

CIECH CAPITAL GROUP
WARSAW, UL POWĄZKOWSKA 46/50

CONSOLIDATED FINANCIAL STATEMENT
FOR THE FINANCIAL YEAR 2006
WITH THE
AUDITOR'S OPINION
AND
AUDIT REPORT

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THE REPORT ON THE ACTIVITY OF CIECH GROUP FOR 2006

CONSOLIDATED FINANCIAL STATEMENT OF THE CIECH GROUP FOR THE FINANCIAL YEAR 2006

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AUDITORS' OPINION

To the Shareholders and Supervisory Board of CIECH SA

We have conducted the audit to the consolidated financial statement of the Ciech Capital Group, enclosed, for which CIECH SA with its registered offices in Warsaw at ulica Powązkowska 46/50 is the parent company, including:

- Consolidated balance sheet executed as at December 31st, 2006, showing the amount of PLN 2,729,513 thousand on the side of assets and liabilities,
- Consolidated profit and loss account for the period from January 1st, 2006, to December 31st, 2006, showing a net profit of PLN 150,434 thousand,
- Statement of changes in consolidated equity for the period from January 1st, 2006, to December 31st, 2006, showing a PLN 118,087 thousand increase in equity,
- Consolidated cash flow statement for the period from January 1st, 2006 to December 31st, 2006 showing an increase in cash by the amount of PLN 46,222 thousand,
- Additional information and notes.

The Management of the Parent Company is held responsible for execution of the consolidated financial statement in question. Our responsibility was to audit and issue an opinion on the consolidated financial statement in terms of its contents, compliance and transparency.

Since 2005 the Parent Company has generated financial statements in line with the principles resulting from the International Financial Reporting Standards in the scope approved by the European Union.

The consolidated financial statement has been prepared using the full method applied for thirteen subsidiaries. Financial statements of two subsidiaries were audited by other entities authorized to audit financial statements. We have received the financial statements of the aforesaid subsidiaries and the opinions on the audits from these statements. Our opinion on the audit from the consolidated financial statement in relation to data of these entities is based on the opinions of the statutory auditors entitled to audit. The data concerning financial statements of subsidiaries, with regard to which we were basing totally on the opinions of other statutory auditors, constitute 0.81 % and 1.17 % of consolidated assets and consolidated income from sale, respectively, before the consolidation adjustments.

We have planned and conducted our audit of the consolidated financial statement in accordance with the following laws and standards:

- chapter 7 of the Polish Accounting Act of September 29th, 1994 (Journal of Laws of 2002, No. 76, item 694 as amended),

- professional standards for auditors issued by the Polish National Council of Statutory Auditors (KRBR).

This was undertaken to obtain reasonable assurance concerning whether the consolidated financial statement is free from material misstatements. The audit covered, in particular, the report on the consolidation documentation containing data and figures included also in the consolidated financial statement as well as assessment of the accounting principles (policy) applied to prepare the consolidated financial statement and its relevant estimations and overall assessment of the consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As we believe, pursuant to the results of the audit and on the opinions of other auditors, the audited consolidated financial statement of the Ciech Capital Group for the financial year 2006 presents, with due diligence and clarity, all information relevant to assess the financial standing and the financial result of the Ciech Capital Group as at and for the period of 12 months ended December 31st, 2006 and has been prepared in accordance with the International Financial Reporting Standards in the form adopted by the European Union.

Without any objections to the contents and diligence reported in the context of the audited consolidated financial statement, we wish to draw your attention to the following:

1. Item no. 16 of the additional information and notes to the consolidated financial statement, in which the Management Board of the Parent Company declared that as of December 31st, 2006 it did not have necessary information on fair value required to be assigned to identifiable assets, liabilities and contingent liabilities of the newly acquired companies such as ZACHEM S.A., Z.Ch. "Organika-Sarzyna" S.A. and S.C. Uzinele Sodice Govora S.A. With reference to the above, the Parent Company, pursuant to section 61-62 of the International Financial Reporting Standard no. 3 (IFRS 3) resolved to make an initial provisional settlement of the mentioned companies' merger, applying approximate figures to the acquired assets and liabilities, the measurements of which will be subject to adjustment within 12 months from the date of take-over and henceforth from the date of take-over. According to section 63-65 of the International Financial Reporting Standard no. 3, any possible adjustments after initial recognition will be recognized in accordance with the International Financial Reporting Standard no. 8. Changes in fair values of assets, liabilities and contingent liabilities will effect in a change in goodwill or in a change in surplus of the acquired net assets over the cost of their merger.
2. We also point out the court proceedings held against the Parent Company CIECH SA, disclosed by the Management Board in item 28.1.1 of the additional information and notes to the consolidated financial statement. Certain proceedings are still pending, and their results and effects cannot be adequately assessed at the present time. The Management Board has estimated a provision against the potential claims at PLN 17,500 thousand and recognised that provision in the consolidated financial statement. No other provisions were raised for remaining part of potential claims disclosed by the Management Board in the mentioned item that may arise in the event of unfavourable court judgments.

The report on the activity of the Ciech Capital Group for the financial year 2006 is complete in the context of article 49 section 2 of the accounting act and the ordinance of the Minister of Finance of October 19th, 2005 concerning Current and Periodic Information to be Published by the Issuer of Securities, and the figures included and taken directly from the audited consolidated financial statement comply with it.

.....
Maria Rzepnikowska
Statutory auditor
registration no. 3499/1028

.....
Persons representing the entity

.....
Entity authorized to audit
financial statements, entered
on the list of authorized entities
under registration no. 73
National Council of Statutory Auditors

Warsaw, May 11th, 2007

REPORT TO THE OPINION ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENT OF THE CIECH CAPITAL GROUP FOR THE FINANCIAL YEAR 2006

I. GENERAL INFORMATION

1. Basic information about the audited company

The Parent Company of the Capital Group operates under the company known as CIECH SA. Its registered offices are located in Warsaw at ul. Powązkowska 46/50.

The parent company operates as a joint-stock company, set up by a notarial deed issued on May 30th, 1995, in Warsaw executed before Notary Paweł Błaszczak (Repertory A No. 7513/95). The Company has been registered in the commercial register kept by the District Court for the Capital City of Warsaw 16th Commercial and Registration Division in Warsaw in section B under number RHB44655. Currently, the Company is registered in the business register kept by the District Court for the Capital City of Warsaw, 12th Commercial Division of National Court Register under No. KRS 0000011687.

The Company's Taxpayer's Identification Number (NIP) is 118-00-19-377, as assigned by the Warszawa Żoliborz Tax Office on June 15th, 1993.

The statistical number REGON assigned by the statistical office to the Entity on December 19th, 2001 is: 011179878.

The Company conducts business in accordance with the Polish Code of Commercial Companies.

The core business of the Parent Company is sale of chemicals in the domestic marketplace, export and import of products within the chemical industry.

Scope of businesses in the subsidiaries is connected with the business of the Parent Company and concerns manufacture of chemicals and their sales in the domestic marketplace as well as export and import of products from the chemical and pharmaceutical industries.

Called up initial capital of the Ciech Capital Group is the share capital of the Parent Company CIECH SA amounting as at December 31st, 2006 to PLN 140,001 thousand and divided into 28,000,000 ordinary shares of nominal value worth PLN 5 each. The called up initial capital recognized in the consolidated financial statement differs from the registered capital of the Parent Company by the hyperinflation effects.

As at January 31st, 2007 (date of the last General Meeting of Shareholders) the shareholders of the Parent Company were:

– Kompania Węglowa S.A.	– 36.68% shares,
– Franklin Templeton Investments	– 7.14 % shares,
– Otwarty Fundusz Emerytalny PZU “Złota Jesień”	– 6.12% shares,
– Commercial Union Investment Management (CUIM) Polska	– 5.37% shares,
– Pioneer Pekao Investment Management S.A. (PPIM)	– 5.04% shares,
– Minor shareholders, individuals	– 39.65% shares.

After the balance sheet date, the following changes in the share capital ownership structure occurred:

- On February 5th, 2007 the Management Board of CIECH SA was informed that Franklin Resources, Inc. and its associates no longer held ordinary shares of CIECH SA, and that the volume of shares held by the Company in question was reduced to 0 % due to two sales transactions carried out in the Warsaw Stock Exchange dated February 2nd, 2007.
- On March 26th, 2007 Pioneer Pekao Investment Management S.A. (PPIM) informed the Management Board of CIECH SA of an increase in the total commitment to a 10.05% total of votes at the General Meeting of the Company with respect to shares belonging to the portfolios managed as part of the commissioned brokerage financial instrument portfolio management service by PPIM.
- On March 29th, 2007 Pioneer Pekao Investment Management, performing the contract on provision of services concerning the commissioned brokerage financial instrument portfolio management, concluded between Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM, informed the Management Board of CIECH SA about an increase in the total commitment to a 10.04% total votes at the General Meeting of the Company with respect to shares belonging to the portfolios of the funds.
- On April 24th, 2007 Pioneer Pekao Investment Management, performing the contract on provision of services concerning the commissioned brokerage financial instrument portfolio management, concluded between Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM, informed the Management Board of CIECH SA about a decrease in the commitment of the above funds to 9.99% total number of votes at the General Meeting of the Company with respect to shares belonging to the portfolios of the funds.
- On May 4th, 2007 Pioneer Pekao Investment Management, performing the contract on provision of services concerning the commissioned brokerage financial instrument portfolio management, concluded between Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. and PPIM, informed the Management Board of CIECH SA about an increase in the commitment of the above funds to 10.05% total number of votes at the General Meeting of the Company with respect to shares belonging to the portfolios of the funds.

No changes occurred in share capital of the Parent Company in the financial year or after the balance sheet date.

Equity of the Ciech Capital Group amounted to PLN 1,137,218 thousand as at December 31st, 2006.

The financial year for the Ciech Capital Group is the same as the calendar year.

At the date of this Opinion, the Parent Company's Management Board comprised:

- Mirosław Kochalski - President of the Management Board,
- Rafał Pasięka - Member of the Management Board,
- Marek Trosiński - Member of the Management Board,
- Wojciech Wardacki - Member of the Management Board.

The Parent Company's Commercial Representative is Mr. Kazimierz Przelomski.

In the audited period the following changes occurred in the composition of the Parent Company's Management Board:

- On January 1st, 2006 the composition of the Company's Management Board was as follows:
Ludwik Klinkosz - President of the Management Board,
Jerzy Golis - Member of the Management Board,
Stefan Rojewski - Member of the Management Board.

On July 24th, 2006 the Extraordinary General Shareholders' Meeting of CIECH SA dismissed Mr. Ludwik Klinkosz – President of the Management Board and Mr. Jerzy Golis – Member of the Management Board. On the same day the Extraordinary General Meeting of Shareholders of CIECH SA appointed Mr. Mirosław Kochalski as the President of the Management Board and Mr. Wojciech Wardacki as a Member of the Management Board.

On August 2nd, 2006 the Extraordinary General Shareholders' Meeting of CIECH SA dismissed Mr. Stefan Rojewski from the composition of the Management Board.

On August 08th, 2006 the Supervisory Board of CIECH SA delegated Mr. Wiktor Cwynar to perform temporarily the duties of a member of the CIECH SA Management Board as a replacement of a dismissed member of the Management Board of CIECH SA by the time the Management Board of the Company is supplemented at the General Meeting of Shareholders as defined in the Articles of Association of CIECH SA.

On September 15th, 2006 the Extraordinary General Meeting of Shareholders of CIECH SA supplemented the composition of the CIECH SA Management Board appointing Mr. Rafał Pasięka as a Member of the Management Board.

As of December 31st, 2006 the composition of the Management Board of CIECH SA was as follows:

- Mirosław Kochalski - President of the Management Board,
- Rafał Pasięka - Member of the Management Board,
- Wojciech Wardacki - Member of the Management Board.

On January 31st, 2007 the Extraordinary General Meeting of Shareholders of CIECH SA appointed Mr. Marek Trosiński to the composition of the Management Board of the Company.

The changes above have been filed and entered in the competent court register.

As at December 31st, 2006 the composition of the Ciech Capital Group was as follows:

- parent company – CIECH SA and
- subsidiaries
 - SODA MAŁY S.A.
 - TRANSODA Sp. z o.o.
 - EC KUJAWY Sp. z o.o.
 - JANIKOSODA S.A.
 - GZNF "FOSFOR" Sp. z o.o.
 - "AGROCHEM" Spółka z ograniczoną odpowiedzialnością in Człuchów
 - "AGROCHEM" Spółka z ograniczoną odpowiedzialnością in Dobrze Miasto
 - CIECH FINANCE Spółka z ograniczoną odpowiedzialnością
 - Cheman S.A.
 - CIECH POLFA Sp. z o.o.
 - "Alwernia" S.A.
 - "VITROSILICON" Spółka Akcyjna
 - ZACHEM S.A.

- ZACHEM Barwniki Spółka z ograniczoną odpowiedzialnością
 - ZACHEM UCR Spółka z ograniczoną odpowiedzialnością
 - Z. Ch. "Organika-Sarzyna" S.A.
 - Przedsiębiorstwo Transportowo-Usługowe TRASCLEAN Spółka z ograniczoną odpowiedzialnością
 - S. C. Uzinele Sodice Govora S.A.
 - POLSIN PRIVATE LIMITED
 - DALTRADE PLC
 - Polcommerce Handels-und Vertretungsgesellschaft m.b.H.
 - Nordiska Unipol Aktiebolag
 - DANSKE UNIPOL A/S
 - CHEMIEPETROL Aussenhandelsgesellschaft mit beschränkter Haftung
 - CIECH SERVICE Sp. z o.o.
 - "BORUTA-KOLOR" Sp. z o.o.
 - "Chemia.com S.A."
 - "InChem Sp. z o.o."
 - SODA-MED Sp. z o.o.
 - "ALWERNIA-FOSFORANY" Spółka z ograniczoną odpowiedzialnością
 - SOC-AL. Spółka z ograniczoną odpowiedzialnością
 - Zakład Doświadczalny "ORGANIKA" Spółka z ograniczoną odpowiedzialnością
 - Calanda Polska Sp. z o.o. in liquidation
 - Polcommerce Kft.
- associates
 - Polskie Towarzystwo Ubezpieczeniowe Spółka Akcyjna
 - Suomen Unipol Oy
 - Zakłady Chemiczne "Silikony Polskie" Spółka z ograniczoną odpowiedzialnością
 - "Komunalna Biologiczna Oczyszczalnia Ścieków - Spółka z ograniczoną odpowiedzialnością"
 - "Bud-Org" Sp. z o.o.
 - "Gumokor-Organika" Sp. z o.o.
 - "ORGANIKA-PROJEKT" Sp. z o.o.
 - "DREWREM-ORGANIKA" Sp. z o.o.
 - "EL-CHEM" Sp. z o.o.
 - "WOD-REM" Sp. z o.o.
 - "NS Automatyka" Sp. z o.o.
 - "BUDPUR" Spółka z ograniczoną odpowiedzialnością
 - Przedsiębiorstwo Transportowo Spedycyjne "TRASCHEM" Spółka z ograniczoną odpowiedzialnością
 - "CARGO" Spółka z ograniczoną odpowiedzialnością
 - Zakład Remontowo-Produkcyjny "Metalpur" Spółka z ograniczoną odpowiedzialnością
 - Natural Chemical Products Spółka z ograniczoną odpowiedzialnością
 - Govcrest International SRL

The consolidated financial statement as at December 31st, 2006 includes the following companies:

- a) Parent Company – CIECH SA

We have conducted the audit of the financial statement of the parent company CIECH SA for the period from January 1st, to December 31st, 2006. As a result of the conducted audit, we issued an opinion on March 19th, 2007 indicating the matters concerning lawsuits against the Company

disclosed by the Management Board in item no. 2.4 of additional explanatory notes to the individual financial statement. Certain proceedings are still pending, and their results and effects cannot be adequately assessed at the present time. The Management Board has estimated a provision against the potential claims at PLN 17,500 thousand, and recognised that provision in the individual financial statement. No other provisions were raised for remaining part of potential claims disclosed by the Management Board in the mentioned note that may arise in the event of unfavourable court judgments.

We would also like to point out that “the presented financial statement is an individual statement, prepared according to the Polish accounting principles. The financial statements should not be considered as the sole basis for assessing the financial standing of the Parent of the Ciech Capital Group. Apart from the individual financial statement the Company also prepares the consolidated financial statement of the Ciech Capital Group, to which it is a Parent Company, according to the International Financial Reporting Standards.”

b) Companies fully-consolidated:

Name and the registered office of the Company	Share in capital (%)	Entity conducting audit of the financial statements and type of opinion issued	Date of opinion issue
SODA MĄTWY S.A., Inowrocław	99.77%	<i>with regard to the individual financial statement:</i> Deloitte Audyt Sp. z o.o. – opinion noting the planned merger of the entities such as SODA MĄTWY S.A., JANIKOSODA S.A., and EC KUJAWY Sp. z o.o. and stressing that the individual financial statements of SODA MĄTWY S.A. should not be considered as the sole basis for assessing the financial standing of the parent for the Capital Group of Soda Mątwy.	26.02.2007
		<i>with regard to the consolidated financial statement:</i> Deloitte Audyt Sp. z o.o. – opinion noting the subsidiary EC KUJAWY Sp. z o.o. shows in its individual financial statement of December 31st, 2006 an uncovered loss brought forward exceeding the reserve and supplementary capitals and one half of share capital and also noting the planned merger of the entities such as SODA MĄTWY S.A., JANIKOSODA S.A, and EC KUJAWY Sp. z o.o.	02.04.2007
JANIKOSODA S.A.; Janikowo	99.26%	<i>with regard to the individual financial statement:</i> Deloitte Audyt Sp. z o.o. – opinion noting the planned merger of the entities such as SODA MĄTWY S.A., JANIKOSODA S.A, and EC KUJAWY Sp. z o.o.	06.03.2007
GZNF “FOSFOR” Sp. z o.o., Gdańsk	89.03%	<i>with regard to the individual financial statement:</i> Deloitte Audyt Sp. z o.o. – opinion without any objections, noting that the individual financial statement of GZNF “FOSFOR” Sp. z o.o. should not be considered as the sole basis for assessing the financial standing of the parent for the Fosfory Capital Group.	14.02.2007
		<i>with regard to the consolidated financial statement:</i> Deloitte Audyt Sp. z o.o. – opinion with no objections.	19.03.2007
CIECH FINANCE Spółka z ograniczoną działalnością, Warsaw	100%	<i>with regard to the individual financial statement:</i> The individual statement of the company was not subject to the audit. The meeting of shareholders of	

Przedsiębiorstwo Transportowo-Uslugowe TRANSCLEAN Spółka z ograniczoną odpowiedzialnością, Bydgoszcz*	90.00 %	<i>with regard to the individual financial statement:</i> Eksperci Finansowo – Księgowi Sp. z o.o. – opinion with no objections.	22.02.2007
S.C. Uzinele Sodice Govora S.A., Rm. Valcea	93.14%	<i>with regard to the individual financial statement:</i> Deloitte Audit SRL – opinion with an objection as to the limitation of the scope to audit measurement of fixed assets and noting the difficult financial situation of the entity.	5.04.2007
POLSIN PRIVATE LIMITED, Singapore	65.00 %	<i>with regard to the individual financial statement:</i> Deloitte & Touche Certified Public Accountants, Singapore - opinion with no objections.	5.02.2007
DALTRADE PLC, London	61.20 %	<i>with regard to the individual financial statement:</i> COVENEY NICHOLLS Chartered Accountants & Registered Auditors – opinion with no objections.	12.03.2007

Furthermore, Polskie Towarzystwo Ubezpieczeń Spółka Akcyjna with its registered offices in Warsaw, is an entity indirectly associated with CIECH SA measured using the equity method, whose shares are held by the subsidiaries of CIECH SA and they are: JANIKOSODA S.A. (22.71% shares) and SODA MĄTWY S.A. (22.71% shares). Total indirect share of CIECH SA in the PTU S.A.'s share capital amounts to 45.19%. BDO Numerica Sp. z o.o. issued on March 30th, 2007 the opinion without any objections to the financial statement of PTU S.A. of December 31st, 2006.

2. Information on the consolidated financial statement for the previous financial year

Since January 1st, 2005 consolidated financial statements of the Capital Group have been made according to the International Financial Reporting Standards in the form adopted by the European Union (EU).

Activity of the Ciech Capital Group in 2005 was closed with net profit of PLN 117,853 thousand. The consolidated financial statement of the Ciech Capital Group for the financial year 2005 was audited by the statutory auditor. The audit was conducted by the authorised entity Deloitte Audyt Sp. z o.o. The statutory auditor issued on April 28th, 2006 the opinion noting the matters concerning lawsuits held against the Parent Company, the results and effects of which could not be adequately assessed. The Management Board has estimated a provision against the potential claims at PLN 17,500 thousand, and recognised that provision in the consolidated financial statement for 2005. No other provisions were raised for remaining part of potential claims that might arise in the event of unfavourable court judgments.

The 2005 consolidated financial statements were approved by the General Meeting of Shareholders held on June 14, 2006.

The consolidated financial statement for the financial year 2005 was filed in the National Court Register according to the provisions of law, on June 29th, 2006 and was filed for publication in Poland's Official Gazette Monitor Polski B on June 29th, 2006. The statement was published in Monitor Polski B no. 231 on February 8th, 2007.

* Company consolidated using the equity method by 31.12.2006

3. Information about the authorised entity and the auditor conducting the audit on behalf of the authorised entity

The audit of the consolidated financial statement was conducted under the contract of June 21st, 2006, concluded between CIECH SA and Deloitte Audyt Sp. z o.o. with its registered offices in Warsaw at ul. Piekna 18 listed under No. 73 as entity entitled to audit financial statements in the list kept by the National Council of Statutory Auditors (KRBR). The audit of the consolidated financial statement was conducted on behalf of the authorised entity, under supervision of Maria Rzepnikowska, the statutory auditor (registration no. 3499/1028) from April 10th to May 11th, 2007.

The entity entitled to audit the financial statements was chosen by the Supervisory Board, by way of Resolution issued on May 11th, 2006 on the basis of the authorisation referred to in section 21 of the Company's Articles of Association.

Deloitte Audyt Sp. z o.o. and the statutory auditor Maria Rzepnikowska confirm that they are authorised to audit the financial statements and that they comply with the conditions as defined in article 66 section 2 and 3 of the act of accounting, to issue objective and independent opinion on the consolidated financial statement of the Ciech Capital Group.

4. Access to information and statements by the management

We met with no obstructions in conducting our audit.

The authorised entity and the statutory auditor had unlimited access to all the documents and data requested, and were provided with sufficient information and explanations, which has been evidenced in a written statement by the Company's Management Board issued April 11th, 2007.

5. Financial standing of the Ciech Capital Group

Below there is basic information derived from the consolidated profit and loss account, and the financial ratios reflecting the financial result of the Ciech Capital Group, compared to corresponding values in previous years.

We wish to stress that due to companies such as **rupy na dzień 31 grudnia 2006 spółek** S.C. Uzinele Sodice Govora S.A., Z.Ch., „Organika-Sarzyna” S.A. and the ZACHEM Capital Group joining the Group on December 31st, 2006 and due to recognition of their data only in the balance sheet, we abandon calculation of the equity profitability ratio and performance ratios.

<u>Basic profit and loss account figures (PLN '000)</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Sales revenues	2 174 330	2 209 545	2 314 916
Operating expense	(1 993 761)	(2 065 377)	(2 142 958)
Other operating income	23 304	52 441	50 376
Other operating expenses	(57 554)	(53 054)	(67 155)
Finance income	19 673	34 759	16 742
Finance costs	(16 127)	(38 685)	(53 523)
Income tax	(28 151)	(25 148)	(24 889)
Net profit (loss)	150 434	117 853	92 340
<u>Profitability ratios</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
– Sales profitability	8%	7%	7%
– Net sales profitability	6.92%	5.33%	3.99%

- Equity profitability	-	12%	12%
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Performance ratios

- Asset turnover ratio	-	1.35	1.51
- Receivables turnover ratio (days)	-	84	75
- Liabilities turnover ratio (days)	-	62	64
- Inventory turnover ratio (days)	-	23	22

Liquidity/Net working capital

- Debt interest rate	58.34%	37.67%	50.56%
- Equity to assets ratio	42%	62%	49%
- Net working capital (in thousands of PLN)	68 508	311 308	39 972
- Liquidity ratio	1.07	1.62	1.06
- Increased liquidity ratio	0.83	1.35	0.86

Analysis of the above figures and ratios points to occurrence of the following tendencies in 2006:

- Increase of sales profitability ratios,
- Increase of debt interest rate,
- Decrease of Equity to assets ratio,
- Considerable decrease of net working capital,
- Worsening of the liquidity ratios.

II. DETAILED INFORMATION

1. Information concerning the audited consolidated financial statement

The consolidated financial statement audited was prepared as at December 31st, 2006, and comprises:

- Consolidated balance sheet prepared as at December 31st, 2006, showing the amount of PLN 2,729,513 thousand on the side of assets and liabilities,
- Consolidated profit and loss account for the period from January 1st, 2006, to December 31st, 2006, showing a net profit of PLN 150,434 thousand,
- Statement of changes in consolidated equity for the period from January 1st, 2006, to December 31st, 2006, showing a PLN 118,087 thousand increase in equity,
- Consolidated cash flow statement for the period from January 1st, 2006 to December 31st, 2006, showing an increase in cash by the amount of PLN 46,222 thousand,
- Additional information and notes.

The structure of assets and liabilities and the items determining the profit was also presented in the consolidated financial statement.

The audit covered the period from January 1st, 2006 to December 31st, 2006 and was mainly devoted to:

- analysis of correctness and reliability of the consolidated financial statement prepared by the Management Board of the parent company,
- analysis of consolidation documentation,

- assessment of the correctness of consolidation methods and procedures used during consolidation,
- review of the opinions and reports on audit of financial statements of the subsidiaries and the associate that are subject to consolidation prepared by other statutory auditors.

The consolidated financial statement was audited in accordance with the relevant legal provisions and professional standards for auditors issued by the Polish National Council of Statutory Auditors (KRBR).

2. Consolidation documentation

The parent company presented the consolidation documentation, including:

- 1) financial statements of the affiliated companies, including:
 - a) basic (original) financial statements of affiliated companies,
 - b) financial statements of the subordinate companies adjusted to the accounting principles (policy) applicable for consolidation,
- 2) account of the IAS adjustments, generated according to the Polish act of accounting and transforming statements of subsidiaries and the parent company into statements prepared according to IAS/IFRS,
- 3) any adjustments and eliminations made during consolidation, necessary to prepare the consolidated financial statement,
- 4) calculations of goodwill.

Basis for preparing of the consolidated financial statement

The consolidated financial statement of the Ciech Capital Group for the financial year of 2006 has been executed according to the International Financial Reporting Standards in the form adopted by the European Union.

Determination of units in the Ciech Capital Group

Criteria included in the International Financial Reporting Standards have been applied to determine the scope and method of consolidation, as well as dependence.

Financial period

The consolidated financial statement has been prepared as at the same balance sheet date and for the same financial year as the financial statement of the parent company - CIECH SA. The subordinate companies included in the consolidation prepared their financial statements as at the same balance sheet date as the parent company. The financial year of all subordinate companies included in the consolidation ended on December 31st, 2006.

Consolidation method

The statements of the Ciech Capital Group in relation to the subsidiaries have been fully consolidated by means of adding up the entire and relevant items from the financial statements of the parent company and the subsidiaries subject to consolidation.

After adding the figures, the adjustments and eliminations were made, which concerned:

- value of purchasing the shares held by the parent company in the subsidiaries and a part of the net assets of subsidiaries, corresponding to share of the parent company in the ownership of these entities,
- mutual receivables and liabilities of the consolidated entities,
- material income and expense concerning operations between the consolidated units.

For one associate, the equity method was applied. The share of the parent company in the associate was adjusted by increases per the parent company or decreases in equity of the associate, which took place during consolidation.

3. Basis for the Opinion

As a result of the conducted audit, we issued the opinion with no objections whatsoever. We wish to point out two issues though:

1. Item no. 16 of additional information and explanations to the consolidated financial statement, where the Management Board of the Parent Company declared that as of December 31st, 2006 it did not have necessary information on fair value required to be assigned to identifiable assets, liabilities and contingent liabilities of the newly acquired companies such as ZACHEM S.A., Z.Ch. “Organika-Sarzyna” S.A. and S.C. Uzinele Sodice Govora S.A. With reference to the above, the Parent Company, pursuant to section 61-62 of the International Financial Reporting Standard no. 3 (IFRS 3) resolved to make an initial provisional settlement of the mentioned companies’ merger, applying approximate figures to the acquired assets and liabilities, the measurements of which will be subject to adjustment within 12 months from the date of take-over and henceforth from the date of take-over. According to section 63-65 of the International Financial Reporting Standard no. 3 any possible adjustments after initial recognition will be recognized in accordance with the International Financial Reporting Standard no. 8. Changes in fair values of assets, liabilities and contingent liabilities will effect in a change in goodwill or in a change in surplus of the acquired net assets over the cost of their merger.
2. The court proceedings held against the Parent Company CIECH SA, disclosed by the Management Board in item 28.1.1 of the additional information and notes to the consolidated financial statement. Certain proceedings are still pending, and their results and effects cannot be adequately assessed at the present time. The Management Board has estimated a provision against the potential claims at PLN 17,500 thousand and recognised that provision in the consolidated financial statement. No other provisions were raised for remaining part of potential claims disclosed by the Management Board in the mentioned item that may arise in the event of unfavourable court judgments.

4. Additional information and notes and the report on the activity of the Ciech Capital Group verified in terms of their content and compliance

The Parent Company confirmed that the financial statements are prepared on a going-concern basis. The additional information and notes to the consolidated financial statement correctly and

fully described the measurement methods applied to assets, liabilities, and profit, and the approach to preparation of the financial statements.

The Parent Company provided additional information and explanations in the notes to the consolidated balance sheet and profit and loss account items, containing both tabular figures and descriptions, in line with the principles as defined under IFRS.

The Notes concerning the items: property, plant and equipment, intangible assets, investments, liabilities and reserves, give an accurate view of the decreases and increases and the reasons for such changes occurring in the reporting period.

The information was provided with respect to certain assets disclosed in the balance sheet, stating whether or not the assets can be disposed of freely, taking into account the creditors' pledges.

The parent company correctly presented particular assets and liabilities as well as income and expenses in the consolidated financial statement. The consolidated balance sheet, consolidated profit and loss account, statement of changes in consolidated equity as well as the consolidated cash flow statement along with the additional notes, information and explanations accounting for their integral part, comprise all items disclosure of which in the consolidated financial statement is required by the provisions of IFRS.

The Management Board prepared and appended to the consolidated financial statements, the report on the activity of the Ciech Capital Group in the financial year 2006. The report on the activity contains the information required under article 49 section 2 of the accounting act and the ordinance of the Minister of Finance of October 19th, 2005 concerning Current and Periodic Information to be Published by the Issuer of Securities. We have audited the information disclosed in the report on the basis of the audited consolidated financial statement.

5. Conclusions

Statement of the Management Board

Deloitte Audyt Sp. z o.o. and the statutory auditor received from the Management Board of the Parent Company a written statement in which the Management Board declared that the Ciech Capital Group had abided by the provisions of law.

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Maria Rzepnikowska
Statutory auditor
registration no. 3499/1028

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Persons representing the entity

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Entity authorized to audit
financial statements, entered
on the list of authorized entities
under registration no. 73
National Council of Statutory Auditors

Warsaw, May 11th, 2007