

Warsaw, on May 10th, 2007

Ciech SA increases its financial forecast for 2007

In Q1 of 2007 the Ciech Chemical Group achieved very good financial results. **Consolidated net profit amounted to PLN 130.9 million, as compared to PLN 62.5 million in Q1 of 2006 (increase by 109.6 percent).**

These impressive results were translated into an amendment to the annual financial forecast carried out on May 10th. Upon analysis of the Group key companies' results, **the Management Board of Ciech SA has estimated that in 2007 the anticipated net profit will amount to PLN 220 million and as for income, it will reach PLN 3.5 billion** (the previous forecast assumed PLN 167 million of net profit and income worth PLN 3.417 billion).

Achievement of financial results better than as expected for Q1 of the year, was possible thanks to the first visible effects of the operating integration of the Group initiated in the second half of 2006 and thanks to the good standing of the market.

Doubling of income

Consolidated net profit of Ciech SA from sales was at PLN 919 741 thousand in Q1 of 2007, as compared to PLN 471.2 million the previous year (increase by 95 percent). High dynamics can be mostly attributed to inclusion in the consolidated income of Zakłady Chemiczne Zachem and Zakłady Chemiczne Organika-Sarzynia, whose shares were purchased by Ciech in December 2006.

As a result of inclusion of new companies, the Group income structure was subject to change. The organic segment emerged as the most significant sector overtaking the soda segment, the previous leader in field. The organic segment generated 38.4 percent income from sales in Q1 of 2007, while the soda segment reached 25.3 percent.

The Organika Division exceeded substantially the expected level of TDI sales. In addition, the good situation allowed for higher prices of sales (TDI - increase by 14.5 percent, EPI - increase by approx. 8 percent).

Favourable weather conditions (mild winter) resulted in an increase of demand for products intended for farming. Sales of plant protection agents also exceeded expectations in Q1 of 2007 (manufacturer: ZCh Organika-Sarzynia) as well as sales of fertilizers (manufacturer: GZNF Fosfory). Value of phosphorous fertiliser sales was 39 percent higher in relation to Q1 in 2006. Furthermore, income from sales of fixed assets was another factor improving the financial result in Q1 of 2007, which was associated with ZCh Zachem restructuring in progress (PLN 15 million was attributed to it).

As far as the soda companies of the Ciech Chemical Group are concerned, a stable and slightly growing demand for their products is reported. In Q1 of 2007, result of the soda segment was higher than in the corresponding period the previous year by approx. 6 percent, mainly thanks to higher prices. In relation to the corresponding period of the previous year soda prices increased by 4 percent and vacuum pan salt prices by 11 percent. It was possible to curb an increase in manufacturing costs, thanks to decreased use of coke in favour of anthracite.

Operating integration of divisions

In Q1 of 2007 intensified steps were taken to integrate the Soda and Organika Divisions. As for the Organika Division, comprising of ZCh Zachem and ZCh Organika-Sarzyna, procedures common for the entire Group were implemented, the integration was initiated within the area of logistics, mutual raw material purchases and use of synergy in the sales area.

Investment programs were launched in both acquired companies. In the years to come investments are planned on the level of PLN 550 million in case of ZCh Zachem and PLN 400 million in case of ZCh Organika-Sarzyna. It is far more than liabilities of Ciech SA assume, comprised in the privatisation agreements of both companies (PLN 176 million and PLN 130 million respectively). Investments will enable increase of production capacity; however, the Ciech Chemical Group will be focusing on chosen segments of the market, covering products with a high added value and strong potential for growth.

Merger of Janikowskie Zakłady Sodowe Janikosoda and Inowrocławskie Zakłady Chemiczne Soda Mątwy into one company named Soda Polska Ciech SA, also comprising of Elektrociepłownię Kujawskie, is the most important project for the Soda Division. The merger will be finalised in the second half of 2007. Integration shall allow for better use of synergy through decreasing the administrative costs and through consolidation of the management process.

Nevertheless, integration of Uzinele Sodice Govora, the Romanian soda company taken over in December of 2006 is just as much significant. Presently, intensive restructuring steps are being taken over there to ensure stability of raw material and energy supplies. The unit costs of manufacturing have already been reduced with success and more attractive prices of sales have been achieved. Profitability of the company will have been restored permanently by 2009.

Additionally, the Management Board of Ciech SA expects development of a new concept of growth for the Foschem Division, including strengthening of the Group's position on the market of products intended for farming and of silicates and glass.

***The Ciech Chemical Group** is a leader on the chemical market in Europe; it consolidates over 30 companies and is listed among one hundred largest business organisations in Poland. The Group's main products are soda ash and salt, phosphate fertilisers and other basic chemicals used in the glass-making, furniture, construction and food industry.*

With annual income worth approx. PLN 3.5 billion, the Ciech Chemical Group is acknowledged to be one of the top 100 enterprises of Poland (70th place in the "Top 500" of Polityka and 87th in the "Top 500" of Rzeczpospolita).

Ciech SA has been quoted at the Warsaw Stock Exchange (GPW) since February 2005. Kompania Węglowa SA (36.68 percent shares and votes at the General Meeting of Shareholders, Pioneer Pekao Investment Management SA (10.1 percent), Otwarty Fundusz Emerytalny PZU "Złota Jesień" (6.1 percent), Commercial Union Investment Management SA (CUIM) Polska (5.4 percent) are the most prominent shareholders of the company.

For more information please visit www.ciech.com.

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