



Results for Q3 2011

Warsaw, November 10<sup>th</sup>, 2011

## Company Profile

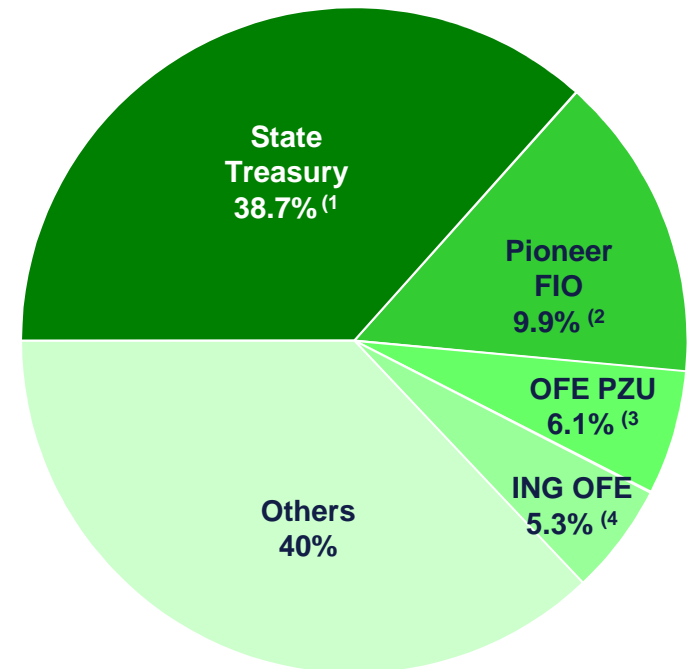


### More than 65 years on the world's markets

Ciech Chemical Group is one of the European market leaders, it is composed of more than 8 production companies as well as service-rendering companies, and it is among fifty largest economic organisations in Poland.

The Group's main products include soda ash (second place in Europe) and TDI (No. 1 in the Polish market), polyester and epoxy resins, plant protection chemicals, glass products and other chemicals used in the glass, furniture, food, construction industries and in the agriculture.

## Shareholders

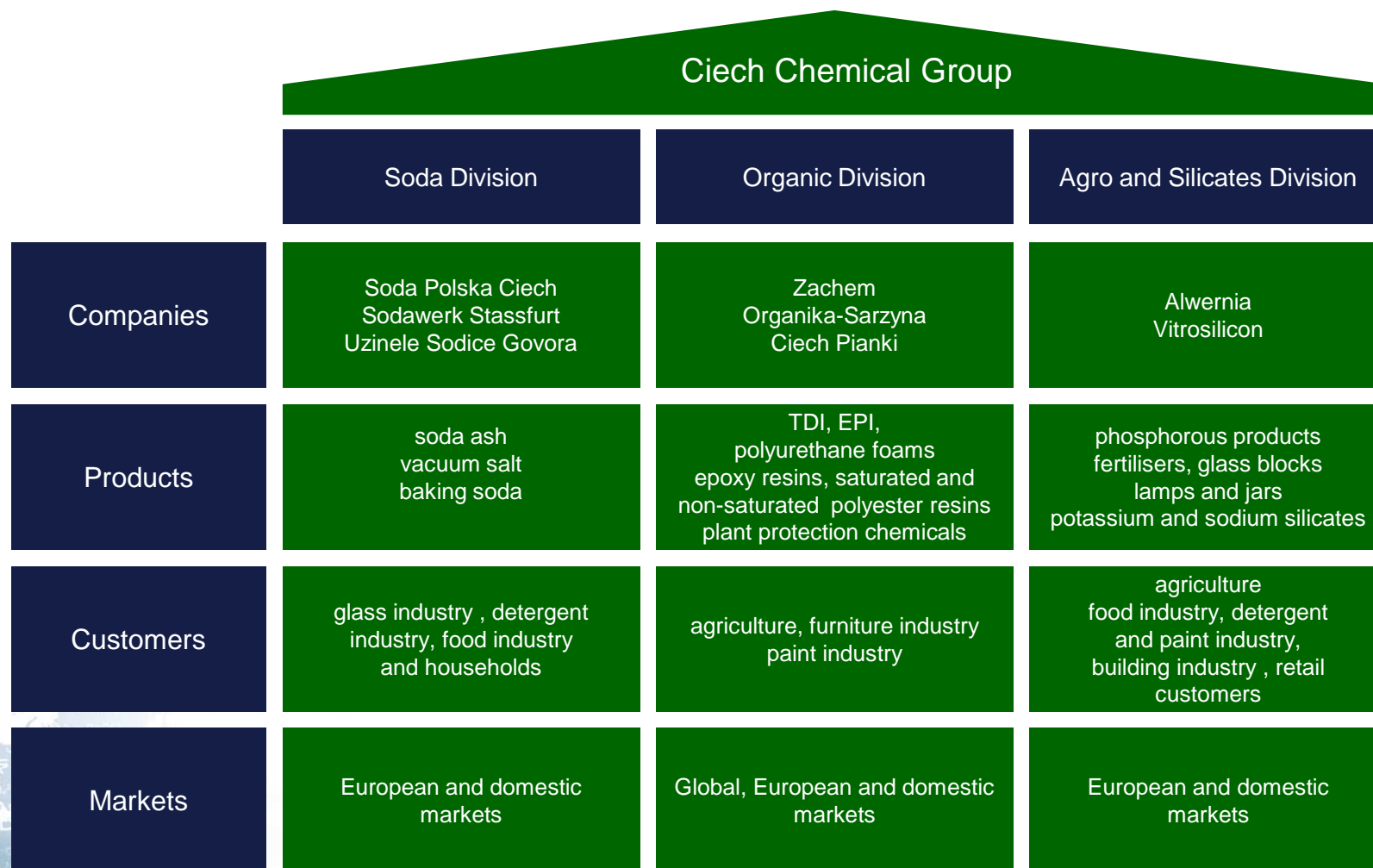


<sup>1)</sup> State Treasury – as at August 23<sup>rd</sup>, 2011

<sup>2)</sup> Pioneer FIO – Pioneer Open-End Investment Fund as at October 14<sup>th</sup>, 2011

<sup>3)</sup> OFE PZU – PZU „Złota Jesień” Open-End Pension Fund as at March 3<sup>rd</sup>, 2005

<sup>4)</sup> ING OFE – ING Open-End Pension Fund as at February 18<sup>th</sup>, 2011



**1 Conditions of operation in Q3 2011**

**5**

2 Essential events

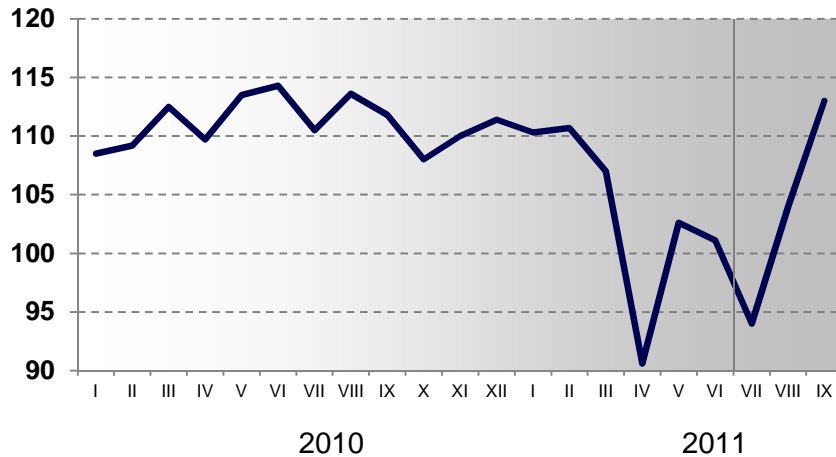
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3 Group's results

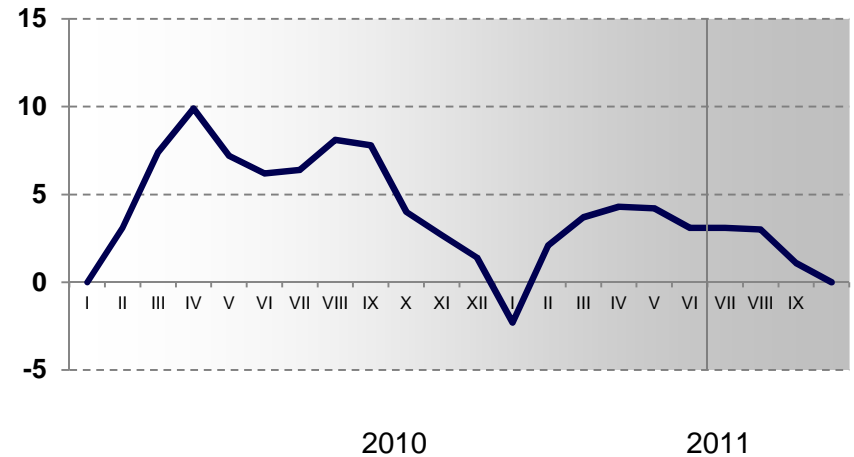
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Dynamics of the production sold of the industry <sup>1</sup> (Poland)



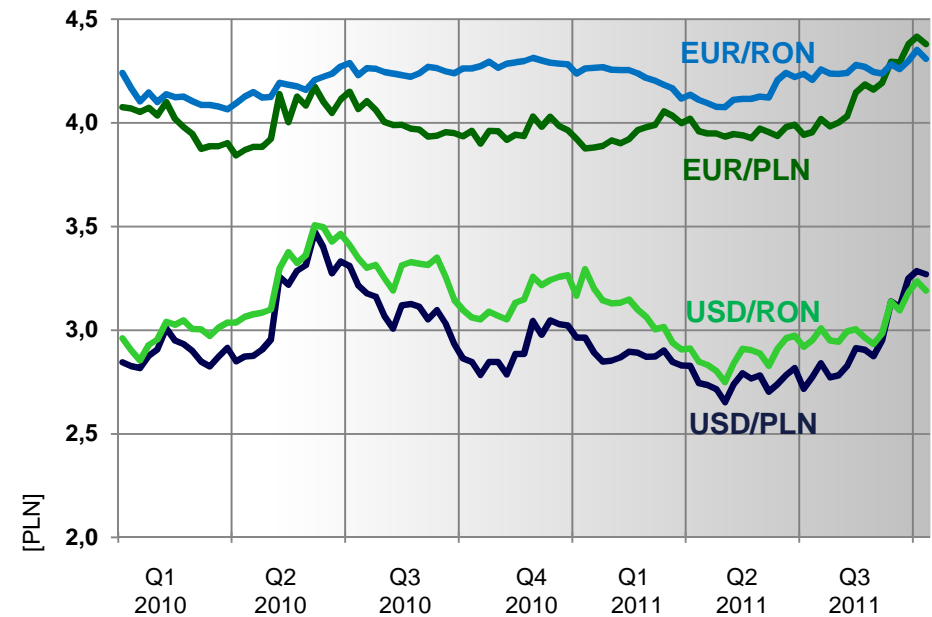
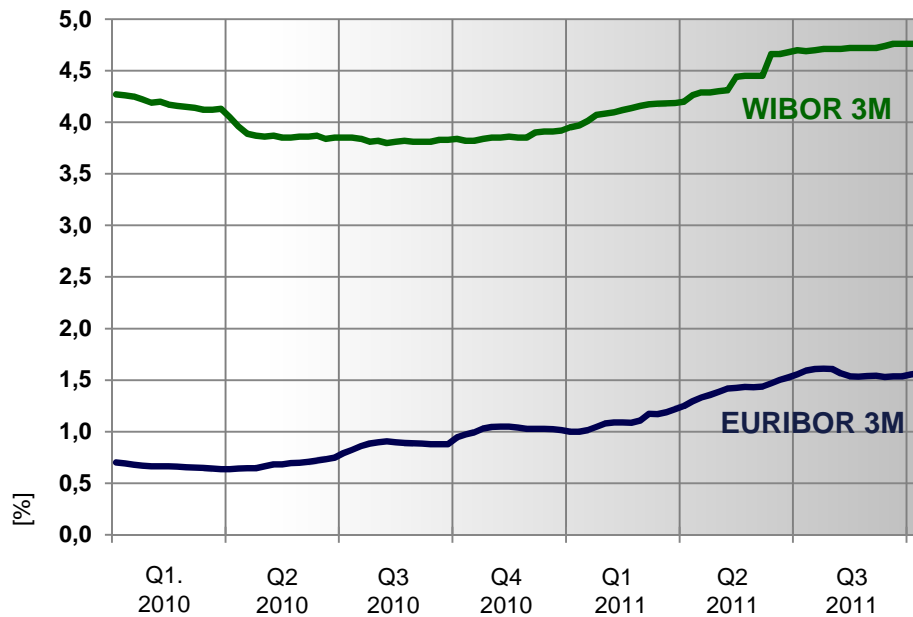
General economic situation index (Poland)



Only the end of Q3 2011 observed a gradual increase in the dynamics of the production sold of the industry. However, the higher index results partially from low basic ratio – the index is compared to the preceding quarter equal to 100. The poor results reflect the global economic situation. The economic situation looks much worse. Worse situation assessments result from less optimistic demand and sale forecasts and negative financial situation.



Source: GUS <sup>1</sup> The value of dynamics referred to the previous quarter is 100%



Q3 2011 saw a significant intensification of aversion to risk and the general uncertainty in the financial markets. This resulted in an increase in basis rates (on average by 29 bp q/q) and crediting costs.

The cost of an EUR loan is still below the cost of a PLN loan.

At the beginning of Q 3 2011, EUR was subject to a significant appreciation in comparison to PLN. At the end of the quarter, the exchange rate rose to more than PLN 4.30. American dollar/Polish zloty and American dollar/Rumanian lei exchange rates observed a similar trend.

The euro exchange rate affects the profitability of the Group's exports, because a significant portion thereof is intended for EU member states. The high dollar exchange rate positively affects the profitability of sales of soda from US Govora and negatively affects the costs of acquisition of some raw materials, including those for TDI production.

1	Conditions of operation in Q3 2011	5
<b>2</b>	<b>Essential events</b>	<b>8</b>
3	Group's results	12



### New loan agreement – satisfaction of the conditions precedent and disbursement of funds

On September 14<sup>th</sup> the conditions precedent under the loan agreement dated February 10<sup>th</sup>, 2011 to the disbursement of loans by Commercial Banks to Ciech S.A. and S.C. US Govora S.A. were satisfied; On September 29<sup>th</sup> the funds for refinancing the debt of EUR 39.6 million + PLN 621.2 million were disbursed. The implementation of the new loan agreement:

- will result in a reduction in interest costs in the next quarters;
- enables to refinance with a long-term loan the current short-term bridging debt;
- provides partial financing to the Group in EUR, thus reducing the foreign exchange risk resulting from exports in euro.

The loan agreement also provides for disbursement of funds from EBRD accounting for an equivalent of PLN 300 million to subsidy the Group's investment programme, which is to take pace in Q4 2012.

### Issue of shares against contributions in kind

On July 27<sup>th</sup>, 2011 Ciech entered into an agreement with the State Treasury pursuant to which the State Treasury acquired 1 699 909 series E shares at an issue price of PLN 26.06, and Ciech acquired 25.01% of shares of ZCh Alwernia (increasing its share up to 98.76%), 5.15% of shares of ZCh Zachem (increasing its share up to 97.44%), and 5,06% of shares of ZCh Organika-Sarzyna (increasing its share up to 98.11%) with a total value of PLN 44.3 million.

### Organsiation of the Group's structure

The Company continues activities aimed at optimisation of the structure of the Group's assets. The said initiatives include divestments, including sale of Polfa, as well as processes organising the structure, including organisation of the Zachem Group – takeover by Ciech of 50% of the shares of Transclean owned by Zachem, sale of the Plastics Centre and continuous traffic maintenance entity (dealing with, among others, inspections, maintenance, renovations).

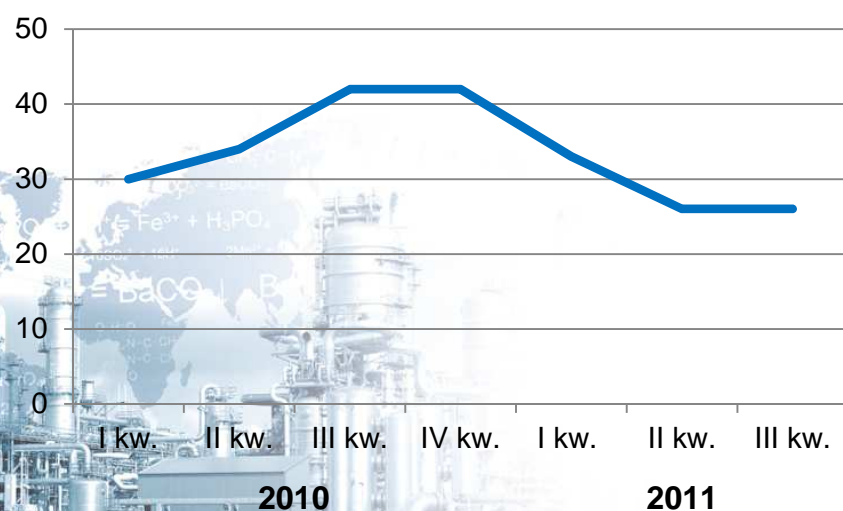


Implementation of the Reorganisation Plan of the Ciech Group	Amount (PLN million)
Sale of shares of GZNF Fosfory Sp. z o. o. and total repayment of loans given by Ciech to Fosfory Group companies	228.1
Sale of shares of Polskie Towarzystwo Ubezpieczeń SA	131.4
Sale of shares of Azoty Tarnów SA	41.6
Sale by Soda Polska Ciech Sp. z o. o. of excessive European emission allowances - EEA	26.7
ale of real property at ul. Powązkowska 46/50 in Warsaw	23.8
Subsidy to the project of CKTI boiler extension at Janikowo Power Plant	13.4
Subsidy to the construction of an innovative production installation at ZCh Organika Sarzyna SA	9.1
Subsidy to a research and development project at ZCh Zachem SA	5.5
Other (including, without limitation, grants, sale of assets, sale of shares and stocks of Elzab SA, Ciech Service, Daltrade)	45.9
Savings arising from optimisation, including without limitation purchase of energy and raw materials	29.3
<i>Effect of implementation of reorganisation initiatives until September 30<sup>th</sup>, 2011</i>	
<b>554.8</b>	
<b>The total estimated income and savings to be gained by December 2014 due to the implementation of the Reorganisation Plan</b>	
<b>652.2</b>	

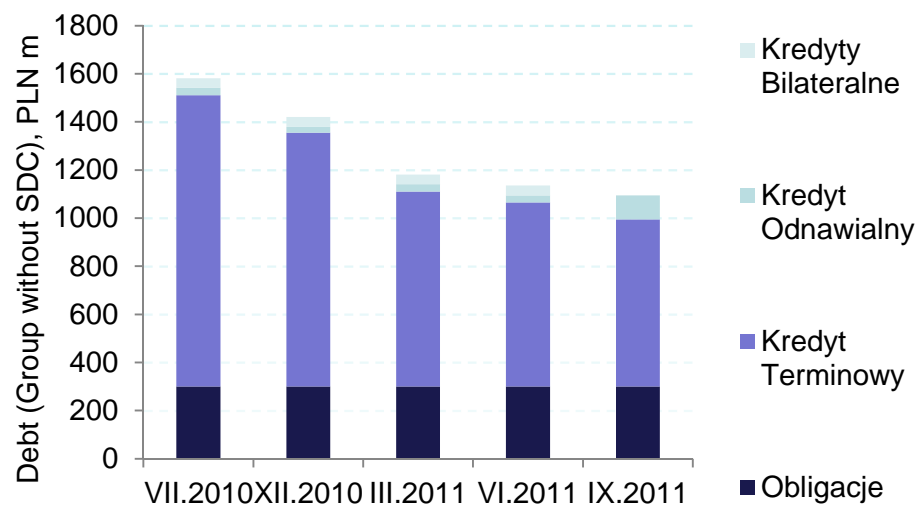
The disbursement of funds under the new loan took place on September 29th, 2011

Tranche	Maximum amount	Allocation
<b>Fixed-term loan</b>	PLN 39.6 million PLN 521.2 million	Refinancing the existing loan liabilities
<b>Revolving loan</b>	PLN 100 m	Refinancing the existing loan liabilities Financing liquidity demands, intercompany loans, guarantees and letters of credit
<b>Loan for investment outlays</b>	PLN 300 m (100% in EUR)	Financing and refinancing investment outlays in the period 2011-2012 – to be paid in Q4 2012
<b>Ancillary loan</b>	EUR 9.6 m	Financing the existing guarantee of Pekao for CET Govora

Loan cost (PLN ml)



Evolution of the debt structure:

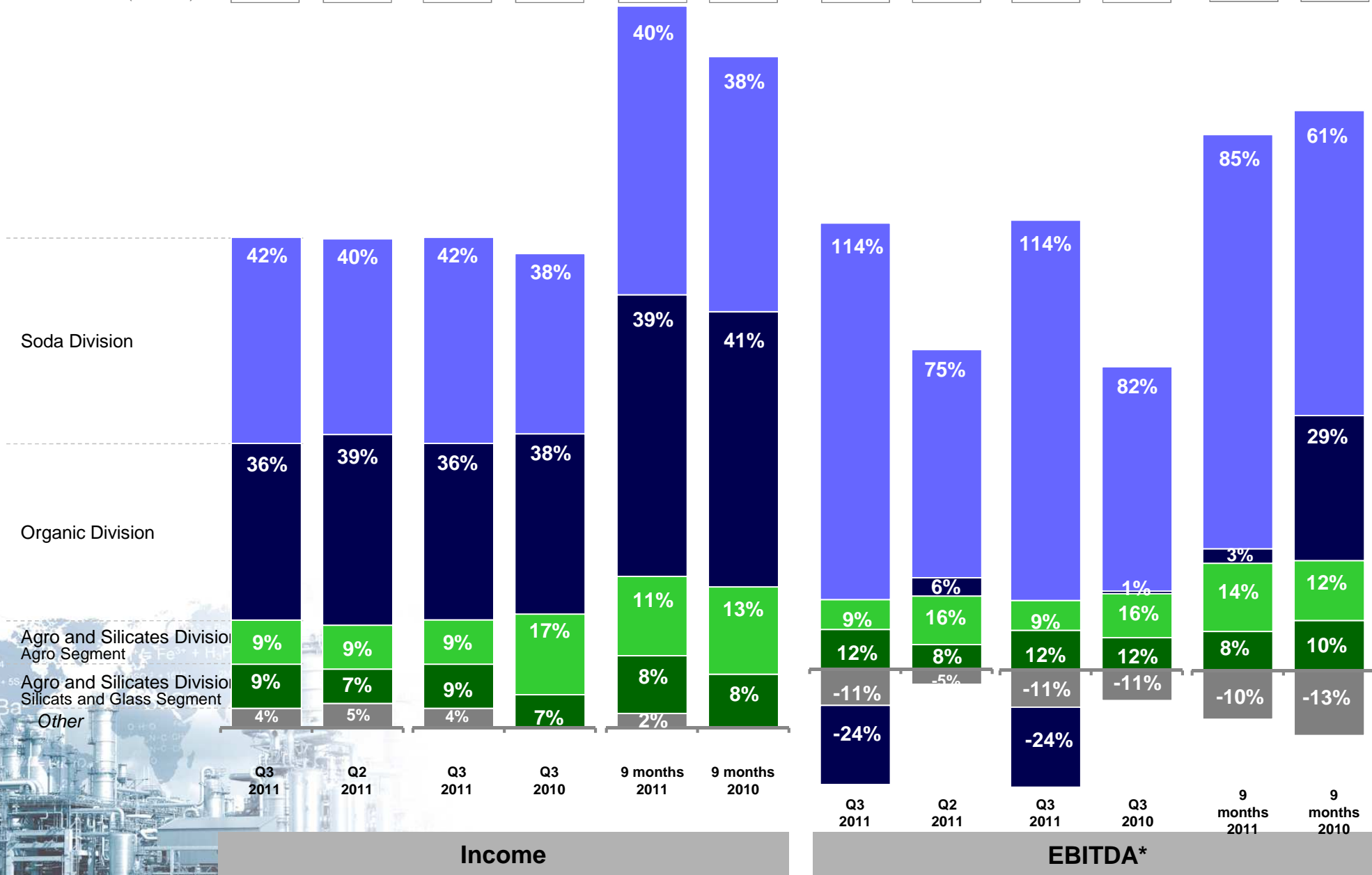
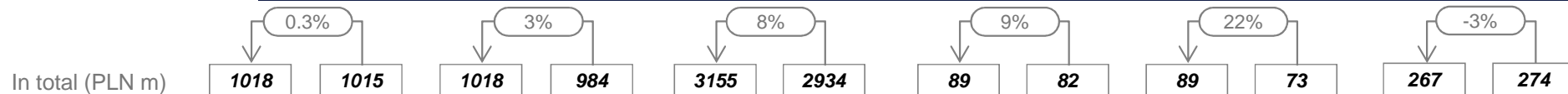


1	Conditions of operation in Q3 2011	5
2	Essential events	8
<b>3</b>	<b>Group's results</b>	<b>12</b>



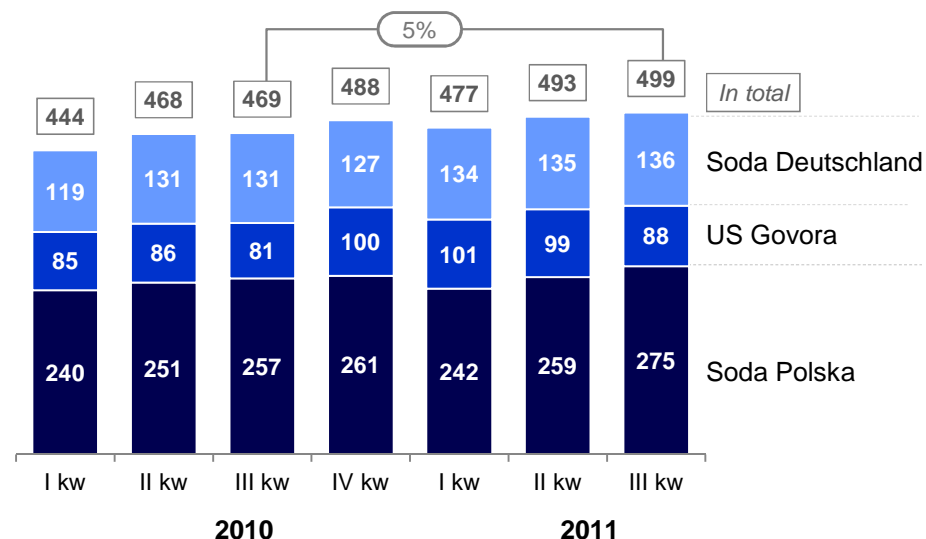
PLN million	Q3 2011	Q2 2011	Q3 2011	Q3 2010	9 months 2011	9 months 2010
Income	1018	1015	1018	984	3155	2934
Gross sales profit	138	135	138	138	446	422
<i>Margin of gross sales profit</i>	13.5%	13.3%	13.5%	14.0%	14.1%	14.4%
EBIT	33	27	33	13	102	95
<i>EBIT margin</i>	3.2%	2.7%	3.2%	1.4%	3.2%	3.2%
EBITDA	89	82	89	73	267	274
<i>EBITDA margin</i>	8.7%	8.0%	8.7%	7.5%	8.5%	9.3%
Total net profit	6	1 *)	6	-29	11 *)	-67
Operating cash flow	69	4	69	141	5	222

\*) Including net sale profit of GZNF Fosfory: -PLN 12 million

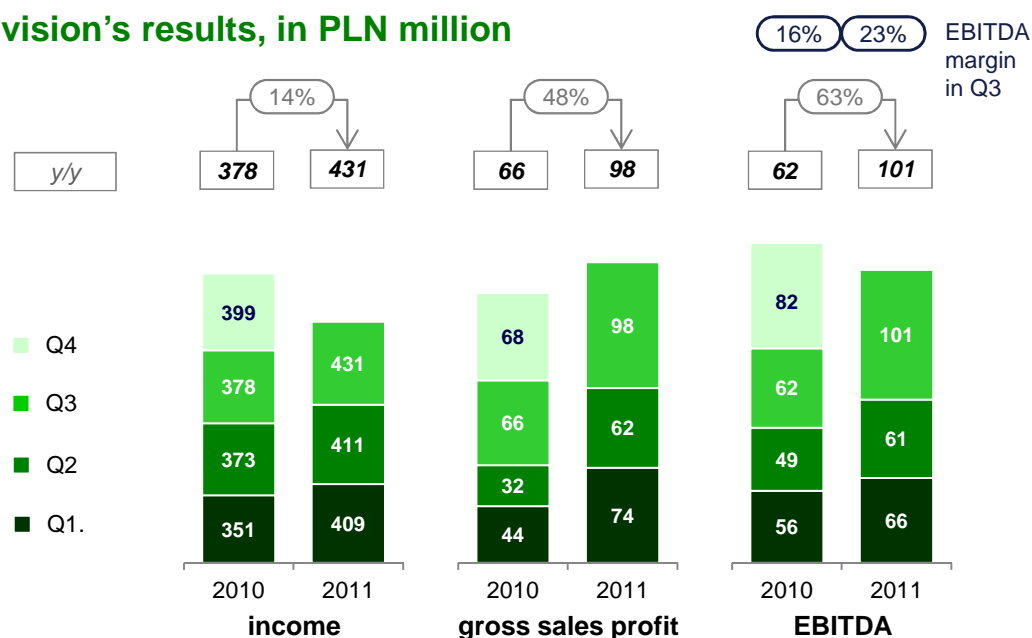


\* The item „Other” includes corporate costs

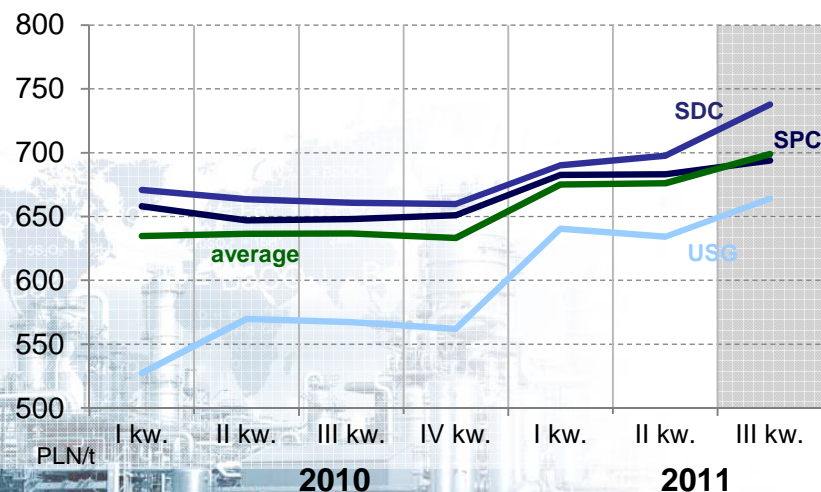
### Sales of soda ash and baking soda in thousands of tons



### Division's results, in PLN million



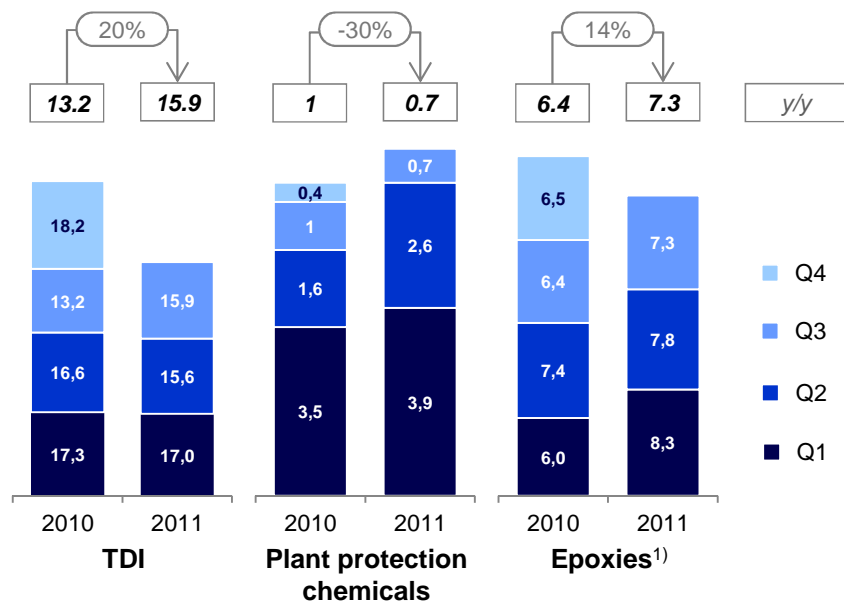
### Soda ash sales prices, in PLN/t



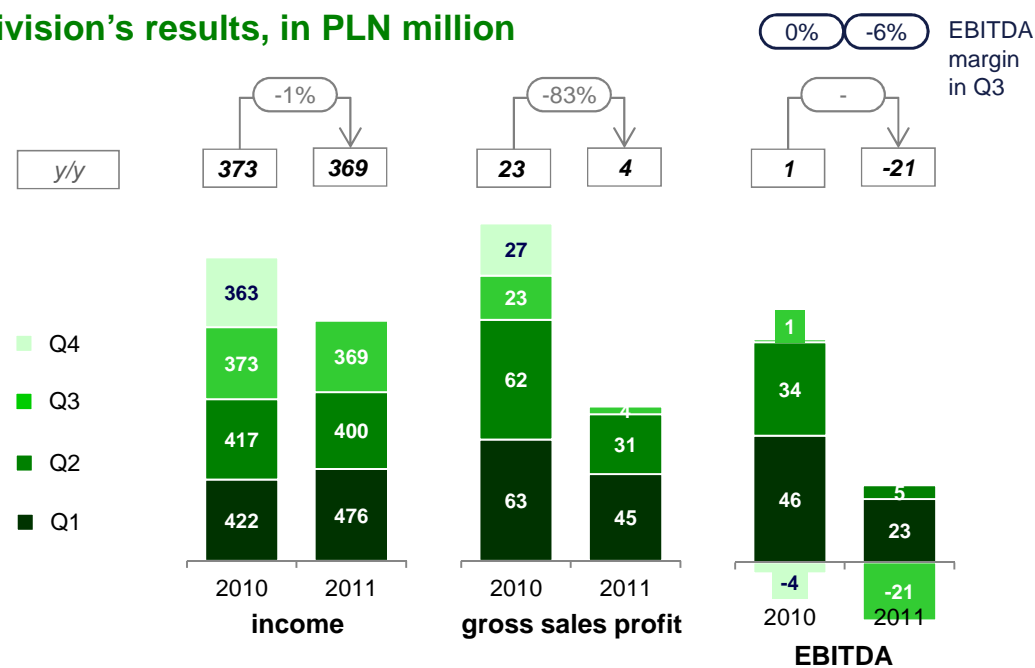
### The main factors affecting the Division's results

- + Increase in sales of soda ash and increase in exports to the Western Europe due to favourable foreign exchange rates
  - High, stable sales of salt and baking soda
  - Stable contractual sale prices of all products
  - Reduction in some liabilities in connection with heat supplies to Soda Deutschland
- 
- Reduction in the production and sales of soda in September at US Govora by 10 thousand tons due to the planned 7-day stoppage for modernisation of the production installation, as a result of which the production parameters will improve by reduction in the use of ammonia at US Govora

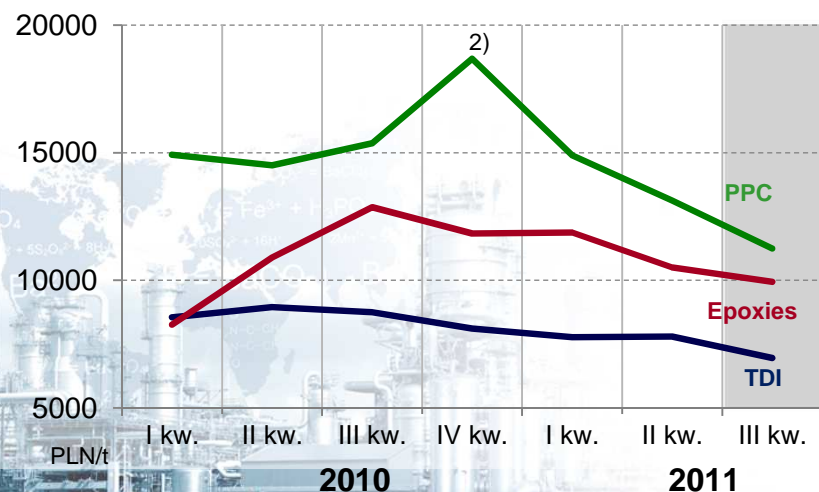
### Sales of the main products, in thousands of tons



### Division's results, in PLN million



### Prices of the main products



### The main factors affecting the Division's results



Epoxies – improvement in sales results due to favourable foreign exchange rates and reductions in bisphenol prices

Good results in the area of PUR foams (increase by 15% of sales volumes y/y) in connection with an increase in the demand for the product and organisational changes in this area

Decrease in prices of petrochemicals (bisphenol, propylene, styrene)

High demand for polyester resins

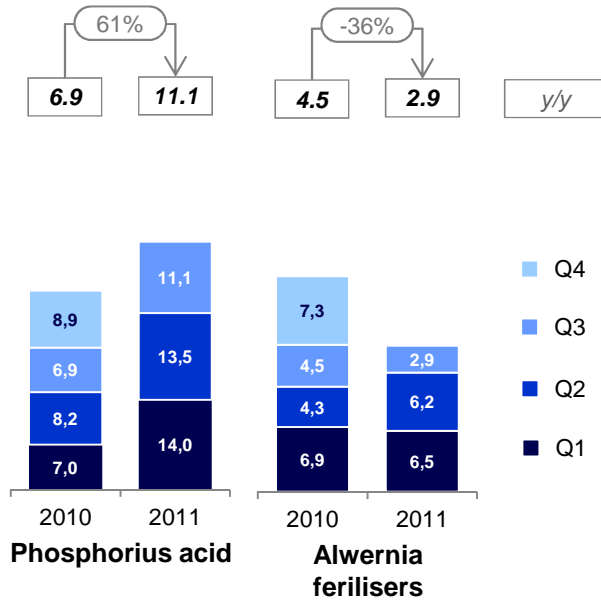


TDI – remaining excessive supply resulting in price reductions and production profitability, remaining high toluene prices

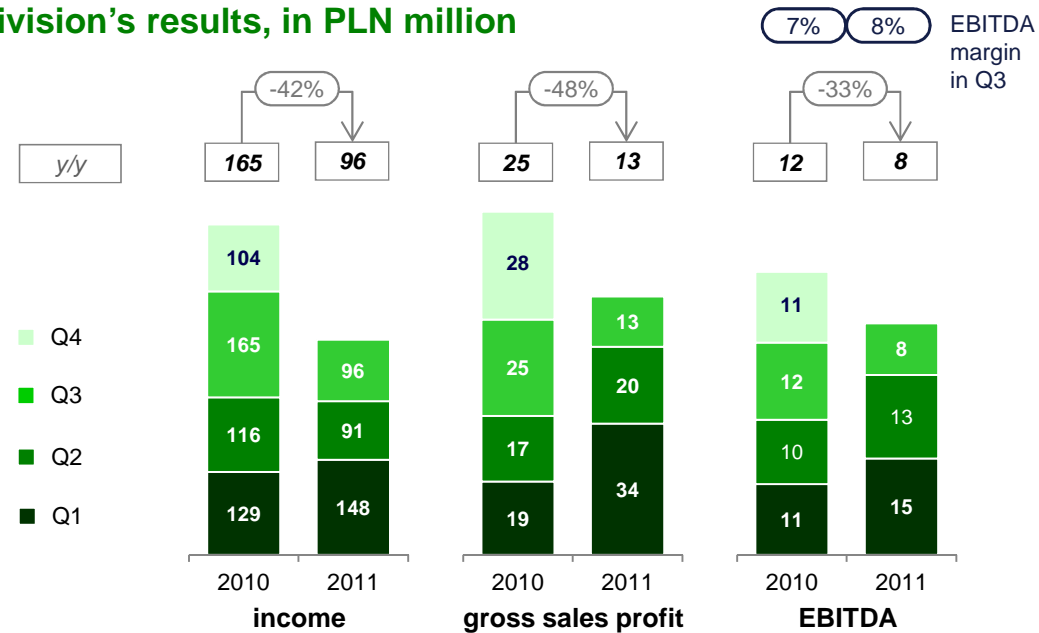
1) Including sales of epoxy resins, saturated polyester resins, hardeners

2) Seasonal price increase realised with a very low volume.

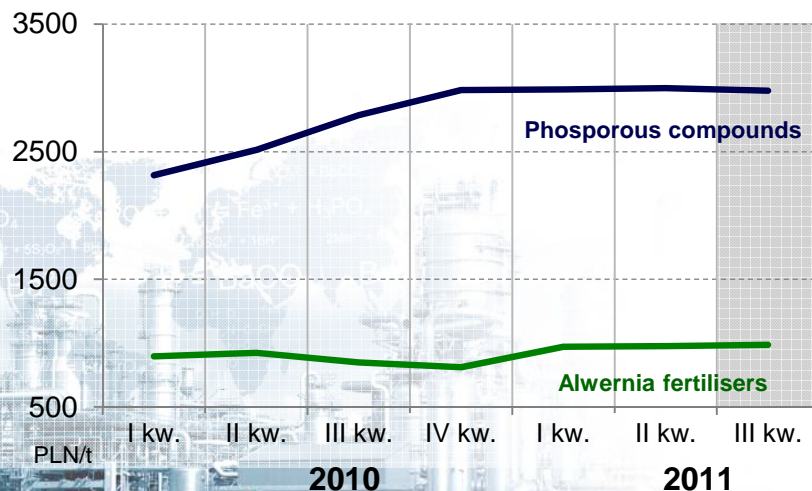
### Sales of the main products, in thousands of tons



### Division's results, in PLN million



### Prices of the main products



### The main factors affecting the Division's results



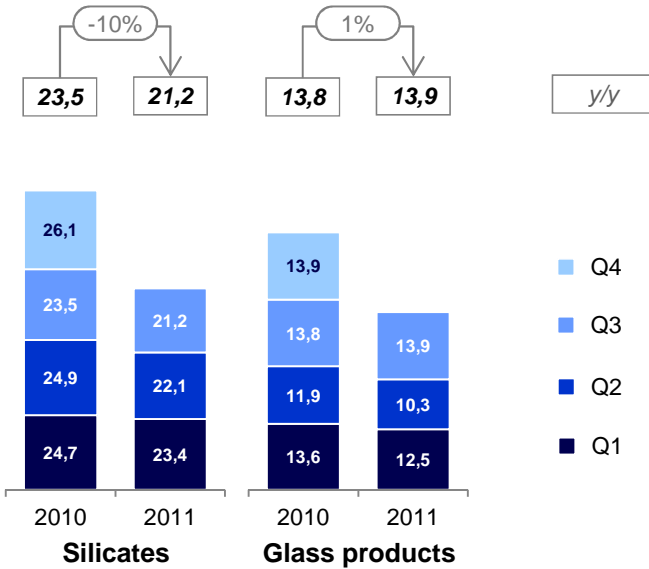
Remaining favourable conditions in the market for edible phosphorous acid resulting from commotions in the countries of Northern Africa supplying, among others, phosphorous acid and yellow phosphorus and an increased demand for phosphorous fertilisers.

Good trading activity results: high sales of fertiliser raw materials, fertiliser exports

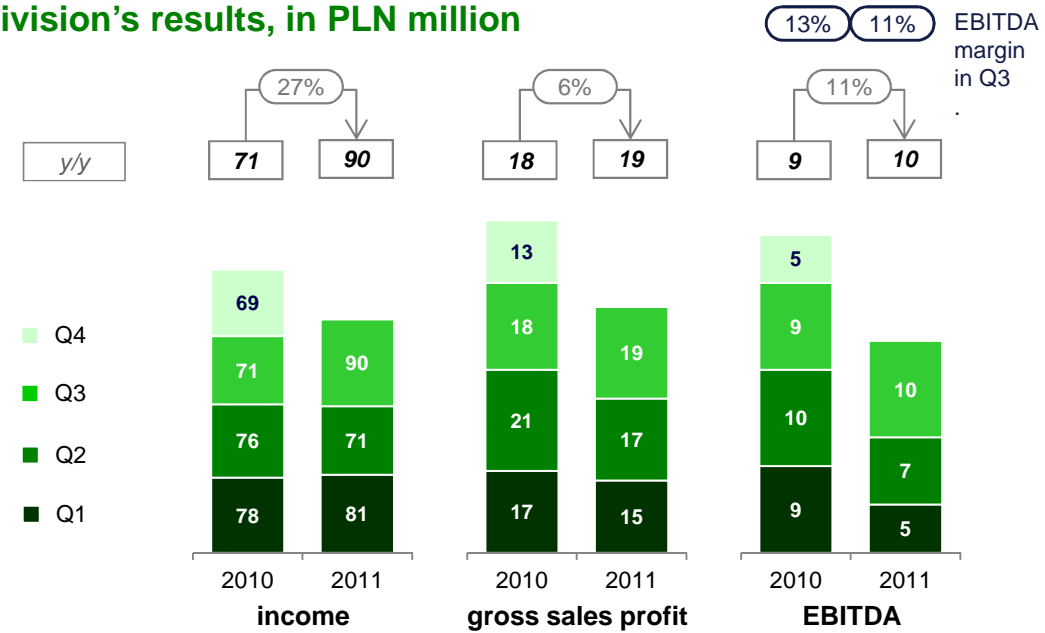


Sale of GZNF Fosfory – consolidation of the first month of Q2 only

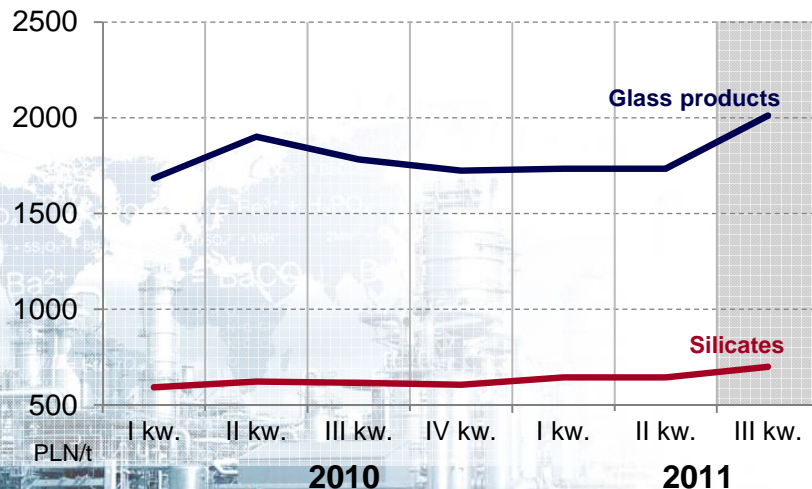
### Sales of the main products, in thousands of tons



### Division's results, in PLN million



### Prices of the main products



### The main factors affecting the Division's results

- + Elimination of contracts with poor profitability in the area of gross products
- Growing gas prices (approximately 9% q/q) adversely affecting the profitability of glass works

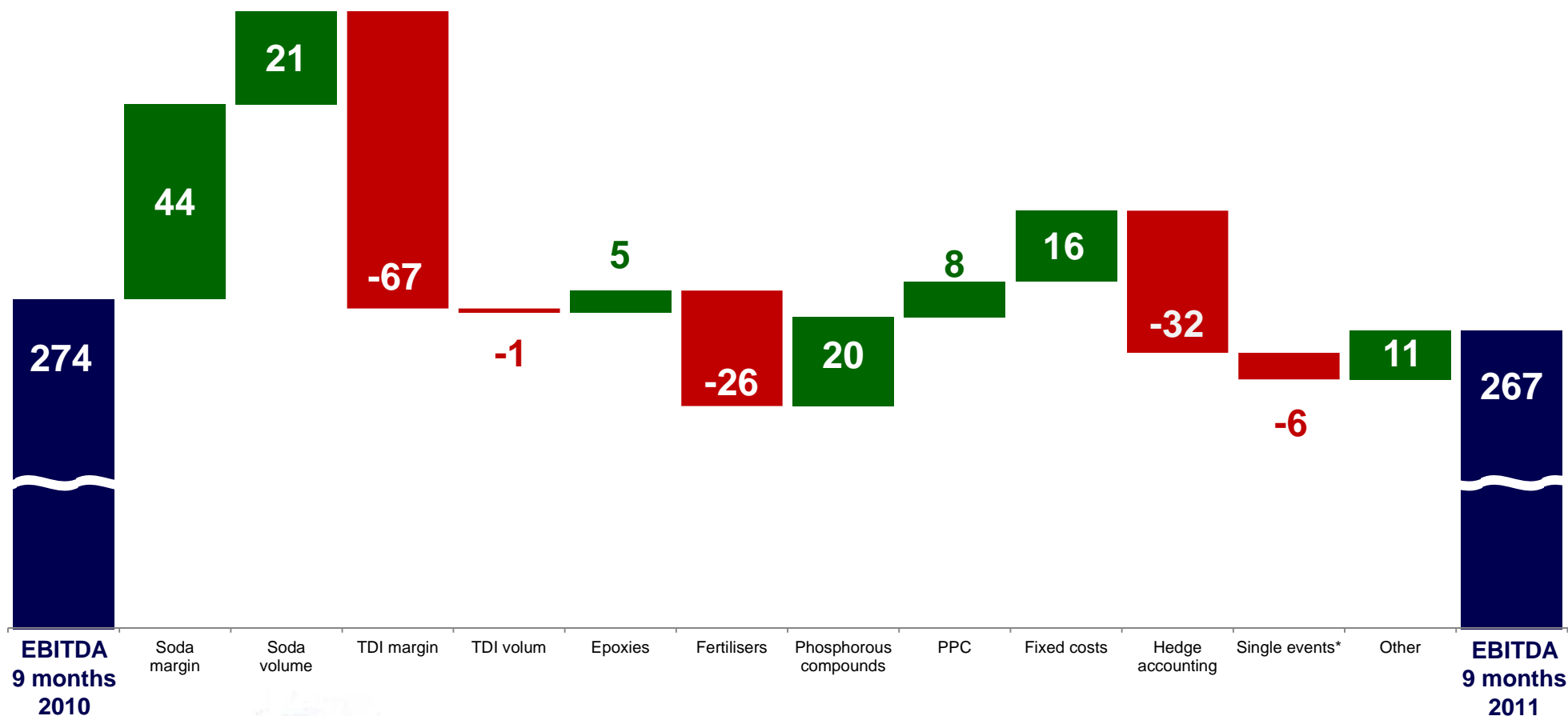
PLN m	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
<b>EBITDA reported</b>	<b>101</b>	<b>100</b>	<b>73</b>	<b>111</b>	<b>97</b>	<b>82</b>	<b>89</b>
<b>Caverns</b>	<b>13</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>3</b>
<b>Single events:</b>	<b>7</b>	<b>12</b>	<b>1</b>	<b>50<sup>1)</sup></b>	<b>1</b>	<b>-9</b>	<b>25<sup>2)</sup></b>
<b>EBITDA normalised (excluding single events )</b>	<b>81</b>	<b>79</b>	<b>74</b>	<b>61</b>	<b>96</b>	<b>75</b>	<b>61</b>

### 1) The most important items of Single Events in Q4 2010

- Sale of a portion of the real property at Powązkowska street in Warsaw +24 PLNm
- Agreement between Soda Deutschland and VASA and evaluation of the liability on account of recourse leasing +23 PLNm
- Sale of emission reduction units +4 PLNm
- Write-off to intangible assets at SDC -10 PLNm

### 2) The most important items of Single Events in Q3 2011

- Reduction in some of the liabilities in connection with heat supplies to Soda Deutschland +7 EURm
- Sale of emission reduction units +5 PLNm
- Unutilised production capacity (due to renovation stoppage) -6 PLNm
- Liquidation of fixed assets -2 PLNm
- Other -1 PLNm


**Single events three quarters 2010:**

- Cavern sales +22 m PLN
- Sale of emission reduction units + 15 m PLN
- Other +5

**Balance: – 6 m PLN**
**Single events three quarters 2011:**

- Income from caverns + 19 m PLN
- Reduction in some of the liabilities in connection with heat supplies to Soda Deutschland +7 m EUR
- One-off costs in connection with failures at Soda Deutschland -11 m PLN
- Income from sale of emission reduction units (sale and exchange of some European certificates into international certificates) +8 m PLN
- Renovation stoppages -6 m PLN
- Other -3 m PLN

PLN million	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
<b>Result on financial activity</b>	<b>-36</b>	<b>-64</b>	<b>-47</b>	<b>62</b>	<b>-27</b>	<b>-33</b>	<b>-25</b>
<i>Events in connection with ordinary operations</i>	<b>-33</b>	<b>-40</b>	<b>-44</b>	<b>-54</b>	<b>-33</b>	<b>-29</b>	<b>-19</b>
<i>Foreign exchange differences</i>	-3	-6	-2	-6	0	-3	7
<i>Loan cost</i>	-30	-34	-42 <sup>1)</sup>	-42	-33	-26	-26
<b>Single events</b>	<b>8</b>	<b>-18</b>	<b>2</b>	<b>113</b>	<b>0</b>	<b>0</b>	<b>-4</b>
<i>Option and IRS settlement result</i>	8	-10	2	6	0	0	-4
<i>Costs of sale of financial assets</i>	0	-8 <sup>2)</sup>	0	107 <sup>3)</sup>	0	0	0
<i>Other<sup>5)</sup></i>	<b>-11</b>	<b>-6</b>	<b>-5</b>	<b>3</b>	<b>6<sup>6)</sup></b>	<b>-4<sup>4)</sup></b>	<b>-1</b>

1) Including commission paid in connection with the consortium loan

2) Sale of shares of Zakłady Azotowe Tarnów

3) Sale of shares of PTU – impact on profit/loss after tax

4) Net profit of sale of shares in GZNF Fosfory

5) Q1, Q2, Q3 of 2009 – foreign exchange differences regarding the loan given to Soda Deutschland Ciech (PLN 55 m, -27 m and -23 m, respectively)

6) The greatest impact was exercised on the item by the hedging transaction at Soda Deutschland Ciech

Key investment projects	Division	Project status	Planned completion date	Planned project budget, subsidy amount
Production of epichlorohydrin of glycerine - GTE	Organic	Being implemented, Commenced in February 2011	Start-up in Q2 2012	CPX – PLN 58 m Subsidy – approximately PLN 28 m
Construction of an innovative installation MCPA and MCPP -P	Organic	Being implemented, Commenced in September 2010	Start-up in Q3 2012	CPX – 103 m EU Subsidy – approximately PLN 40.00 m
Net TDI production technology	Organic	Examination of new technology of phosgenation in gaseous phase	Completion of examinations in Q2 2012	CPX – PLN 32 m, including subsidy of PLN 15 m
Modernisation of power system of soda plants	Soda	Being implemented according to the schedule and project budget assumed	Q 4 2012	CPX - PLN 230.8 m Subsidy – PLN 31.2 m and PLN 12.3 m PLN [Ash Treatment Plant] – OP IE Refunded amount PLN 13.4 m



<i>In PLN million</i>	Q1 2011	Q2 2011	Q3 2011	Q4 2011
<b>Soda Division</b>	29	25.7	45.8	36.8
<b>Organic Division</b>	13.9	25.1	30.3	55.9
<b>Agro and Silicates Division</b>	3.8	1.9	13.6	15.5
<b>Other *)</b>	-	-	4.8	0.2
<b>In total</b>	<b>46.7</b>	<b>52.7</b>	<b>94.7</b>	<b>108.4</b>

The Group's investment expenses (except Soda Deutschland Ciech GmbH) are monitored by an independent, internationally recognised company - Jacobs Ltd. The adviser monitors, among others, the compliance of the scope and schedule of investment expenses with the investment plan specified in the Loan Agreement.

\*) Programme of improvement in the energy efficiency of Ciech Group companies

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