

Warsaw, August 09th, 2007

**Ciech SA increases its financial forecast for 2007 once more**

After two quarters of 2007, the consolidated net profit of the Ciech Chemical Group amounted to PLN 194.1 million and it is 115.3% more than in the corresponding period last year (in the first half of 2006 net profit was estimated at PLN 90.1 million, and PLN 150.1 million in the whole year). Consolidated sales revenues reached PLN 1,793.1 million in the first half as compared to PLN 982.3 million last year (increase by 82.5%). Net return was PLN 10.8 % (9.2% the year before).

**New financial forecast**

Higher than expected, the financial results of the first two quarters result from an ideal economic situation and strong domestic demand. The impact of these factors can be especially felt in the organic segment in which the progress of integration and restructuring of the companies acquired in December 2006 is more and more advanced.

Higher financial results recorded in the first half brought the Management Board of Ciech SA to decide to increase the financial forecast for 2007 on August 9th, 2007. Upon analysis of the Group key companies' results, **the Management Board of Ciech SA estimates that in 2007 the anticipated net profit will amount to PLN 251 million, and as for income, it will reach PLN 3.5 billion** (forecast of May 10th, 2007 assumed PLN 220 billion of net profit and PLN 3.5 billion of income). This means the net result will be 67% higher than in 2006, with income 62% higher.

**Growth in all segments**

The change in the forecast is prompted by retention in the first half of 2007 of TDI prices at a higher level than estimated. They are expected to remain on a similar level also in the second half of the year. Deviation *in plus* from the disposal plan for the organic segment products was estimated at approx. 20 %. TDI prices were higher than the planned ones by approx. 16%, EPI prices by approx. 8%. It is necessary to stress the positive influence of hedging the TDI and soda prices, which contributed to improvement of the financial income for exchange rate differences.

There was a great demand for the Soda Division products, enhanced by stable prices of materials. The soda prices increased by 3% and the salt prices by 10%. Negative financial results are still recorded in the Romanian company US Govora, however, the restructuring realised in line with the plan will have restored profitability of the company by 2009.

GZNF Fosfory recorded very good results and evidenced an increase in sales of agrochemical products (by 29% in relation to the corresponding period previous year). It resulted from EBIT which almost quadrupled as compared to the previous year.

**Implementation of strategy**

Positive results achieved after the two quarters well correspond to the new strategy of the Ciech Chemical Group for 2007-20011, announced on June 20th, 2007. Pursuant to the fundamental scenario of growth, work on development of new divisions has already started. Presently, Ciech

comprises the Soda, Organika and FosChem divisions. After transformation of the latter there will be new ones created, namely: Agro Division and Silicates and Glass Division.

Acquisition of a nitrogenous fertiliser manufacturer will make up a significant element of the Agro Division growth. Realisation of the scenario, defined as "Concentrated growth" will require investments worth at least PLN 4.8 billion by 2011 and will bring income of PLN 8 billion. "Balanced growth" however, requires less expenditure (approx. PLN 3.1 billion) and guarantees higher profitability. Income shall increase to PLN 5.6 billion.

### **Investments in research and development**

According to the assumptions of the new strategy realised in the Ciech Chemical Group in 2007-2011, investments in research and development will be a significant part. The Ciech Chemical Group is currently one of the few Polish entities in the chemical industry to have the economic and intellectual potential allowing to conduct material research and development projects.

Since July 1st, 2007 the Research and Development Office has operated in Ciech SA, which will be responsible for coordination of research projects in co-operation with research institutions and for efficient use of projects' results.

*The Ciech Chemical Group is a leader on the chemical market in Europe, it consolidates over 30 companies and is listed among the 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 in a hundred top enterprises of Poland (70th place in the "Top 500" of Polityka and 87th in the "Top 500" of Rzeczpospolita).*

*Since February 2005 Ciech SA has been quoted on the Warsaw Stock Exchange (GPW). The State Treasury (36.68% shares and votes at the General Meeting of Shareholders), Pioneer Pekao Investment Management SA (12.52%), Otwarty Fundusz Emerytalny PZU "Złota Jesień" (6.1 %) are the most prominent shareholders of the company.*

*For more information please visit [www.ciech.com](http://www.ciech.com).*

#### **Contact for the media:**

**Waldemar Grzegorzcyk**, Spokesman of the Ciech Chemical Group, Director of the Communications Office of Ciech SA

Phone: (0~22) 639 13 18, cell: 0 502 192 180, e-mail: [waldemar.grzegorzcyk@ciech.com](mailto:waldemar.grzegorzcyk@ciech.com)

**Jarosław Mykowski**, Deputy Director of the Communications Office of Ciech SA

Phone: (0~22) 639 13 43, cell: 0 502 192 864, e-mail: [jaroslaw.mykowski@ciech.com](mailto:jaroslaw.mykowski@ciech.com)