assets**

Non-current assets of the Group amounted to PLN 2 625 534 thousand as at the end of March 2008. The value of non-current assets increased by PLN 857 618 thousand, as compared to the status as at March 31<sup>st</sup>, 2007. The increase concerned mainly acquisition of the Soda Deutschland Ciech Group that took place in Q4 2007. This resulted in an increase in non-current assets by PLN 807 489 thousand (including goodwill of PLN 347 679 thousand). At the same time, between April 2007 and March 2008, the Ciech Group made capital expenditures in production assets in order to keep up with the current pace of growth. In particular, this related to: Grupy SODA MATWY (with Zakład Produkcyjny Janikosoda after the merger in November 2007) and Z.Ch. "Organika-Sarzyna" S.A. The share of non-current assets in total assets is more than 60% (more than 58% the year before).

**Current assets**

The Group's current assets amounted to PLN 1 732 222 thousand as at March 31<sup>st</sup>, 2008. The structure of current assets was dominated by: (a) trade and other receivables – 63.6% of the current assets, (b) inventories – 17.6% and (c) cash and cash equivalents – 11.5%. In comparison to the status as at the end of March 2007, the value of current assets increased by approx. 39%, i.e. by PLN 485 003 thousand. The major part of this resulted from the recognition of the assets of the Soda Deutschland Ciech Group, acquired in December 2007, in the consolidated balance sheet.

**Consolidated liabilities**

The liabilities (long and short-term in total) of the Ciech Group amounted to PLN 2 886 132 thousand as at March 31<sup>st</sup>, 2008, which accounts for an increase compared to the status as at the end of Q1 2007 by PLN 1 184 093 thousand. Long-term liabilities amounted to PLN 1 314 615 thousand, which accounts for an increase by PLN 605 187 thousand, compared to the status as at the end of March 2007. An increase in this balance sheet item was mainly due to an increase in: (a) liabilities due to loans, long-term borrowings and other financial instruments by PLN 474 278 thousand, (b) other long-term liabilities by PLN 189 534 thousand. Increased debt results mainly from the issue of long-term bonds at CIECH SA and the consolidation of the Soda Deutschland Ciech Group acquired in Q4 2007. Short-term liabilities amounted to PLN 1 571 517 thousand, which accounts for an increase by PLN 578 906 thousand compared to the status as at March 31<sup>st</sup>, 2007. Increases were recorded mainly in trade and other liabilities by PLN 327 334 thousand, which is the result of the acquisition of Soda Deutschland Ciech and increased volume of sales. Liabilities due to loans and borrowings increased by PLN 132 586 thousand. The increase is mainly due to the consolidation of the Soda Deutschland Ciech Group and increased use of loan limits by CIECH SA for financing projects being implemented.

### **Consolidated debt**

The Ciech Group has full capacity to meet the obligations undertaken. The current ratio, calculated as the ratio of total current assets to total short-term liabilities, amounted to 1.1 as at March 31<sup>st</sup>, 2008 (1.3 the year before), while the increased cash flow ratio amounted to 0.9 (1 the year before). Ratio levels are the result of the use of external funding sources by the Group for financing acquisitions and investments. The use of short-term loans increased, and CIECH SA issued ordinary bonds amounting to PLN 300 million.

The non-current assets to fixed assets cover ratio (total equity, liabilities and long-term reserves) amounted to 106% as at March 31<sup>st</sup>, 2008, and remained on the level considered stable.

**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 1 197 838 thousand as at March 31<sup>st</sup>, 2008 (debt as at the end of March 2007 amounted to PLN 565 278 thousand).**

**Increased debt results mainly from the issue of bonds by CIECH SA, that took place in Q4 2007, amounting to PLN 300 million, and consolidation of the Soda Deutschland Ciech Capital Group (as at December 31<sup>st</sup>, 2007).**

At the end of 2007, the Ciech Group's debt was considered stable. Total liabilities financed approx. 66% of assets. The ratio increase from 56% (as at March 31<sup>st</sup>, 2007) proves the use of the potential of foreign sources in financing acquisitions, as announced in the strategic plans, which the Group obtained when it was first listed on the Stock Exchange in 2005.

### **Cash flows**

Net cash flows in Q1 2008 amounted to PLN 52 663 thousand. In the corresponding period the year before, the Group generated cash flows lower, by PLN 10 279 thousand. Cash flows from operating activities amounted to PLN 23 769 thousand and were lower from the cash flows generated between January and March 2007 by PLN 51 254 thousand (mainly due to changes in current assets). Change in current assets was negative and resulted mainly from:

(a) significant increase in receivables and inventories compared to an increase in liabilities of GK Fosfory. The receivables increased due to an increase in prices of products, and the inventories increased due to the introduction of palletisation of reserves. Reserve storage (palletisation) enables collection of a larger volume of products as collateral in the event of potential stoppages,

(b) increase in receivables at Z.Ch. "Organika-Sarzyna" S.A. which results from the seasonality of sales of plant protection agents. The greatest volume of sales is recorded between January and March, and payments are collected in Q3 of a given year.

In Q1 2008, the surplus of investment inflows over expenditure amounted to PLN 14 214 thousand. In the corresponding period in 2007, the Group generated a negative cash flow from investment activities amounting to PLN 47 460 thousand. Net cash from financing activities was positive, amounting to PLN 62 218 thousand and was around the value of balance for Q1 2007. The increase was due to the excess of loans and borrowings taken over loans and borrowings repaid, which amounted to PLN 65 093 thousand. This major part of it related to CIECH SA - PLN 46 million and the FOSFORY Group - PLN 32 551 thousand. The loans taken were used to finance investment projects (the SODA MAŁY Group, the ZACHEM Group and "VITROSILICON" Spółka Akcyjna), which in total amounted to

PLN

69 347

thousand.

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

01.01.-31.03.2008

<i>in thousands of PLN</i>	Soda Segment	Power Generation Segment	Organic Segment	Petrochemical Segment	Agrochemical Segment	Pharmaceutical Segment	Silicates and Glass Segment	Inorganic Segment	Discontinued Operations	Other Operations	Eliminations (consolidation adjustments)	TOTAL
Income from third parties	333 565	3 270	315 307	14 850	223 320	12 216	38 892	66 185	-	24 514	-	1 032 119
Income from inter-segment sales	12 563	17 283	279	1 851	3 014	54	46	943	-	20 491	(56 524)	-
<b>Total income</b>	<b>346 128</b>	<b>20 553</b>	<b>315 586</b>	<b>16 701</b>	<b>226 334</b>	<b>12 270</b>	<b>38 938</b>	<b>67 128</b>	<b>-</b>	<b>45 005</b>	<b>(56 524)</b>	<b>1 032 119</b>
<b>Segment profit/loss</b>	<b>81 026</b>	<b>394</b>	<b>65 362</b>	<b>1 532</b>	<b>78 980</b>	<b>4 156</b>	<b>11 208</b>	<b>14 842</b>	<b>-</b>	<b>14 435</b>	<b>(11 151)</b>	<b>260 784</b>
<b>Unallocated (costs) income</b>												<b>(102 814)</b>
<b>Operating profit</b>												<b>157 970</b>
Net finance income (costs)												(29 777)
Share of profit of associates	-	-	-	-	-	-	-	-	-	2 162	-	2 162
Tax												(32 464)
Profit on discontinued operations												-
<b>Net profit</b>												<b>97 891</b>

01.01.-31.03.2007

<i>in thousands of PLN</i>	<b>Soda Segment</b>	<b>Power Generation Segment</b>	<b>Organic Segment</b>	<b>Petro chemical Segment</b>	<b>Agro chemical Segment</b>	<b>Pharmaceutical Segment</b>	<b>Silicates and Glass Segment</b>	<b>Inorganic Segment</b>	<b>Discontinued Operations</b>	<b>Other Operations</b>	<b>Eliminations (consolidation adjustments)</b>	<b>TOTAL</b>
Income from third parties	232 627	8 938	366 385	7 411	167 960	11 472	32 899	76 900	223	14 926	-	919 741
Income from inter-segment sales	16 698	55 258	10 874	983	1 529	45	52	14 585	-	15 813	(115 837)	-
<b>Total income</b>	<b>249 325</b>	<b>64 196</b>	<b>377 259</b>	<b>8 394</b>	<b>169 489</b>	<b>11 517</b>	<b>32 951</b>	<b>91 485</b>	<b>223</b>	<b>30 739</b>	<b>(115 837)</b>	<b>919 741</b>
<b>Segment profit/loss</b>	<b>67 806</b>	<b>3 848</b>	<b>84 744</b>	<b>678</b>	<b>56 988</b>	<b>4 147</b>	<b>9 611</b>	<b>23 549</b>	<b>15</b>	<b>7 347</b>	<b>(11 120)</b>	<b>247 613</b>
<b>Unallocated (costs) income</b>												(100 223)
<b>Operating profit</b>												<b>147 390</b>
Net finance income (costs)												(6 397)
Share of profit of associates	-	-	-	-	-	-	-	-	-	2 136	-	2 136
Tax												(21 239)
Profit on discontinued operations												-
<b>Net profit</b>												<b>121 890</b>



## 8. Purchase and disposal of Property, Plant And Equipment and commitments to purchase Property, Plant and Equipment

*in thousands of PLN*

<b>Data from 01.01.08 to 31.03.08</b>	<b>Purchase</b>	<b>Disposal</b>
a) Property, plant and equipment, including	21 974	1 398
land, buildings, structures, and land- and water engineering facilities	3 533	465
machinery and equipment	16 600	52
means of transport	562	452
other fixed assets	1 279	429
b) Fixed assets under construction	18 883	10 959
c) Advances for fixed assets under construction (net)	24 796	-
<b>Total property, plant and equipment</b>	<b>65 653</b>	<b>12 357</b>

### **CIECH SA**

CIECH SA purchased PPE for the total of PLN 4 433 thousand, including PLN 1 033 thousand spent on purchases of machinery and technical equipment, and PLN 2 918 thousand on fixed assets under construction. All property, plant and equipment were purchased from own resources.

### **Zakłady Chemiczne "Alwernia" Spółka Akcyjna**

"Alwernia" S.A. purchased PPE for PLN 182 thousand, including PLN 89 thousand spent on purchases of machinery and technical equipment and PLN 63 thousand on means of transport. Purchase of PPE was financed from own resources.

### **Przedsiębiorstwo Chemiczne Cheman Spółka Akcyjna**

Cheman SA purchased PPE for the total of PLN 27 thousand which was spent on the purchase of machinery and technical equipment. Purchase of PPE was financed from own resources.

### **FOSFORY Group**

GZNF "FOSFORY" Sp. z o.o. purchased PPE for PLN 5 018 thousand, including PLN 3 791 thousand intended for machinery and technical equipment, PLN 960 thousand for land, buildings, structures, and land- and water engineering facilities and PLN 126 thousand for means of transport. All property, plant and equipment were purchased from own resources.

### **"POLFA" Spółka z ograniczoną odpowiedzialnością**

The Company purchased PPE for PLN 181 thousand, including PLN 160 thousand spent on the purchase of land, buildings, structures, and land- and water engineering facilities. All property, plant and equipment were purchased from own resources.

### **SODA MAŁY Group**

SODA MAŁY S.A. purchased PPE (machinery and technical equipment) for PLN 16 719 thousand, including PLN 6 173 thousand on fixed assets under construction. The company sold fixed assets under construction for PLN 10 959 thousand. Purchase of PPE was financed from own resources.

### **"VITROSILICON" Spółka Akcyjna**

The company spent PLN 4 213 thousand on purchase of fixed assets under construction. The total value of purchased property, plant and equipment amounted to PLN 4 234 thousand. The purchase of property, plant and equipment was financed from a loan of PLN 991 thousand, from a lease of PLN 1 104 thousand and other purchases were covered from own resources.

### **ZACHEM Group**

ZACHEM S.A. purchased PPE for the total of PLN 1 782 thousand, including PLN 982 thousand intended for machinery and technical equipment and PLN 782 thousand for land, buildings, structures, and land- and water engineering facilities. Fixed assets were purchased from own resources.

### **Zakłady Chemiczne "Organika - Sarzyna" Spółka Akcyjna**

Z.Ch. "Organika-Sarzyna" S.A. purchased PPE for the total of PLN 1 747 thousand, including PLN 1 602 thousand for fixed assets under construction. Purchase of PPE was financed from own resources.

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

The company purchased PPE for the total of PLN 7 961 thousand, including expenditure on fixed assets under construction amounting to PLN 3 976 thousand and PLN 3 882 thousand on advances for fixed assets under construction. All expenditure was covered from own resources.

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

The company purchased PPE for the total of PLN 29 thousand from its own resources. The expenditure on land, buildings, structures, and land- and water engineering facilities amounted to PLN 24 thousand.

**Soda Deutschland Ciech Group**

Soda Deutschland Ciech allotted PLN 23 340 thousand to the purchase of PPE, including PLN 2 046 thousand to machinery and technical equipment and PLN 20 765 thousand to advances for fixed assets.

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

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

**10. Provisions and impairment of assets from 01.01.08 to 31.03.08**

The Ciech Group's consolidated financial statements for Q1 2008 disclosed the following recognitions and reversals of provisions and impairment of assets.

<b>Provisions recognised in Q1 2008</b>	<i>In thousands of PLN</i>
Income tax provision	3 443
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	7 406
Provision for expected losses	-
Provision for environmental protection	6 770
Restructuring provision	-
Provision for liabilities (costs)	573
<b>Total</b>	<b>18 192</b>

<b>Provisions reversed in Q1 2008</b>	<i>In thousands of PLN</i>
Income tax provision	10 360
Provision for retirement gratuities, annual leaves, bonuses, compensation payments, etc.	12 943
Provision for expected losses	25
Provision for environmental protection	3 421
Restructuring provision	72
Provision for liabilities (costs)	877
<b>Total</b>	<b>27 698</b>

<b>Impairment losses on assets (increase) recognised in Q1 2008</b>	<i>In thousands of PLN</i>
Impairment losses on intangible assets	-
Impairment losses on PPE	-
Revaluation write-downs on long-term receivables	-
Revaluation write-downs on short-term receivables	594
Inventory revaluation write-downs	603
Impairment losses on long-term financial assets	-
Impairment losses on short-term financial assets	-
<b>Total</b>	<b>1 197</b>

<b>Impairment losses on assets (decrease) recognised in Q1 2008</b>	<i>In thousands of PLN</i>
Impairment losses on intangible assets	-
Impairment losses on PPE	-
Revaluation write-downs on long-term receivables	-
Revaluation write-downs on short-term receivables	7 029
Inventory revaluation write-downs	1 640

<b>Impairment losses on assets (decrease) recognised in Q1 2008</b>	<i>In thousands of PLN</i>
Impairment losses on long-term financial assets	-
Impairment losses on short-term financial assets	-
<b>Total</b>	<b>8 669</b>

<b>Deferred income tax assets in Q1 2008</b>	<i>In thousands of PLN</i>
Increase	3 249
Decrease	7 737

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

The Ciech Group's level of income and financial performance depends to a large extent on the general standing of the economy. Cyclical fluctuations in income and profit are especially noticeable in the organic segment, which is marked by high-demand cycles. Due to the fact that almost 30% of the Group's income 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, 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. Presently, the market prices for these products are reaching record levels. Various factors affect this phenomenon and they include:

- since oil-related raw materials are needed for the production of these products (mainly: toluene, propylene), they are associated with the oil prices which are currently high. Raw material prices being high are reflected in the prices for TDI, EPI and epoxy resins. The political situation in the Middle East is a factor significantly affecting oil prices. On the one hand, a rapidly growing economy and unstable political situation at the main manufacturers of oil signifies that high prices will continue for some time. On the other hand, high oil prices prompted interest in alternative sources of energy and in implementing savings plans concerning the use of oil. It is necessary to assume that in the long run, prices of oil are likely to fall, while in the short run they will remain high.
- high prices of gas, the main raw material in the chemical industry, also affect high prices of chemical products.
- the forecast expects a rapid growth in the global economy, whereas production of the chemical industry is likely to go up above the GDP level. Consequently, prices should continue to remain high.
- very rapid growth of the world economy is being observed. China's economic growth exceeding 10% is noteworthy. Despite seasonal attempts made by the Chinese government to cool down their economy, the growth rate remains very high. The rapid growth in the global economy brings about huge demands for raw materials, including TDI, EPI and epoxy resins. As a consequence, the high demand causes problems with acquisition of these products and an increase in prices. Additionally, in the case of TDI in particular, several serious system failures and technical problems connected with launching new systems resulted in seasonal shortages and an increase in prices.
- forecasts regarding three basic products of the organic segment assume a decrease in prices in the near future. Due to their high price, new systems are planned that in a few years will contribute to considerable overproduction. Furthermore, high prices encourage the customer's interest in substitutes, which may result in a decrease in demand in the long run.
- it is not possible to unambiguously identify and estimate the cyclicity of prices for basic organic chemical commodities. Historically, the cyclicity has been observed once per several years. High prices and large demand induce decisions concerning launches of new systems. Further, an increase in production and consequently market saturation are recorded, followed by a decrease in prices. When a downturn is observed, ineffective systems are closed down, while demand goes up, the more so as the prices for commodities are low. Another shortage occurs in the market and this is followed by another increase in prices.

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

As regards the Soda Division, there is a close interconnection between the level of sales of specific products and the type of winter. As regards chloride and other products, (anti-icers, salt and chloride mix, sodium chloride) a mild winter directly translates to a decrease in sales, and as regards salt, it has an indirect impact. Some of the rock-salt and evaporated salt (both domestic and foreign) that is usually distributed to the highway engineering industry, started to be distributed to the market of table salt, taking over some of the recipients of salt from Janikowo.

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:

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

Concentration of sales of fertilisers takes place in Q3 of a given year. This is due to intensive field fertilisation in the autumn. 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 products" segment: glass blocks and glass lanterns. The highest sales for these products are recorded between May, October (blocks), June and November (lanterns).

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

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

In Q1 2008, the Ciech Group did not issue any securities.

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

On December 14<sup>th</sup>, 2007, CIECH SA issued Class A Bonds to the amount of PLN 300 000 thousand, under the following terms:

- maturity: 5 years,
- coupon formula: based on 3M WIBOR + margin,
- coupon payment frequency: quarterly,
- redemption date: December 14<sup>th</sup>, 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 to financing the acquisitions of Sodawerk Holding Staßfurt GmbH and partial repayment of the short-term debt of CIECH SA.

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

The distribution of the net profit for 2007, suggested by the Management Board of CIECH SA, provides for the payment of dividend to the shareholders amounting to PLN 58 800 thousand that is PLN 2.10 per share.

The Ordinary General Meeting of Shareholders of CIECH SA resolved by virtue of Resolution 7 dated June 21<sup>st</sup>, 2007, to allot PLN 58 800 thousand from the net profit generated by the Company in the financial year 2006 to dividends for the shareholders. The 2006 dividend, to the amount of PLN 2.10 per share was paid to the Shareholders who held CIECH SA shares as at July 10<sup>th</sup>, 2007 (date of dividend). The dividend was paid on August 2<sup>nd</sup>, 2007.

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

**14. Unrecognised events occurring after March 31<sup>st</sup>, 2008 not included in the financial statements, that may have a significant impact on the future financial performance of the Ciech Group.**

- The Management Board of CIECH SA would like to inform that the Extraordinary General Meeting of Shareholders held on April 2<sup>nd</sup>, 2008, made the following changes in the composition of the Managing and Supervisory Bodies at CIECH SA:

The following persons were dismissed from the Management Board of CIECH SA:

1. Rafał Pasięka
2. Marek Trościński
3. Wojciech Wardacki

The following persons were appointed as members of the Management Board:

1. Marcin Dobrzański
2. Ryszard Kunicki
3. Artur Osuchowski
4. Kazimierz Przełomski

Current members of the Management Board:

1. Mirosław Kochalski – President of the Management Board
2. Marcin Dobrzański – Member of the Management Board
3. Ryszard Kunicki – Member of the Management Board
4. Artur Osuchowski – Member of the Management Board
5. Kazimierz Przełomski – Member of the Management Board

The following persons were dismissed from the Supervisory Board:

1. Grzegorz Miś
2. Tomasz Karusewicz
3. Dariusz Krajowski-Kukiel
4. Wiktor Cwynar

The following persons were appointed as members of the Supervisory Board:

1. Wiktor Askanas
2. Przemysław Cieszyński
3. Krzysztof Salwach
4. Robert Skoczeń
5. Wojciech Włodarczyk
6. Krzysztof Zdanowski

Current members of the Supervisory Board:

1. Wiktor Askanas
2. Przemysław Cieszyński
3. Alicja Pimpicka
4. Krzysztof Salwach
5. Robert Skoczeń
6. Wojciech Włodarczyk
7. Krzysztof Zdanowski.

- On April 3<sup>rd</sup>, 2008, the Management Board of CIECH SA revoked the power of attorney granted on November 27<sup>th</sup>, 2006 to Mr Kazimierz Przełomski, giving authorisation to act jointly with a member of the Management Board of CIECH SA. On April 2<sup>nd</sup>, 2008, Kazimierz Przełomski was appointed as member of the Management Board of CIECH SA by the Extraordinary General Meeting of Shareholders of CIECH SA.
- On April 15<sup>th</sup>, 2008, a long-term agreement was concluded between Soda Polska CIECH Sp. z o.o. based in Inowrocław (indirect subsidiary to CIECH SA) and Kompania Węglowa SA based in Katowice, which regulated the supplies of steam coal to entities from the Ciech Group. The Agreement expires on December 31<sup>st</sup>, 2010. The bases for establishing prices in 2008 are price lists for fine assortments. Prices for subsequent years will be negotiated before the beginning of each year of the term of the Agreement. The contract value in 2008 is approx. net, PLN 143 million.
- On April 1<sup>st</sup>, 2008, a notarial deed was signed in Handewitt (Germany) between CIECH SA and Mr J. Ohm, regarding the transfer of 2% of shares in Soda Deutschland Ciech GmbH to CIECH SA, amounting to EUR 3 million. The agreement was executed on April, 16<sup>th</sup> 2008. This Agreement fulfils an obligation provided in the Agreement of Shareholders concluded on November 20<sup>th</sup>, 2007, between CIECH SA and Mr J. Ohm, which constitutes an element of the purchase transaction of SWS KG, a manufacturer of soda ash in Germany, by

CIECH SA. Following the transaction, the CIECH SA share in the share capital of Soda Deutschland Ciech GmbH increased from 90% to 92%. Sodawerk Stassfurt KG is a manufacturer of light and dense soda ash and baking soda. The current capacity of the company is 450 thousand tonnes a year and will go up this year to approx. 600 thousand tonnes. Soda Deutschland Ciech GmbH holds 100% of shares of SWS KG.

#### **15. Effects of changes in the organisational structure of the Ciech Group business units in Q1 2008, including business mergers, acquisitions or disposals of the Group's entities, long-term investments, de-mergers, restructuring and discontinuation of activity**

In Q1 2008, investment and disinvestment activities were continued in accordance with the overall Ciech Group development strategy.

##### As a result of investments:

###### **CIECH SA**

- On March 6<sup>th</sup>, 2008 CIECH SA purchased 234 shares in GZNF "FOSFOR" Sp. z o.o., and currently holds 51 841 shares, which accounts for 89.43% of the share capital.

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

- On January 15<sup>th</sup>, 2008, CIECH SA's subsidiary – "VITROSILICON" Spółka Akcyjna – acquired 419 684 shares of Huta Szkła in Wymiarki, accounting for 34.295% of the share capital. At the same time, negotiations were held on the acquisition of further 5 - 10% of shares in Huta Szkła in Wymiarki. For the time being, in January and February, "VITROSILICON" Spółka Akcyjna continued negotiations regarding purchase of the Company shares and increased its share in the Company share capital to 35.09%, which accounts for 429 456 shares. Purchase of shares in Huta Szkła in Wymiarki is an element of the strategy of the Ciech Group for 2007 - 2011 in the area of Silicates and Glass.

##### As a result of other changes:

###### **Boruta Kolor Sp. z o.o.**

- On January 15<sup>th</sup>, 2008, the Extraordinary General Meeting of Shareholders authorised the President of the Company Management Board to purchase from CIECH SA 2 500 shares for the purpose of their redemption for PLN 2 500 thousand. On January 21<sup>st</sup>, 2008, the Extraordinary General Meeting of Shareholders adopted a resolution on the redemption of 2 500 shares and reducing the share capital (by the value of shares redeemed) from PLN 16 301 thousand to PLN 13 801 thousand.

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

As at March 31<sup>st</sup>, 2008, contingent receivables did not occur in the Ciech Group.

The value of contingent liabilities as at March 31<sup>st</sup>, 2008, amounted to PLN 41 447 thousand, which means a decrease by PLN 61 thousand compared to the status as at December 31<sup>st</sup>, 2007. This was due to a decrease in other contingent liabilities by PLN 60 thousand.

A decrease in other off-balance sheet liabilities is related to lower value of bills of exchange discounted by "Alwernia" SA for PLN 60 thousand.

An increase in the 'other' items by PLN 122 thousand to the level of PLN 1 134 thousand is the result of establishing a liability for operating lease of motor cars at VITROSILICON Spółka Akcyjna to the amount of PLN 176 thousand, and the repayment of a liability for operating lease of motor cars at Cheman SA to the amount of PLN 54 thousand.

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

## 17. Discontinued operations and assets held for sale

In Q1 2008, under Fixed Assets held for sale, the Soda Deutschland Ciech Group disclosed the sale of voids holding numbers from S105 to S112. Upon compliance with the terms and conditions, in Q1 2008, the transaction of sales of voids concluded in 2007 was finally settled, before CIECH SA took control over the Soda Deutschland Ciech Group. Moreover, this item discloses the future sales of voids that will be manufactured this year with numbers from S113 to S116. Sales are planned for the years 2008/2009.

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

In its Current Report 15/2008 of February 29<sup>th</sup>, 2008, the Management Board of CIECH SA published a forecast of the consolidated profit of the Ciech Group for 2008. The projected consolidated sales income was PLN 4 270 million and the consolidated net profit of Ciech Group was PLN 225 million.

Net sales income for Q1 2008 amounted to PLN 1 032 119 thousand, which accounts for 24.2% of income planned for 2008. The net profit for Q1 2008 made by the Ciech Group amounted to PLN 97 891 thousand, which accounts for 43.5% of the planned profit. The financial forecast of the Ciech Group for 2008 included temporary planning data of the Soda Deutschland Ciech Group, and that is why the verification of this data will be possible only after completing the process of allocation of the purchase price (in line with IFRS3).

The Management Board of CIECH SA sustains the financial forecast of the Ciech Group for 2008 published.

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

As determined in the notifications received under Article 69 of the *Act of July 29<sup>th</sup>, 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 as at March 31<sup>st</sup>, 2008:

- State Treasury – 10 270 800 shares equal to 36.68% of CIECH SA share capital; votes: 10 270 800, which constitutes 36.68% of the total number of votes at the General Meeting of Shareholders;
- Otwarty Fundusz Emerytalny PZU “Złota Jesień” – 1 712 732 equal to 6.12% of CIECH S.A. share capital; votes: 1 712 732, which constitutes 6.12% of the total number of votes at the General Meeting of Shareholders;
- Pioneer Pekao Investment Management S.A. (PPIM) – 4 069 829, equal to 14.54% of CIECH SA share capital; votes: 4 069 829, which constitutes 14.54% of the total number of votes at the General Meeting of Shareholders:

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

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

including Pioneer Akcji Polskich Fundusz Inwestycyjny Otwarty – 1 507 398, equal to 5.38% of CIECH SA share capital; votes: 1 507 398, accounting for 5.38% of the total number of votes at the General Meeting of Shareholders.

## 20. Changes in CIECH SA shares held by the members of the Management Board or Supervisory Board

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

- Mr. Kazimierz Przelomski – member of the Company Management Board holds 1 200 shares in CIECH SA.
- Mr. Artur Osuchowski – member of the Company Management Board holds 100 shares in CIECH SA.

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

## 21. Procedures pending before courts, in arbitration proceedings, or public administration bodies as at March 31<sup>st</sup>, 2008

### I. CIECH SA

#### Liabilities of CIECH SA (domestic and foreign) claimed in court or arbitration proceedings as at March 31<sup>st</sup>, 2008

##### Action by Petro Carbo Chem Aktiengesellschaft (PCC)

PCC AG filed an action in 2000, claiming compensation to the amount of PLN 21,364 thousand and EUR 13,861.45 (equivalent of PLN 49 thousand) for failing to fulfil the agreement to transfer the shares of Petrochemia Blachownia S.A. as stipulated in the preliminary contract of July 9<sup>th</sup>, 1999. On May 27<sup>th</sup>, 2003, the District Court in Warsaw issued a preliminary judgment in favour of PCC AG (stating that PCC AG's claim was well founded), without specifically determining the amount of the damages. CIECH SA appealed against the preliminary judgment on September 19<sup>th</sup>, 2003, on the grounds that the preliminary judgment was issued based on erroneous legal findings of fact and infringement of the substantive law by assuming that it had been the intention of the parties to enter into an agreement. During a hearing, held on August 12<sup>th</sup>, 2004, the Appeals Court upheld the District Court's preliminary judgment, confirming that PCC's claims were justified, without stating the amount of damages, which will be subject to further proceedings. In November 2004, CIECH SA filed another appeal, on the grounds of infringement of the substantive law due to its incorrect interpretation and application, and violation by the Appeals Court of the principle of unfettered evaluation of evidence as defined in the EU directives. On April 19<sup>th</sup>, 2005, CIECH SA received the final decision of the Supreme Court, which dismissed the cassation.

Because the appeal was dismissed, the case returned before the District Court, which continued the proceedings to determining the amount of damages owing to PCC AG. The claimant extended its claim by statutory interest because of the lost dividend for the years 1999 and 2000.

On November 10<sup>th</sup>, 2005, the District Court judged against PCC, dismissing its claim in full.

PCC AG appealed on March 1<sup>st</sup>, 2006, against the District Court judgement to the Appeals Court in Warsaw, filing for a change in the appealed judgment and allowing the claim in full. PCC AG demands the amount of PLN 30,591,919.96 and EUR 13,861.44 (equivalent of PLN 49 thousand) as an indemnification for the lost dividend for 1999 and for the lost profit related to the value growth of Petrochemia Blachownia S.A. There was no mention in the appeal concerning payment of interest for default.

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

On February 22<sup>nd</sup>, 2007, the Appeals Court in Warsaw dismissed the judgement by the District Court and transferred the case for another examination, leaving the decision on the appeal proceedings costs to be taken by the District Court. The justification by the Appeals Court stated that the court of first instance should have investigated what the intentions of the parties to the preliminary contract were when they included the provision stating that in case of failure of the parties to reach an agreement on all material terms of the contract, CIECH SA would be obliged to return only the advance payment of PLN 500 thousand, without interest, within 30 days from the date of subscription of Petrochemia Blachownia S.A.'s shares to CIECH SA. Furthermore, the court of first instance should have determined whether the amounts demanded by the claimant as compensation for damage, remain in causality with the circumstances of failure to perform the preliminary contract. During the first hearing before the District Court on October 1<sup>st</sup>, 2007, CIECH SA proved that the promised contract, conclusion of which PCC demanded in the claim, contains material components disparate from the preliminary contract and from fax correspondence exchanged between the parties after the conclusion of the preliminary contract. During the next trial, held on December 9<sup>th</sup>, 2007, two witnesses appointed by CIECH SA were questioned to determine the grounds and the scope of application of the contract provision, providing only for repayment of an advance payment in case the parties do not reach an agreement on all the material terms of the contract. CIECH SA claims that contents of the promised contract presented by PCC AG in the claim were different from the ones agreed under the preliminary contract. During the next trial, held in April 2008, the District Court investigated whether the claimant would have earned the same profit as CIECH SA, if they had bought shares of Petrochemia Blachownia S.A. The witness of CIECH SA testified in favour of the Company, stating that the situation would not have been the case because only CIECH SA, as the party having claims towards the ex-shareholder of Petrochemia Blachownia, could have negotiated the recovery of the company's productive property and purchase the remaining productive assets and real estate property as necessary for operations of Petrochemia Blachownia and solve its environmental problems. The Court listed another hearing for July 2008. The case is pending.



### Action by Comexport

In September 2003, Comexport (Brazil) filed an action with the Court of Arbitration at the International Chamber of Commerce in Paris, claiming damages for the failure to complete Polish sulphur deliveries to Brazil between 1996 and 1999. The sued parties were CIECH SA and the sulphur mines in Tarnobrzeg and Grzybów. The current claim is for US \$ 3,872,943 (equivalent of PLN 8,639 thousand), and statutory interest according to Polish law, calculated from September 16<sup>th</sup>, 2003, which as at March 31<sup>st</sup>, 2008 amounted to PLN 4,734 thousand. In addition, Comexport demanded the return of the court fees and legal charges of EUR 204,436.26 (equivalent of PLN 721,000).

The principal claim amount comprises of Comexport's lost profits on contractual quantities not delivered to Brazilian customers, losses from overstated freight costs, etc. In November 2003, CIECH SA answered the claim by filing for dismissal of Comexport's action, on the grounds of the force majeure 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. The arbitrator determined the schedule for further proceedings. Each party filed two detailed pleadings supported by evidence.

On April 22<sup>nd</sup>, 2005, a hearing was held before the Court of Arbitration at the International Chamber of Commerce in Paris, attended by the representatives and attorneys of Comexport and CIECH SA. The sued sulphur mines in Tarnobrzeg and Grzybów did not join the arbitration proceedings, nor did they appoint any attorneys. CIECH SA 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 27<sup>th</sup>, 2005, CIECH SA received a court judgement, according to which all three defendants: CIECH SA and sulphur mines in Tarnobrzeg and Grzybów, shall jointly and severally pay the amount of US \$ 2,474,166 (equivalent of PLN 5,519 thousand) and the interest of 5% from September 17<sup>th</sup>, 2003, amounting as at March 31<sup>st</sup>, 2008 to US \$ 562 thousand (equivalent of PLN 1,253 thousand) and US \$ 123 thousand (equivalent of PLN 274 thousand) for court proceedings costs. The awarded amount constitutes the lost profit moved for by Comexport.

On November 18<sup>th</sup>, 2005, CIECH SA 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 SA on March 22<sup>nd</sup>, 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 SA, the judgement of 1973, cited by the arbitrator, does not apply to the arbitration proceedings. On July 21<sup>st</sup>, 2006, Comexport answered the complaint of CIECH SA by filing for its dismissal. During the hearing before the Appeals Court on May 15<sup>th</sup>, 2007, the parties' attorneys maintained their respective positions. On June 15<sup>th</sup>, 2007, the Appeals Court announced the judgement dismissing CIECH SA's complaint.

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

### Action by Enapharm

In June 2004, the Liquidator for Enapharm in Algeria filed a claim for US \$ 172,879.84 (equivalent of PLN 386 thousand) as damages concerning deliveries of expired medications by CIECH SA between 1985 and 1991.

According to the claimant, CIECH SA did not replace expired medications that the customer had not sold, in violation of the contract between the parties. CIECH SA claims that it was exempt from the replacement provision, in light of the claimant failing to make the payments due from its sales of the medications in the Algerian market; what is more, CIECH SA raised 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 SA, notifying an increase in value of the medications subject to the complaint to US \$ 372,085.72 (equivalent of PLN 830 thousand).

The opinion was reviewed by CIECH SA for credibility and compliance with the purchase-sales contract. CIECH SA 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 SA, 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 announced the appointment of a new expert.

The case is pending before the Algerian court. CIECH SA 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 31<sup>st</sup>, 2007, the President of UOKiK initiated an anti-trust procedure against CIECH SA on the charge of abuse of a dominant position in the domestic market of table salt production and sales, 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 SA, and by prohibiting table salt purchases from any other entity than the selling party, which may breach Article 9, section 1 in conjunction with section 2, item 5 of the Act on Competition and Consumer Protection.

On January 31<sup>st</sup> and March 14<sup>th</sup>, 2008, CIECH SA submitted initial explanations to the President of UOKiK refuting the presented charge and filed for dismissal of the proceedings. CIECH SA claims that the abuse of the dominant position on the table salt market cannot have taken place in this case.

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

### Action by Consolidated Oil Services

Consolidated Oil Services (COS), with its registered office in Warsaw, has brought an action against CIECH SA for payment of PLN 188,478.81 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 SA 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.

### Employee claims

Two industrial cases are currently pending against CIECH SA, 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 suits are good.

CIECH SA has established a provision for the aforementioned liabilities to the amount of PLN 16,947 thousand.

## **CIECH SA's (domestic and international) claims**

### Claims in courts or courts of arbitration

CIECH SA is currently conducting four cases against its trade and other debtors under Polish civil law for a total of PLN 315 thousand. The projections are good. The Company wrote-down the above-mentioned amount in full.

### Claims in bankruptcy proceedings

A total of PLN 9,694 thousand is being claimed in forty-five domestic bankruptcy proceedings.

CIECH SA is claiming US \$ 689,632 and EUR 425,108 (totalling PLN 3,037 thousand) via international bankruptcy proceedings, with the largest claims being the bankruptcy proceedings for:

- Chemapol – Prague (PLN 536 thousand);
- Euroftal N.V. Belgium (PLN 736 thousand);
- Petrimex – Bratislava (PLN 502 thousand);
- WMW – Novosibirsk (PLN 334 thousand).

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

The Company wrote down all pending proceedings.

### Claims in enforcement and composition proceedings

CIECH SA is claiming PLN 9,263 thousand from domestic debtors through twenty-six enforcement proceedings. The projections as to the results of the enforcement proceedings are different, depending on the debtors' assets.

The amount of EUR 27,116 (equivalent of PLN 96 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 2.2305
EUR exchange rate	PLN 3.5258

## **II. Subsidiaries**

### **SODA MAŁY Group**

No claims (liabilities) have been filed against the SODA MAŁY Group that could materially affect its business. On the other hand, claims of SODA MAŁY S.A. and its subsidiaries in bankruptcy proceedings, in court actions and in enforcement proceedings amount to PLN 24,002 thousand, with the largest claim of PLN 21,814 thousand pending against the company B. Lepiarz, for unpaid deliveries of goods in enforcement proceedings. According to SODA MAŁY S.A.'s knowledge, projections are not good.

The SODA MAŁY Group wrote down claims in all pending cases.

### **Soda Polska Ciech Sp. z o.o.**

As at November 07, 2007, pursuant to the agreement on business transfer and in the manner specified in Article 551 of the Civil Code, Soda Polska Ciech Sp. z o.o. took over from the Janikosoda Group its court and administrative cases.

No material claims (liabilities) have been filed against Soda Polska Ciech Sp. z o.o. that could affect its business.

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 320 thousand. Debt enforcement proceedings are pending to recover a total of PLN 2,125 thousand, including the largest claim for PLN 2,102 thousand against B. Lepiarz. The amount of PLN 351 thousand is being claimed through bankruptcy proceedings.

Soda Polska Ciech Sp. z o.o. wrote down claims in all pending cases.

### **"VITROSILICON" Spółka Akcyjna**

No claims (liabilities) have been filed against the company that could affect its trade business. The company is claiming a total of PLN 1,183 thousand from trade debtors, including the largest claim pursued through enforcement proceedings for PLN 657 thousand, and PLN 474 thousand pursued through bankruptcy proceedings.

"VITROSILICON" Spółka Akcyjna wrote down claims in all pending cases.

### **"Alwernia" S.A.**

No claims (liabilities) have been filed against "Alwernia" S.A. that could materially affect its business. "Alwernia" S.A. is claiming trade receivables and damages to a total amount of PLN 340 thousand through court actions and enforcement proceedings. The amount of PLN 1,115 thousand is claimed in bankruptcy proceedings.

"Alwernia" S.A. wrote down claims in all pending cases.

### **Chemian S.A.**

No claims (liabilities) have been filed against Chemian S.A. that could materially affect its business. Chemian S.A. filed court cases against several dozen trade debtors for a total of PLN 4,189 thousand, including PLN 2,162 thousand claimed in enforcement proceedings and PLN 975 thousand in bankruptcy and composition proceedings.

Chemian S.A. wrote down claims in all pending cases.

### **FOSFORY Group**

No claims (liabilities) have been filed against the companies belonging to the FOSFORY Group that could materially affect their trade business. The FOSFORY Group is claiming a total of PLN 4,034 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.

The FOSFORY Group wrote down claims in all pending cases.

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

No claims (liabilities) have been filed against CIECH POLFA Sp. z o.o. that could affect its business. The company is claiming a total of US \$ 34 thousand (equivalent of PLN 76 thousand) from trade debtors for unpaid deliveries of goods.

The company wrote down claims in all pending cases.

### **Zakłady Chemiczne "Organika - Sarzyna" Spółka Akcyjna**

No material claims (liabilities) have been filed against Z.Ch. "Organika – Sarzyna" S.A. that could affect its trade business.

Z.Ch. "Organika – Sarzyna" S.A. is claiming the amount of PLN 3,805 thousand from a dozen or so domestic companies in court actions, bankruptcy, enforcement and composition proceedings. The largest amount of PLN 2,609 thousand is claimed in bankruptcy and composition proceedings.

The Group wrote down claims in all pending cases.

### **ZACHEM Group**

No material claims (liabilities) have been filed against the companies belonging to the ZACHEM Group that could affect its business. The ZACHEM Group's claims pending in business lawsuits, bankruptcy, enforcement and administrative proceedings from a dozen or so debtors total PLN 15,519 thousand, with the largest claim being PLN 12,569 thousand in bankruptcy and composition proceedings.

The Group wrote down claims in all pending cases.

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

No claims have been filed against S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. that could affect its business. 8 business lawsuits are currently pending against the Company to satisfy the claim of RON 168 thousand (equivalent of PLN 159 thousand).

Furthermore, S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A. is claiming a total of RON 45 thousand (equivalent of PLN 43 thousand) from various debtors in seven business lawsuits.

The exchange rate adopted for translation is: 1 RON = 0.9456 PLN

## **22. Disclosures concerning non-standard and non-routine transactions with affiliated entities concluded by CIECH SA or its subsidiaries**

<b>Transaction party</b>	<b>Affiliation with the party to the transaction</b>	<b>Transaction</b>	<b>Financial terms</b>	<b>Specific characteristics of the contract deviating from generally applicable terms and conditions for similar contracts</b>	<b>Additional information</b>
<b>CIECH SA</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	Transaction value: EUR 5 million
Boruta Kolor Sp. z o.o.	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
<b>SODA MAŃWY Group</b>					
Loan agreement between Soda Polska CIECH Sp. z o.o. (lender) and SODA MAŃWY S.A. (borrower)	Soda Polska CIECH Sp. z o.o. - subsidiary of SODA MAŃWY S.A.	Loan agreement of November 14th, 2007 for PLN 1,500 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 SODA MAŃWY	Soda Polska CIECH Sp. z o.o. - subsidiary of SODA MAŃWY S.A.	Loan agreement of November 19th, 2007 with an Addendum of February 29, 2008 for PLN	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
S.A. (borrower) Loan agreement between Soda Polska CIECH Sp. z o.o. (lender) and JANIKOSODA MAŃWY S.A. (borrower)	Soda Polska CIECH Sp. z o.o. - associate of JANIKOSODA S.A.	5,385 thousand  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 JANIKOSODA MAŃWY S.A. (borrower)	Soda Polska CIECH Sp. z o.o. - associate of JANIKOSODA 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.
Loan agreement between Soda Polska CIECH Sp. z o.o. (lender) and SODA MAŃWY S.A. (borrower)	Soda Polska CIECH Sp. z o.o. - subsidiary of SODA MAŃWY S.A.	Short-term loan agreement of February 29th, 2008 for PLN 1900 thousand	1M WIBOR from each interest period increased by a 0.45% margin annually.	None	Short-term loan falling due on July 31st, 2008 to finance current liabilities.
Loan agreement between Soda Polska CIECH Sp. z o.o. (lender) and JANIKOSODA MAŃWY S.A. (borrower)	Soda Polska CIECH Sp. z o.o. - associate of JANIKOSODA S.A.	Short-term loan agreement of February 29th, 2008 for PLN 3000 thousand	3M WIBOR from each interest period increased by a 0.45% margin annually.	None	Short-term loan falling due on July 31st, 2008 to finance current liabilities.

## 23. Disclosures on loan and borrowing sureties granted by CIECH SA 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 SA and the borrower
	currency in thousands	in thousands of PLN				
<b>CIECH SA</b>						
KREDYT BANK SA Sieradz Branch		4 000	by 31.08.2008	Payment to CIECH SA equal to 1% of the surety value + PLN 3.5 thousand + PLN 2.5 thousand + PLN 62.5 thousand	Chemana S.A.	Subsidiary
KREDYT BANK SA Sieradz Branch		4 000	by 31.08.2008	Payment to CIECH SA equal to 1% of the surety value + PLN 3.5 thousand + PLN 2.5 thousand	Chemana S.A.	Subsidiary
PKN ORLEN SA		1 200	no fixed term	Payment to CIECH SA equal to 1% the surety value	Chemana S.A.	Subsidiary
BANK PKO SA First Branch in Warsaw		4 000	by 31.07.2008	Payment to Ciech SA equal to 1% of the surety value (from PLN 2 million) + PLN 10 thousand on increase + PLN 4 thousand + PLN 5 thousand on extension	Chemana S.A.	Subsidiary
BANK PKO SA First Branch in Warsaw		500	by 31.07.2008		Chemana S.A.	Subsidiary
<b>Total CIECH SA</b>		<b>13 700</b>				
<b>JANIKOSODA S.A.</b>						
BOŚ Poznań	EUR 1,013	3 624	by 16.11.2009	No fee	"VITROSILICON" Spółka Akcyjna	Subsidiary
<b>Total JANIKOSODA S.A.</b>		<b>3 624</b>				
<b>ZACHEM S.A.</b>						
Bank Pekao S.A.		18 160	by 30.07.2008	None	Kapuściska Water Law Company	None
Nordea Bank		18 160	by 30.07.2009	None	Kapuściska Water Law Company	None
<b>Total ZACHEM S.A.</b>		<b>36 320</b>				
<b>Total loans guaranteed</b>		<b>53 644</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 SA and the borrower
	currency in thousands	in thousands of 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	by 31.12.2011		Kapuściska Water Law Company	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 SA and the Principal
	currency in thousands	in thousands of PLN				
<b>CIECH SA</b>						
Citibank Romania S.A.	EUR 8,000	28 206	by 28.03.2009	Payment to CIECH SA equal to 0.5% of the surety value	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
ING Bank NV – Amsterdam Branch in Bucharest	EUR 9 000	31 732	by 12.09.2008	Payment of EUR 19.1 thousand as a return of guarantee costs incurred by CIECH SA	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
SG Equipment Leasing Polska Sp. z o.o. - Warsaw	EUR 1 100	3 878	30.09.2009	To the lease agreement concluded between S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and ECS International Polska Sp. z o.o. as of July 10 <sup>th</sup> , 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	5 994	30.09.2009		S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
Air Products, LLC and Air Products Europe B.V. Chemicals	US \$ 38 500	85 874	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	<b>ZACHEM S.A.</b>	<b>Subsidiary</b>
ThyssenKrupp Tubes (div. of ThyssenKrupp Materials Int.GmbH)	EUR 321	1 132	30.11.2008	Commission for Ciech SA of 0.5% of the guarantee value	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
COMMERZBANK AG	EUR 25,000	88 145	31.01.2013	To the contract of 23.01.2008 for 75 million	Soda Deutschland	Subsidiary

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 SA and the Principal
	currency in thousands	in thousands of PLN				
				EUR	Ciech GmbH	
KREDYT BANK S.A. w Warszawie		90	Until 25.02.2012	aval of the guarantee	Chemana S.A.	Subsidiary
DORR-OLIVER EIMCO GERMANY GmbH	EUR 539	1 900	01.11.2008	L/C opened at Pekao S.A. as a payment guarantee regarding the sodium bicarbonate band filter	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
GATX Rail Poland Sp. z o.o.		181	30.09.2008	Payment guarantee against rental	ZACHEM S.A.	Subsidiary
PPBH REMBIS Sp. z o.o. (subsidiary)		7 560	30.03.2009	Payment guarantee regarding delivery of the steam calciner	S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. - Romania	Subsidiary
<b>Total CIECH SA</b>		<b>254 692</b>				Subsidiary
<b>JANIKOSODA S.A.</b>						
Zakłady Koksownicze "Zdzieszowice"		775		Collateral for payment of receivables		
<b>Total JANIKOSODA S.A.</b>		<b>775</b>				
<b>Total amount of guarantees granted</b>		<b>255 467</b>				

#### 24. Additional information

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 & 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 income and income from financial operations are irrelevant compared to the same items recorded by the parent company, and their combined figures are lower than 5% than 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 SA in the company (direct + indirect)	Net income from sale of goods and products and from financial operations	Net profit / loss	Balance sheet total of the entity/ Group**	CIECH SA's income (%)	CIECH SA's balance-sheet total (%)	Dependence on CIECH SA
1) Chemia.com S.A.	100.00%	4 492	297	4 445	0.79%	0.2%	Subsidiary
2) Polcommerce Handel und Vertretungsgesellschaft m.b. H.	100.00%	10 202	84	5 774	1.80%	0.31%	Subsidiary
3) CIECH SERVICE Sp. z o.o.	100.00%	1 085	124	1 557	0.19%	0.08%	Subsidiary
4) "BORUTA - KOLOR" Sp. z o.o.	100.00%	3 189	1 408	19 067	0.56%	1.01%	Subsidiary
<b>5) CIECH POLFA Group</b>							



Non-consolidated entities	Shares of CIECH SA in the company (direct + indirect)	Net income from sale of goods and products and from financial operations	Net profit / loss	Balance sheet total of the entity/ Group**	CIECH SA's income (%)	CIECH SA's balance-sheet total (%)	Dependence on CIECH SA
5.1.) Polcommerce Kft., Hungary	100.00%	430	1	669	0.08%	0.04%	Indirect subsidiary
<b>6) SODA MAŁY Group</b>							
6.1.) SODA - MED. Sp. z o.o.	99.74%	232	(33)	2 954	0.04%	0.16%	Indirect subsidiary
7) Nordiska Unipol Aktienbolag	97.78%	3 801	121	5 744	0.67%	0.30%	Subsidiary
<b>8) ALWERNIA Group</b>							
8.1.) "ALWERNIA - FOSFORANY" Spółka z ograniczoną odpowiedzialnością	73.75%	-	-	50	0.00%	0.00%	Indirect subsidiary
8.2.) SOC - AL. Spółka z ograniczoną odpowiedzialnością	69.88%	470	11	1 677	0.08%	0.09%	Indirect subsidiary
9) CHEMIEPETROL Außenhandelsgesellschaft mit beschränkter Haftung in liquidation	60.00%	87	(711)	3 958	0.02%	0.21%	Subsidiary
10) DANSKE UNIPOL A/S	55.00%	9 118	115	7 623	1.61%	0.40%	Subsidiary
<b>11) ORGANIKA - SARZYNA Group</b>							
11.1.) Z.D. "ORGANIKA" Sp. z o.o.	51%	894	19	2 561	0.16%	0.14%	Indirect subsidiary
<b>12) Soda Deutschland Ciech Group</b>							
12.1. Sodachem GmbH	100%	1 515	-	1 615	0.27%	0.09%	Subsidiary
12.2. KPG Kavernen-Projekt-Beteiligungsgesellschaft mb H	100%	-	-	733	0.00%	0.04%	Subsidiary
13) Ciech America Latina LTDA	99.99%	-	(202)	631	0.00%	0.03%	Subsidiary

\* out of business

Total value	Non-consolidated entities	Ciech Group (without eliminations)	% share
Balance sheet totals	59 058	6 446 590	0.92%
Net income from sale of goods and products and from financial operations	35 515	1 647 082	2.16%

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

Entities not accounted for using the equity method	Shares of CIECH SA in the company (direct + indirect)	Total number of votes at the General Meeting (%)	Acquisition cost	Allowances for the acquisition cost	Equity as at 31.03.2008 attributable to the Ciech Group	Net income from sale of goods and products and from financial operations of a given entity	Balance-sheet total of the entity	Net profit (loss)
			(thousands of PLN)	(thousands of PLN)	(thousands of PLN)	(thousands of PLN)	(thousands of PLN)	(thousands of PLN)
1) Suomen Unipol Oy*	24.78%	24.78%	132	-	1 002	12 323	12 340	534
<b>2) ORGANIKA - SARZYNA Group</b>								
2.1.) "Komunalna Biologiczna Oczyszczalnia Ścieków - Spółka z ograniczoną odpowiedzialnością"	56.62%	45.29%	8 358	-	8 008	517	14 381	(100)
2.2.) Zakłady Chemiczne "Silikony Polskie" Spółka z ograniczoną odpowiedzialnością	30.00%	24.00%	5 209	-	5 745	4 168	21 211	(66)
2.3.) "Bud - Org" Sp. z o.o.	24.85%	19.88%	43	-	249	785	1 539	84
2.4.) "Gumokor - Organika" Sp. z o.o.	24.81%	19.84%	16	-	105	128	507	(44)
2.5.) "ORGANIKA - PROJECT" Sp. z o.o.	24.49%	19.59%	18	-	49	169	274	5
2.6.) "DREWREM - ORGANIKA" Sp. z o.o.	24.14%	19.31%	8	-	16	236	229	(10)
2.7.) "EL - CHEM" Sp. z o.o.	24.73%	19.78%	92	-	438	1 341	3 236	115
2.8.) "WOD - REM" Sp. z o.o.	24.94%	19.95%	146	-	464	1 342	2 613	(2)
2.9.) "NS Automatyka" Sp. z o.o.	22.44%	17.95%	115	-	475	1 054	3 775	3
<b>3) ZACHEM Group</b>								
3.1.) "BUDPUR" Spółka z ograniczoną odpowiedzialnością	27.73%	22.18%	63	-	142	642	898	10
3.2.) Przedsiębiorstwo Transportowo Spedycyjne "TRANSCHEM" Spółka z ograniczoną odpowiedzialnością	27.81%	22.25%	89	54	80	4 956	1 832	4
3.3.) Zakład Remontowo - Produkcyjny "Metalpur" Spółka z ograniczoną odpowiedzialnością	24.52%	19.62%	26	-	226	1 142	1 382	81
3.4.) Natural Chemical Products	44.03%	35.23%	214	-	3 168	7 459	15 034	82
<b>4. Soda Deutschland Ciech Group</b>								
4.1. Kaverngesellschaft Staßfurt GmbH	50%	50%	no data available	-	811	971	5 127	157
<b>Total value</b>	-	-	<b>14 529</b>	<b>54</b>	<b>20 978</b>	<b>37 233</b>	<b>84 378</b>	<b>853</b>

CIECH SA also 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 SA; 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 SA.
- Polsin - Karbid Sp. z o.o. in liquidation, 22.76% shares/votes held by CIECH SA, shares/votes (direct + indirect) via CIECH SA and POLSIN PRIVATE LIMITED
- K.Foster&Son Ltd. lost control, 46.51%, shares/votes held indirectly by CIECH SA through DALTRADE PLC
- Polfa Nigeria - lost control, no contact with the company, 20% share held directly by CIECH SA.
- Zach - Ciech Sp. z o.o. - 35.65% shares/votes held directly by CIECH SA; on January 24<sup>th</sup>, 2006, the District Court in Katowice declared the company bankrupt.
- Zakład Gastronomiczno - Hotelowy "MIREX" Sp. z o.o. – in liquidation; 27%, shares/votes held indirectly by CIECH SA through ZACHEM S.A.
- Polsin Overseas Shipping Ltd. is an associate of CIECH SA. The company did not deliver its financials for Q1 2008.

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

### Information necessary to assess the HR situation

In Q1 2008, the Company launched a unique additional educational programme for front line workers employed in the production plants of the Ciech Group – the first edition of postgraduate studies in chemistry, carried out together with the Warsaw University of Technology. Postgraduate Studies of "Chemical and Process Technology and Engineering" are organised jointly by two departments of this well-renowned school of higher education: the departments of chemistry and chemical and process engineering. Classes for 30 employees of the Ciech Group are conducted by eminent scientists.

On March 20<sup>th</sup>, 2008, the Management Board of CIECH SA and union organisations operating in the Company i.e. Związek Zawodowy Pracowników Grupy Ciech (*Trade Union of Employees of the Ciech Group*), Komisja Międzyzakładowa NSZZ "Solidarność" (*Inter-Company Commission of the Independent and Self-Governing Trade Union "Solidarność"*) and Międzyzakładowy Związek Zawodowy SODA MAŁY (*Inter-Company Trade Union of SODA MAŁY*) signed the Corporate Collective Labour Agreement of CIECH S.A. The Agreement provides for all important issues concerning the relationship: employee – employer – trade union. The Agreement regulates the terms of employee hiring, work time, scheme of compensations and other job-related bonuses, H&S issues, social activities, professional advancement, handling of employees' qualifications and dealings of the employer with trade unions. Some provisions include earlier legal solutions, e.g. those concerning compensations, bonuses and professional advancement. The Agreement was registered by the District Labour Inspector (OIP) in Warsaw and became effective on April 10<sup>th</sup>, 2008.

In Q1 2008, the Company embarked on improvement of the existing system of Management by Objectives (MBO). A series of training seminars has been organised and delivered for middle and top management and other employees. Their commitment is to be increased by the currently tested, new tool for monitoring of commonly agreed objectives – a computer system that supports management of the employee performance results.

### Factors that might potentially impact on the next-quarter results

- Increase in revenues of the Ciech Group resulting from inclusion of the Soda Deutschland Ciech Group – manufacturer of soda ash and baking soda in December 2007.
- Completion of organic acquisitions and investments provided for in the new strategy of the Ciech Group for 2007 - 2011.
- Continuation of the favourable economic situation in the European glass and construction industries, that are significant markets for CIECH SA (relevant, in particular, for new assembly lines for glass manufacturing as recently launched and planned in Central and Eastern Europe).
- Price increases of soda ash in the European market since the beginning of 2008 (by 10 - 15% as compared to 2007), related to the increase of manufacturers' costs and expected supply shortages.
- Less intensive deliveries of competitive soda ash from USA to Europe (in favour of export to China and South America).
- Increasing tendency in the use of fertilisers in Europe and globally, resulting from increasing acreage of plantations of industrial plant used for biofuels production and fast-growing demand of developing countries.
- The good standing of the Polish furniture industry, also being a consumer of the Ciech Group products (polyurethane foams and, indirectly, tolylene diisocyanate (TDI)).

## External factors of general nature

### ***Economic situation in Europe and worldwide***

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

According to the forecasts of CEFIC, European Chemistry Industry Council, (published at the end of the previous year), 2008 will see a general economic slowdown to 3.3% GDP worldwide (from 3.5% in 2007) and to 2.4% GDP in EU27 (from 2.8% in 2007). Expectations as to the chemical sector in the EU are not too optimistic either (decrease in dynamics of the chemical output without pharmacy to 1.9% in 2008, compared to 2.6% in 2007). Macroeconomic forecasts of the International Monetary Fund from April 2008 confirm the aforementioned sharp slow down in development of all regions in the world, apart from the Middle East.

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

### ***Situation in the consumer industries of the Ciech Group products in Poland***

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

How those industries expand, depends on the general economic situation in Poland. The industrial output in fixed prices recorded over the first 3 months of 2008 increased by 8.5% (in 2007 by 13.0%). The dynamics of the chemical industry was: -2.8% (in 2007 +13.9%) with regard to the manufacture of chemical products, and +10.2% (in 2007 +25.1%) with regard to the manufacture of rubber products and plastics.

2007 was another year in a row that saw a high economic upturn in the country. According to the Central Statistical Office, the GDP dynamics reaches 6.6%. However, a slight stagnation of this dynamic to approx. 5% is assumed for 2008. Probably some stagnation will occur in the sales growth rate of the chemical sector, growth of which is usually similar to the entire economy.

### ***Financial standing of the agricultural industry***

The Ciech Group derives a certain portion of its income, mainly generated from mineral fertilisers, and plant protection chemicals, from the agricultural sector. CIECH SA estimates that the demand for its mineral fertilisers in Poland should remain stable, with a growing significance of mixed fertilisers. The factors that will most likely benefit the demand for agrochemical products and thereby the demand for the Ciech Group products include processes aimed at improving the financial standing and profitability of agricultural production, including production quotas and direct payments. This should translate into an increase in the Ciech Group's revenues. If no purchasing-power improvement is recorded in the agricultural sector, the demand for fertilisers and plant protection chemicals will slacken, as will the Ciech Group's income from agrochemical product sales. According to the data of the Institute of Agricultural and Food Economics, in the first two months of 2008, market conditions in the Polish agriculture have slightly deteriorated, yet they are still very favourable. The complex indicator of the economic situation in agriculture (SKWR) is still higher than a year ago.

### ***Economic situation in the raw material market***

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

### ***PLN/EUR exchange rates***

The majority of the Ciech Group's export sales are settled in EUR. A strong EUR means higher profitability for exports, both for the Ciech Group and other chemical industry players in Poland. Furthermore, it increases volumes of turnover carried out by CIECH SA for other manufacturers. As a result, the 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.

### ***Implementation of the REACH system***

CIECH SA and the companies of the Ciech Group are preparing implementation of the REACH system. Their work is currently monitored by the REACH Task Force, which was appointed by the resolution of the CIECH SA Management Board in January 2007.

Subjecting chemicals to the requirements of the REACH regulation will influence manufacturing costs of the Ciech Group (registration fees, costs of research and tests, purchase of authorisations {where required}), and the increase of raw material prices. A detailed impact assessment of implementation of the REACH system was carried out together with the Industrial Chemistry Research Institute in all companies of the Ciech Group. Total costs of

implementation of the REACH Regulation between 2009 and 2018 for 11 companies of the Ciech Group are estimated at EUR 14.4 million (after registration fees according to the draft EC regulation).

Current measures are focused on preparation of the companies for the initial registration of substances produced and imported that will last from June 2008 to November 2008. The initial registration of substances will allow the companies to make use of transitional periods and register the substances later on, i.e., in 2010, 2013 and 2018. Some companies have entered into partnerships with the future registering entities within associations of manufacturers operating in the EU, making consortia for the purposes of common substance registration (ZACHEM S.A. and Soda Polska Ciech Sp. z o.o. are the most advanced in this respect).

### Internal factors

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

In line with the commitments under the Privatisation Agreements concerning ZACHEM S.A. and Z.CH. "Organika - Sarzyna" S.A. and concerning plans with respect to S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. and Sodawerk Staßfurt GmbH & Co. KG, CIECH SA carries out investment packages directed at the modernisation and growth of these plants.

**ZACHEM S.A.** - the main directions of investment cover:

- Modernisation of basic manufacturing lines resulting from current technological advancements, to increase capacity and decrease manufacturing costs. Main investment tasks are the following:
  - increase of manufacturing capacity of TDI to 75 tt/year
  - increase of manufacturing capacity of PUR foams to do 25 tt/year.
- Construction of new production units to balance the demand for the main raw materials and becoming independent of external sources so as to ultimately decrease the manufacturing costs of final products. The largest investment venture for this area is the construction of the DNT/TDA complex.
- Completion of investment tasks to reduce the adverse effects on the environment and at the same time complying with the Environmental Protection Law. The main investment task within this area is development of a modern electrolytic plant to produce chlorine.

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

- New investments, implementation of which will enrich the current market offering of the Company. As a typical example, we may mention plans to launch a manufacturing system for granulated plant protection agents.
- Development of the existing manufacturing capacity for attractive products in the market. In this area, the Company invests in the increase of manufacturing capacity of non-saturated polyester resins from 15 tt/year to 25 tt/year.
- Reconstruction of productive property of the Company - technological modernisations and modern control systems;
- Investments connected with environmental protection. The largest investment tasks from this area to be completed in this year are:
  - development of the brine sewage treatment systems;
  - tasks related to air-tight sealing of apparatus, and as a result, reduction of harmful emissions.

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

- Development of the existing manufacturing capacity of soda ash;
- Reconstruction and modernisation of the existing productive property of the Company;
- Investments related to environmental protection.

**Sodawerk Staßfurt GmbH & Co. KG** – current development investments concerning:

- development of the existing manufacturing capacity of soda ash;
- modernisation of the current productive property of the Company.

### Basic risks and uncertainties concerning the Ciech Group business

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

The Ciech Group business is associated with numerous segments of the broadly understood chemical industry whose growth is directly correlated with the general economic situation. Presently, the pace of economic growth in Poland rises a few GDP percentage points a year. Although the long-term forecasts generally show that the high growth dynamics will be maintained, one cannot exclude the risk of a temporary downward trend in Poland (for instance due to the low growth rate of internal demand, weakening of export and a slow down of the investment dynamics). Possible economic downturn may indirectly affect the chemical sector. A weaker demand for chemical products may impact on Ciech Group's revenues, and impair its financial performance.

**Risk of economic stagnation in Europe and worldwide**

The Ciech Group's business relies to a large extent on chemical product exports, the level and profitability of which depend on the global economic situation in Europe and worldwide. A global economic slump can affect the export trade volumes achieved in international markets, thus reducing the revenues in the individual segments of the Ciech Group's operations.

**Risk of lower demand in the segment of the tolylene diisocyanate (TDI) customers**

As a result of the purchase of 80% of the shares in ZACHEM S.A. in 2006, CIECH SA became the main shareholder of the sole manufacturer of tolylene diisocyanate (TDI) - a semi-finished product used to manufacture polyurethane foams for the furniture and automotive industries. CIECH SA is the sole vendor of TDI from ZACHEM S.A. (one of the more important products of the Ciech Group).

The TDI market is a global market, however, and in practical terms, the majority of the product turnover is carried out within the continent of Europe. Considering the target segments (furniture and automotive industries), TDI manufacturers are strongly dependent on the general economic situation. In the event of a drastic economic downturn, the demand for TDI drops as well. Continuous presence of suppliers in numerous global markets may be a solution to secure against a worsening economic situation but only in particular regional markets. CIECH SA acts likewise.

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

In the coming years, a considerable increase in manufacturing capacities of TDI worldwide is expected (by approx. 30% or more). Provided that all the planned investments are carried out in the expected time frames, and considering an economic growth forecast of 3 - 4%, a global oversupply of TDI may be expected at the beginning of the second decade of this century. This may lead to falling prices of TDI and reduced use of the manufacturing systems. In order to mitigate adverse effects of such a scenario, the Ciech Group has taken adequate precautions to modernise the relevant manufacturing systems and decrease manufacturing costs.

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

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

**26. Reconciliation of equity presented in the statement for Q1 2007 with the currently presented financials.**

On December 31<sup>st</sup>, 2006, settlement of the merger of ZACHEM S.A., Z.Ch. "Organika - Sarzyna" S.A. and S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. was set on a provisional basis according to IFRS 3 "Business Combinations" items 61 - 62. In 2007, identification and establishment of fair value of all identifiable assets, liabilities and contingent liabilities were made. Costs of the merger were also subject to verification. The balance sheet data as at March 31<sup>st</sup>, 2007, as well as performance information for Q1 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 provisional settlement.

On account of the adjustment of accounting estimates recognised to date by the result of measurement at fair value, values disclosed in the statement as at March 31<sup>st</sup>, 2007, were subject to change. Moreover, the data disclosed by the Fosfory Group have been subject to change too (error correction), as the Group established an additional provision for environmental protection.

The table below shows the data presented to date and currently.

<i>in thousands of PLN</i>	31.03.2007 presented in the extended consolidated report for Q1 2007	Fundamental error correction - Fosfory Group	Valuation to fair value Organika Sarzyna	Valuation to fair value ZACHEM	Valuation to fair value Uzinele Sodice Govora	Change of the consolidation adjustments relative to changes in the companies' data	Deferred tax adjustment relative to revaluation of the CIECH SA shares owned by Organika Sarzyna	Changes in presentation in the statements of the Janikosoda Group and the Soda Mątwy Group	Writing off the goodwill of Uzinele Sodice Govora	31.03.2007 presented in the consolidated quarterly report for Q1 2008 (as comparable data)
<b>Equity</b>										
Share capital	164 115	-	-	-	-	-	-	-	-	164 115
Treasury shares	(6 124)	-	-	-	-	-	1 073	-	-	(5 051)
Share premium reserve	151 245	-	-	-	-	-	-	83	-	151 328
Equity components relative to assets held for sale	-	-	-	-	-	-	-	-	-	-
Revaluation reserve	18 143	-	-	-	-	12	-	(4 165)	-	13 990
Other reserves	78 682	-	-	-	-	1	-	-	-	78 683
Foreign exchange differences arising from translation of subsidiaries	(521)	-	-	-	836	(1 934)	-	-	-	(1 619)
Retained earnings	833 582	(4 309)	92 263	126 458	93 116	(192 954)	-	4 072	(90 119)	862 109
<b>Equity attributable to equity holders of the parent company</b>	<b>1 239 122</b>	<b>(4 309)</b>	<b>92 263</b>	<b>126 458</b>	<b>93 952</b>	<b>(194 875)</b>	<b>1 073</b>	<b>(10)</b>	<b>(90 119)</b>	<b>1 263 555</b>
Minority interest	49 952	-	-	-	-	(421)	-	10	-	49 541
<b>Total equity</b>	<b>1 289 074</b>	<b>(4 309)</b>	<b>92 263</b>	<b>126 458</b>	<b>93 952</b>	<b>(195 296)</b>	<b>1 073</b>	<b>-</b>	<b>(90 119)</b>	<b>1 313 096</b>
Net profit, of which:	130 909	-	(2 519)	(3 625)	(2 102)	(763)	-	(10)	-	121 890
Net profit attributable to equity holders of the parent company	130 267	-	(2 519)	(3 625)	(2 102)	(763)	-	(10)	-	121 248
Net profit of minority shareholders	642	-	-	-	-	-	-	-	-	642

**27. Reconciliation of equity presented in the statement for Q4 2007 with the currently presented financials.**

As at the publication day of the interim consolidated statement of the Ciech Group for Q1 2008, audits of annual financial statements of all lower-tier companies and groups that are consolidated in the Ciech Group's statement for 2007, had been completed. At the moment, the consolidated statement of the Ciech Group for 2007 is being audited. Adjustments in the statements of the Group companies have changed consolidated financials of the Ciech Group as at December 31<sup>st</sup>, 2007, currently presented against the data that has already been published in the report for Q4 2007.

Please find below the register of adjustments with descriptions.

***Adjustment 1 – Reclamation provisions***

The adjustment stems from the change of the discount factors applied to long-term provisions in "Alwernia" S.A., Z.Ch. "Organika – Sarzyna" S.A. and SODA MAŁY S.A. Moreover, the adjustment refers to the change in valuation of the provisions related to biological reclamation of land in ZACHEM S.A.

***Adjustment 2 – Income tax adjustment***

The adjustment refers to the recognised deferred tax in the SODA MAŁY Group resulting from the increase in tax bases of fixed assets (due to the merger of soda companies). Moreover, in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. the deferred tax as determined in the provisional settlement as at December 31<sup>st</sup>, 2006, has been withdrawn and recognised under the deferred tax provision. As in 2007, the carrying amounts came up to the same level as tax bases, the above provision was written off at the end of the provisional settlement.

***Adjustment 3 – Adjustment of inventory valuation***

The adjustment refers to valuation of inventories as at the balance sheet date of December 31<sup>st</sup>, 2007, in the SODA MAŁY Group and in "VITROSILICON" Spółka Akcyjna.

***Adjustment 4 – Adjustment of employee-benefit provisions***

S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. established a provision for voluntary redundancy scheme of RON 3 000 thousand, i.e. at the estimated benefits that will be paid to leaving employees (assumption: 120 employees - RON 25,000 each). In the annual package, the provision has been cancelled as no formal requirements were met to recognise the launch of the voluntary redundancy scheme and estimate its costs. Moreover, the adjustment relates to the reversal of the provision for severance pay to employees of the fuel station in Blaszk, owned by Cheman S.A. As new investments are planned, no dismissals will take place and consequently, no severance payments will take place.

***Adjustment 5 – Adjustment of foreign exchange differences***

The adjustment refers to revaluation of accrued exchange rate differences in S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. for 2006 and 2007.

***Adjustment 6 – Adjustment of fixed assets***

The adjustment refers to purchases and sales of fixed assets, and depreciation.

***Adjustment 7 – Adjustment of other provisions***

The adjustment refers to establishment of other provisions, such as for retirement of fixed assets.

***Adjustment 8 – Adjustment of invoices received after publication of the quarterly report***

The adjustment refers to additional postings of purchase invoices in the Ciech Group companies that have been received after the Ciech S.A. Management Board had approved the consolidated financial statement for publication.

***Adjustment 9 – Adjustment of the value of investments***

ZACHEM S.A. has revaluated the perpetual leasehold right that was contributed in kind to Bydgoski Park Przemysłowy Sp. z o.o.

***Adjustment 10 – Adjustment of sale and leaseback transactions***

The sale and leaseback transactions concerned the investment in carbonating column, constructed at S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., from components and materials purchased from various suppliers, by means of their own work and third party services. In December 2007, the column was sold to ING Lease Romania, and then leased back. By mistake, the income invoice was posted but the costs of manufacturing (equivalent of the value of investment) were not. As the missing amount was non-material, the excess of sales income over the investment value has been recognised in the 2007 result, regardless of the fact that the transaction was sales and leaseback.



***Adjustment 11 – Adjustment of presentation of exchange rate differences on the loan granted***

The adjustment refers to changed presentation of exchange rate differences on the loan granted in December 2007, to Soda Deutschland Ciech. While preparing the consolidated financial statement, the company treated the loan as part of net investments in a foreign entity and pursuant to IAS 21, recognised the exchange rate differences on translation under equity. Following the intent of the Ciech SA Management Board, the annual statement treats the loan as a monetary item to be settled over time, and recognises the exchange rate differences as an expense of the relevant period.

***Adjustment 12 – Adjustment of valuation of put option liabilities***

The adjustment refers to revaluation of put option liabilities resulting from change in the initial capitals of ZACHEM S.A. and Z.Ch. “Organika – Sarzyna” S.A.

Equity	31.12.2007 acc to IFRS presented with the statement for Q4 2007	Adjustment of reclamation provisions	Adjustment of income tax	Adjustment of inventory valuation	Adjustment of employee-benefit provisions	Adjustment of exchange rate differences	Adjustment of fixed assets
		<i>Adjustment 1</i>	<i>Adjustment 2</i>	<i>Adjustment 3</i>	<i>Adjustment 4</i>	<i>Adjustment 5</i>	<i>Adjustment 6</i>
<b>Equity</b>							
Share capital	164 115	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-
Share premium reserve	151 328	-	-	-	-	-	-
Equity components relative to assets held for sale	-	-	-	-	-	-	-
Revaluation reserve	8 248	-	-	-	-	-	-
Other reserves	78 683	-	-	-	-	-	-
Foreign exchange differences arising from translation of subsidiaries	(19 160)	-	-	-	-	(1 498)	-
Retained earnings	930 182	(3 561)	29 576	(1 645)	3 516	5 273	7 586
<b>Equity attributable to equity holders of the parent company</b>	<b>1 313 396</b>	<b>(3 561)</b>	<b>29 576</b>	<b>(1 645)</b>	<b>3 516</b>	<b>3 775</b>	<b>7 586</b>
<b>Minority interest</b>	44 989	-	-	-	-	-	-
<b>Total equity</b>	<b>1 358 385</b>	<b>(3 561)</b>	<b>29 576</b>	<b>(1 645)</b>	<b>3 516</b>	<b>3 775</b>	<b>7 586</b>
of which net profit in the marketing year	235 204	1 216	17 725	(141)	3 516	(1 574)	7 586
of which:							
Net profit (loss) of shareholders of the parent company	233 398	1 216	17 725	(141)	3 516	(1 574)	7 586
Net profit (loss) of minority shareholders	1 806	-	-	-	-	-	-

Equity	Adjustment of other provisions	Adjustment of invoices received after publication of the quarterly report	Adjustment of the value of investments	Adjustment of sale and leaseback transactions	Adjustment of presentation of exchange rate differences on the loan granted	Adjustment of valuation of PUT option liabilities	Other adjustments	31.12.2007 acc to IFRS presented with the statement for 2007
	<i>Adjustment 7</i>	<i>Adjustment 8</i>	<i>Adjustment 9</i>	<i>Adjustment 10</i>	<i>Adjustment 11</i>	<i>Adjustment 12</i>	<i>Adjustment 13</i>	
<b>Equity</b>								
Share capital	-	-	-	-	-	-	-	164 115
Treasury shares	-	-	-	-	-	-	-	-
Share premium reserve	-	-	-	-	-	-	-	151 328
Equity components relative to assets held for sale	-	-	-	-	-	-	-	-
Revaluation reserve	-	-	-	-	10 683	-	230	19 161
Other reserves	-	-	-	-	-	-	(250)	78 433
Foreign exchange differences arising from translation of subsidiaries	-	-	-	-	-	-	1 357	(19 301)
Retained earnings	(474)	(4 094)	(2 537)	(4 787)	(10 683)	(1 768)	(1 044)	945 540
<b>Equity attributable to equity holders of the parent company</b>	<b>(474)</b>	<b>(4 094)</b>	<b>(2 537)</b>	<b>(4 787)</b>	<b>-</b>	<b>(1 768)</b>	<b>293</b>	<b>1 339 276</b>
<b>Minority interest</b>	-	-	-	-	-	-	(91)	44 898
<b>Total equity</b>	<b>(474)</b>	<b>(4 094)</b>	<b>(2 537)</b>	<b>(4 787)</b>	<b>-</b>	<b>(1 768)</b>	<b>202</b>	<b>1 384 174</b>
of which net profit in the marketing year	(474)	(4 094)	(2 537)	(4 787)	(10 683)	(1 768)	2 669	241 858
of which:								
Net profit (loss) of shareholders of the parent company	(474)	(4 094)	(2 537)	(4 787)	(10 683)	(1 768)	2 804	240 187
Net profit (loss) of minority shareholders	-	-	-	-	-	-	(135)	1 671

## II. CONDENSED INDIVIDUAL FINANCIAL STATEMENT OF CIECH SA FOR Q1 2008 DRAWN UP IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS.

### BALANCE SHEET

*in thousands of PLN*

<b>BALANCE SHEET</b>	<b>31.03.2008</b>	<b>31.12.2007</b>	<b>31.03.2007</b>
<i>in thousands of PLN</i>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11 729	23 408	21 996
Perpetual leasehold right	-	65	66
Intangible assets, of which:	9 770	9 318	7 050
- goodwill	-	-	-
Investment property	27 431	12 064	12 241
Long-term receivables	37 360	44 506	45 947
Investments in associates and jointly-controlled entities accounted for using the equity method	-	-	-
Other long-term investments	1 271 665	1 277 126	954 850
Deferred income tax assets	3 204	4 731	4 547
<b>Total non-current assets</b>	<b>1 361 159</b>	<b>1 371 218</b>	<b>1 046 697</b>
<b>Current assets</b>			
Inventories	13 138	16 085	13 293
Short-term investments	59 903	40 097	7 021
Income tax receivables	5 964	3 714	3 310
Trade and other receivables	395 207	358 485	370 433
Cash and cash equivalents	50 378	33 274	125 626
Current assets held for sale	-	-	-
<b>Total current assets</b>	<b>524 590</b>	<b>451 655</b>	<b>519 683</b>
<b>Total Assets</b>	<b>1 885 749</b>	<b>1 822 873</b>	<b>1 566 380</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	164 115	164 115	164 115
Share premium reserve	151 328	151 328	151 328
Equity components relative to assets held for sale	-	-	-
Revaluation reserve	1 287	1 044	-
Other reserves	76 199	76 199	76 199
Retained earnings	358 942	337 766	374 361
<b>Total equity</b>	<b>751 871</b>	<b>730 452</b>	<b>766 003</b>
<b>Liabilities</b>			
Loans, borrowings and other debt instruments	469 056	476 114	204 538
Employee benefits	347	336	249
Provisions (other long-term)	-	-	-
Other long-term liabilities	38 898	46 209	48 040
Deferred tax provision	-	-	-
<b>Total long-term liabilities</b>	<b>508 301</b>	<b>522 659</b>	<b>252 827</b>
Overdraft facility	-	-	-
Loans, borrowings and other debt instruments	234 792	181 754	182 952
Trade and other payables	371 357	352 947	315 479
Income tax liabilities	2 210	17 824	30 742
Provisions (short-term employee-benefit and other provisions)	17 218	17 237	18 377
Liabilities arising from non-current assets held for sale	-	-	-
<b>Total short-term liabilities</b>	<b>625 577</b>	<b>569 762</b>	<b>547 550</b>
<b>Total liabilities</b>	<b>1 133 878</b>	<b>1 092 421</b>	<b>800 377</b>
<b>Total Liabilities</b>	<b>1 885 749</b>	<b>1 822 873</b>	<b>1 566 380</b>

**OFF-BALANCE SHEET ITEMS***in thousands of PLN*

	31.03.2008	31.12.2007	31.03.2007
<b>1. Contingent receivables</b>	-	-	-
<b>2. Contingent liabilities</b>	<b>260 651</b>	<b>173 269</b>	<b>106 780</b>
1.1. Towards affiliated entities	260 651	173 269	106 780
- guarantees and sureties granted	260 651	173 269	106 780
1.2. Towards other entities	-	-	-
<b>3. Other</b>	<b>26 719</b>	<b>18 978</b>	<b>18 978</b>
- other trade sureties	17 141	9 400	9 400
- investment liabilities	9 578	9 578	9 578
<b>Total off-balance sheet items</b>	<b>287 370</b>	<b>192 247</b>	<b>125 758</b>

**PROFIT AND LOSS ACCOUNT\****in thousands of PLN*

	01.01.-31.03.2008		01.01.-31.03.2007	
	Continued operations	TOTAL	Continued operations	TOTAL
<b>Net sales income</b>	<b>555 784</b>	<b>555 784</b>	<b>533 332</b>	<b>533 332</b>
Prime cost of sales	(477 610)	(477 610)	(442 269)	(442 269)
<b>Gross profit/loss on sales</b>	<b>78 174</b>	<b>78 174</b>	<b>91 063</b>	<b>91 063</b>
Other operating income	1 105	1 105	2 207	2 207
Selling costs	(31 317)	(31 317)	(30 822)	(30 822)
Administrative expenses	(17 766)	(17 766)	(17 678)	(17 678)
Other operating expenses	(1 070)	(1 070)	(1 014)	(1 014)
<b>Operating profit/loss</b>	<b>29 126</b>	<b>29 126</b>	<b>43 756</b>	<b>43 756</b>
Finance income	11 137	11 137	6 400	6 400
Finance costs	(12 869)	(12 869)	(5 915)	(5 915)
<b>Net financial income / costs</b>	<b>(1 732)</b>	<b>(1 732)</b>	<b>485</b>	<b>485</b>
Share of the net profits of subsidiaries accounted for using the equity method	-	-	-	-
<b>Profit/loss before taxes</b>	<b>27 394</b>	<b>27 394</b>	<b>44 241</b>	<b>44 241</b>
Income tax	(6 218)	(6 218)	(8 345)	(8 345)
<b>Net profit/loss</b>	<b>21 176</b>	<b>21 176</b>	<b>35 896</b>	<b>35 896</b>
Sales profit/loss relative to discontinued operations	-	-	-	-
<b>Net profit for the marketing year</b>	<b>21 176</b>	<b>21 176</b>	<b>35 896</b>	<b>35 896</b>

\* no operations were discontinued in the presented periods

**CASH FLOW STATEMENT***in thousands of PLN*

	01.01-31.03.2008	01.01-31.03.2007
<b>Cash flows from operating activities</b>		
<b>Profit (loss) for the period</b>	<b>21 176</b>	<b>35 896</b>
Depreciation	1 312	1 510
Recognition / reversal of revaluation write-downs	-	(42)
Gains / losses on foreign exchange differences	11 359	(1 651)
Investment property revaluations	-	-
Gains / losses on investment activities	(3 776)	(42)
Gains / losses on sales of fixed assets	(55)	(6)
Interest and profit sharing	(268)	2 042
Input income tax	6 218	8 345
Gains / losses on shares in entities accounted for using the equity method	-	-
<b>Operating profit before changes in current assets and provisions</b>	<b>35 966</b>	<b>46 052</b>
Movements in receivables	(25 884)	(84 664)
Movements in inventories	2 946	3 397
Movements in current liabilities	26 557	104 825
Movements in provisions and employee benefits	923	473
<b>Net cash generated from operations</b>	<b>40 508</b>	<b>70 083</b>
Interest paid	(3 341)	(247)
Income tax paid	(22 556)	(606)
other adjustments	(1 456)	(3 090)
Gains / losses on sales of discontinued operations	-	-
<b>Net cash from operating activities</b>	<b>13 155</b>	<b>66 140</b>
<b>Cash flows from investment activities</b>		
<b>Inflows (in "+")</b>		
Disposal of intangible assets and property, plant and equipment	113	16
Disposal of a subsidiary	-	-
Disposal of investments	-	-
Dividends received	-	-
Interest received	1 121	882
Other inflows	-	-
<b>Outflows (in "-")</b>		
Acquisition of intangible assets and property, plant and equipment	(7 662)	(1 183)
Acquisition of a subsidiary (net of cash acquired)	(12 448)	(2 863)
Purchase of investment property	-	-
Purchase of other investments	-	-
Research and development expense	-	-
Other outflows	(18 557)	(31 048)
<b>Net cash from investment activities</b>	<b>(37 433)</b>	<b>(34 196)</b>
<b>Cash flows from financing activities</b>		
<b>Inflows (in "+")</b>		
Net inflows from the issue of shares and other equity instruments, and capital contributions	-	-
Inflows from issue of convertible preference shares	-	-
Inflows from loans and borrowings	58 897	34 798
Other financial inflows	-	-
<b>Outflows (in "-")</b>		

	<b>01.01-31.03.2008</b>	<b>01.01-31.03.2007</b>
Purchase of treasury shares	-	-
Dividends paid and other payments to equity holders	-	-
Dividends paid to minority interest holders	-	-
Repayment of loans and borrowings	(12 890)	(1 656)
Redemption of debt securities	-	-
Payment of finance lease liabilities	-	-
Other financial outflows	(4 265)	-
<b>Net cash from financing activities</b>	<b>41 742</b>	<b>33 142</b>
<b>Total net cash flows</b>	<b>17 464</b>	<b>65 086</b>
<b>Cash at the beginning of the period</b>	<b>33 274</b>	<b>61 074</b>
Impact of foreign exchange differences	(360)	(534)
<b>Cash at the end of the period</b>	<b>50 378</b>	<b>125 626</b>

## STATEMENT OF CHANGES IN EQUITY

<i>in thousands of PLN</i>	Share capital	Treasury shares	Share premium reserve	Equity components relative to assets held for sale	Revaluation reserve	Other reserves	Retained earnings	Total equity
<b>Equity as at (the beginning of the 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	-	-	-	-	-	-	-	-
Fundamental error corrections	-	-	-	-	-	-	-	-
<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>
Long-term investment measurement	-	-	-	-	243	-	-	243
<b>Total income and expenditure for the marketing year recognised directly in equity</b>	-	-	-	-	<b>243</b>	-	-	<b>243</b>
Net profit (loss)	-	-	-	-	-	-	21 176	21 176
<b>Total income and expenditure for the marketing year</b>	-	-	-	-	<b>243</b>	-	<b>21 176</b>	<b>21 419</b>
<b>Equity as at (the end of the period) 31/03/2008</b>	<b>164 115</b>	-	<b>151 328</b>	-	<b>1 287</b>	<b>76 199</b>	<b>358 942</b>	<b>751 871</b>



*in thousands of PLN*

	Share capital	Treasury shares	Share premium reserve	Equity components relative to assets held for sale	Revaluation reserve	Other reserves	Retained earnings	Total equity
<b>Equity as at (the beginning of the 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	-	-	-	-	-	-	-	-
Fundamental error corrections	-	-	-	-	-	-	-	-
<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>
Long-term investment measurement	-	-	-	-	1 044	-	-	1 044
<b>Total income and expenditure for the marketing year recognised directly in equity</b>	-	-	-	-	<b>1 044</b>	-	-	<b>1 044</b>
Net profit (loss)	-	-	-	-	-	-	58 101	58 101
<b>Total income and expenditure for the marketing year</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 (the end of the 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>

*in thousands of PLN*

	Share capital	Treasury shares	Share premium reserve	Equity components relative to assets held for sale	Revaluation reserve	Other reserves	Retained earnings	Total equity
<b>Equity as at (the beginning of the 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	-	-	-	-	-	-	-	-
Fundamental error corrections	-	-	-	-	-	-	-	-
<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>
<b>Total income and expenditure for the marketing year recognised directly in equity</b>	-	-	-	-	-	-	-	-
Net profit (loss)	-	-	-	-	-	-	35 896	35 896
<b>Total income and expenditure for the marketing year</b>	-	-	-	-	-	-	<b>35 896</b>	<b>35 896</b>
Payment of dividends to shareholders	-	-	-	-	-	-	-	-
<b>Equity as at (the end of the period) 31/03/2007</b>	<b>164 115</b>	-	<b>151 328</b>	-	-	<b>76 199</b>	<b>374 361</b>	<b>766 003</b>

## Explanatory notes to the financial statement prepared for Q1 2008 ending on March 31<sup>st</sup>, 2008

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

On January 31<sup>st</sup>, 2007, the Extraordinary General Shareholders' Meeting of CIECH SA 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 SA 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 Interim consolidated financial statement of the Ciech Group for H1 2007, publicly disclosed on October 1<sup>st</sup>, 2007.

### 2. Earnings per share

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

<i>in thousands of PLN</i>	<b>31.03.2008</b>	<b>31.03.2007</b>
Net profit (loss) from continued operations for shareholders of the parent	21 176	35 896
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 profit per share	<u>21 176</u>	<u>35 896</u>
Net profit (loss) for shareholders of the parent company, applied to calculate the diluted profit per share	<u>21 176</u>	<u>35 896</u>
<i>in items</i>	<b>31.03.2008</b>	<b>31.03.2007</b>
Weighted average number of ordinary shares issued, applied to calculate the basic profit per share	<u>28 000 000</u>	<u>28 000 000</u>
Weighted average number of ordinary shares issued, applied to calculate the diluted profit per share	<u>28 000 000</u>	<u>28 000 000</u>

### 3. Seasonality and cyclicity of the operations

Information on seasonality and cyclicity of the operations are presented in item 11 of the extended consolidated quarterly report of the Ciech Group for Q1 2008.

### 4. Changes in accounting estimates

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

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

Disclosures regarding issue, redemption, and repayment of debt securities and equity securities have been presented in item 12 of the extended consolidated quarterly report of the Ciech Group for Q1 2008.

### 6. Dividends paid

Information on dividends paid has been presented in item 13 of the extended consolidated quarterly report of the Ciech Group for Q1 2008.

## 7. Income and profits/losses by segments of business

01.01.-31.03.2008	Soda	Organic	Petrochemical	Agro-Chemical	Silicates and glass products	Inorganic	Other Operations	TOTAL
<i>in thousands of PLN</i>								
Income from third parties	182 028	150 309	12 819	53 021	10 793	22 203	118	431 291
Income from inter-segment sales	32 042	7 655	1 851	66 111	0	12 026	4 808	124 493
<b>Total income</b>	<b>214 070</b>	<b>157 964</b>	<b>14 670</b>	<b>119 132</b>	<b>10 793</b>	<b>34 229</b>	<b>4 926</b>	<b>555 784</b>
<b>Segment profit/loss</b>	<b>46 149</b>	<b>8 868</b>	<b>1 357</b>	<b>14 934</b>	<b>1 835</b>	<b>824</b>	<b>4 207</b>	<b>78 174</b>
<b>Unallocated expenses / income</b>								<b>(49 048)</b>
<b>Operating profit</b>								<b>29 126</b>
Net financial income / costs								(1 732)
Tax								(6 218)
<b>Net profit</b>								<b>21 176</b>
<b>01.01.-31.03.2007</b>								
<i>in thousands of PLN</i>								
Income from third parties	178 116	197 872	5 748	24 314	11 282	29 858	186	447 376
Income from inter-segment sales	25 152	23 895	983	16 715	0	13 840	5 371	85 956
<b>Total income</b>	<b>203 268</b>	<b>221 767</b>	<b>6 731</b>	<b>41 029</b>	<b>11 282</b>	<b>43 698</b>	<b>5 557</b>	<b>533 332</b>
<b>Segment profit/loss</b>	<b>49 963</b>	<b>19 549</b>	<b>585</b>	<b>2 095</b>	<b>1 769</b>	<b>11 599</b>	<b>5 503</b>	<b>91 063</b>
<b>Unallocated expenses / income</b>								<b>(47 307)</b>
<b>Operating profit</b>								<b>43 756</b>
Net financial income / costs								485
Tax								(8 345)
<b>Net profit</b>								<b>35 896</b>

## 8. Material events that occurred after the end of Q1 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 1<sup>st</sup> to March 31<sup>st</sup>, 2008, occurred after the end of Q1 2008.

## 9. Changes in the entity structure

In the presented period, the Company bought shares of the subsidiary, **Gdańskie Zakłady Nawozów Fosforowych FOSFOR Y Sp. z o.o.** In March 2008, CIECH SA purchased 234 shares. As a result of these acquisitions, CIECH SA's share in the Company's capital now amounts to 89.43%.

In the presented period, the Company sold shares of the subsidiary, **Boruta-Kolor Sp. z o.o.** The transaction involved 2,500 shares that were purchased by Boruta-Kolor Sp. z o.o. for redemption. As a result, CIECH SA's share in the Company's capital now amounts to 84.66%.

## 10. Movements in contingent liabilities or contingent assets

<i>in thousands of PLN</i>	31.03.2008	31.12.2007
<b>1. Contingent receivables</b>	-	-
<b>2. Contingent liabilities</b>	<b>260 651</b>	<b>173 269</b>
1.1. Towards affiliated entities	260 651	173 269
- guarantees and sureties granted	260 651	173 269
1.2. Towards other entities	-	-
<b>3. Other</b>	<b>26 719</b>	<b>18 978</b>
- other trade sureties	17 141	9 400
- investment liabilities	9 578	9 578
<b>Total off-balance sheet items</b>	<b>287 370</b>	<b>192 247</b>

As at March 31<sup>st</sup>, 2008, contingent receivables did not occur in CIECH SA.

Contingent liabilities as at March 31<sup>st</sup>, 2008, amounted to PLN 260,651 thousand, standing for an increase to the amount of PLN 87,382 thousand in Q1. The main reasons for this difference are as follows:

- granting guarantees for liabilities of the subsidiary, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A., of EUR 321 thousand
- granting guarantees for liabilities of Soda Deutschland CIECH GmbH of EUR 25 000 thousand - granting an aval of the guarantee of PLN 90 thousand to Kredyt Bank S.A. for Cheman S.A.

**11. Revaluation write-downs on inventories, property, plant and equipment, intangibles and other assets****01.01.-31.03.2008**

<i>in thousands of PLN</i>	Balance at the beginning of the period	Established	Reversed	Balance at the end of the period
Intangible assets	-	-	-	-
Property, plant and equipment	238	-	-	238
Investment property	1 568	-	-	1 568
Long-term investments	64 699	-	-	64 699
Inventories	241	20	60	201
Receivables	45 581	194	910	44 865
Short-term investments	4 992	-	-	4 992

**01.01.-31.03.2007**

<i>in thousands of PLN</i>	Balance at the beginning of the period	Established	Reversed	Balance at the end of the period
Intangible assets	77	-	-	77
Property, plant and equipment	238	-	-	238
Investment property	1 568	-	-	1 568
Long-term investments	26 177	-	42	26 135
Inventories	668	9	-	677
Receivables	58 239	497	1 250	57 486
Short-term investments	2 992	-	-	2 992

**12. Reversal of all provisions for restructuring costs**

CIECH SA has not established any provisions for restructuring costs.

**13. Purchase and disposal of property, plant and equipment and commitments to purchase property, plant and equipment****01.01.-31.03.2008**

<i>in thousands of PLN</i>	Land, buildings, premises and civil engineering structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Purchase	-	1 033	-	482	2 918	4 433
Disposal	-	(11)	(187)	(4)	-	(202)
Reclassification investment property to	(14 852)	(3 847)	-	(34)	-	(18 733)

CIECH SA purchased PPE worth PLN 4,433 thousand in total. The purchases were financed from the Company's own resources.

The HQ of CIECH SA 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 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.-31.03.2007**

<i>in thousands of PLN</i>	Land, buildings, premises and civil engineering structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Purchase	-	208	-	15	-	223
Disposal	-	(68)	-	-	-	(68)

CIECH SA purchased PPE worth PLN 223 thousand in total. Property, plant and equipment were purchased with the Company's own resources.

#### 14. Court proceedings

##### Liabilities of CIECH SA (domestic and foreign) claimed in court or arbitration proceedings as at March 31<sup>st</sup>, 2008.

Information has been presented in item 21.I of the extended consolidated quarterly report of the Ciech Group for Q1 2008.

#### 15. Adjustments of errors from previous periods

Not applicable.

#### 16. Unpaid loans or breach of loan agreement provisions

Not applicable.

#### 17. Transactions with affiliates

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

<i>in thousands of PLN</i>	Sales income 01.01.- 31.03.2008	Purchase of goods and services 01.01.- 31.03.2008	Financial income 01.01.- 31.03.2008	Receivables as at 31.03.2008	Liabilities as at 31.03.2008
Consolidated entities	113 213	340 351	8 094	48 859	271 182
Non-consolidated entities	21 401	1 735	9	14 134	1 383

<i>in thousands of PLN</i>	Sales income 01.01.- 31.03.2007	Purchase of goods and services 01.01.- 31.03.2007	Financial income 01.01.- 31.03.2007	Receivables as at 31.03.2007	Liabilities as at 31.03.2007
Consolidated entities	77 340	350 445	3 030	42 343	222 156
Non-consolidated entities	15 782	2 240	-	9 690	1 422

#### 18. Differences between equity presented in the statement for Q4 2007 and equity for 2007 as presented in this report

Please find below the register of adjustments with descriptions.

##### **Adjustment 1 – Write-down on shares**

Following the test for impairment of shares, a write-down for shares was made for Alwernia S.A. in the statement for 2007.

##### **Adjustment 2 – Write-down on the loan**

A write-down on the loan granted to the subsidiary, Cheman S.A.

##### **Adjustment 3 – Creation of deferred tax assets**

Creation of deferred tax assets from the write-down on shares (described in adjustment 1).

##### **Adjustment 4 – Write-down on shares**

Write-down on shares in the subsidiary, S.C. Uzinele Sodice Govora.

In December 2006, CIECH SA purchased interest in the Romanian company, S.C. Uzinele Sodice Govora.

While preparing the statement for 2007, based on the mid-term plans of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. (for 2008-2012) that were using fair values of assets and liabilities and including the results of the PPA (purchase price allocation) as at 31.12.2006, shares were tested for impairment. The test showed

impairment of shares of PLN 34,000 thousand. Consequently, the Management Board of the Company, guided by prudence, decided to make a write-down on shares. Impairment of estimates was debited in line with IAS 8, of the financial costs of 2007. Pursuant to the provisions of IAS 36, the Company will assess, as at each balance sheet date, whether there is any indication that an impairment loss recognised in prior reporting periods may no longer exist or may have decreased. If the economic situation improves, the impairment loss will be reversed in subsequent reporting periods.

In the statement of the Ciech Group for 2006, S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A. was included in the consolidation based on the provisional settlement. At that time, no fair values of acquired assets and liabilities or detailed mid-term plans were available. Due to the short time interval between the control takeover and 31.12.2006, as at which the financial statement was prepared, the Management Board of CIECH SA considered that the purchase price corresponded to their fair value. Moreover, the interest held at that time did not necessitate a write-down on shares in the statement for 2006.

### **Adjustment 5 - Other**

	<b>31.12.2007 presented with the statement for Q4 2007</b>	<b>Adjustme nt 1</b>	<b>Adjustme nt 2</b>	<b>Adjustme nt 3</b>	<b>Adjustme nt 4</b>	<b>Adjustm ent 5</b>	<b>31.12.2007 in the presented statement</b>
<b>Equity</b>							
Share capital	164 115	-	-	-	-	-	164 115
Treasury shares	-	-	-	-	-	-	-
Share premium reserve	151 328	-	-	-	-	-	151 328
Equity components relative to assets held for sale	-	-	-	-	-	-	-
Revaluation reserve	1 044	-	-	-	-	-	1 044
Other reserves	76 199	-	-	-	-	-	76 199
Foreign exchange differences arising from translation of subsidiaries	-	-	-	-	-	-	-
Retained earnings	382 290	(11 000)	(2 000)	2 090	(34 000)	386	337 766
<b>Total equity</b>	<b>774 976</b>	<b>(11 000)</b>	<b>(2 000)</b>	<b>2 090</b>	<b>(34 000)</b>	<b>386</b>	<b>730 452</b>
of which net profit in the marketing year	102 625	(11 000)	(2 000)	2 090	(34 000)	386	58 101



### III. Statement by the Management Board.

This extended consolidated quarterly report of the Ciech Capital Group for Q1 2008 was approved by the Management Board of CIECH SA in its headquarters on May 15<sup>th</sup>, 2008.

Warsaw, May 15<sup>th</sup>, 2008

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

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

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

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

.....  
**Kazimierz Przełomski – Member of the Management Board of CIECH Spółka Akcyjna**