

Nowa Sarzyna, October 19th, 2007

Press Release

Express investment in ZCh Organika-Sarzyna SA

Today the upgraded system to produce epoxy resins has been launched in Zakłady Chemiczne Organika-Sarzyna SA. The project conducted in a record time of two months amounted to PLN 35 million. This is the first investment in a series of investments announced by Ciech SA upon becoming the owner of the company from Nowa Sarzyna in December last year.

The upgrade of the epoxy resins system conducted in record time doubled the manufacturing capacity in ZCh Organika-Sarzyna from 15,000 to 30,000 tonnes annually. The modern technical solutions applied will definitely improve the product quality and work conditions. The Technical and Investment Department of ZCh Organika-Sarzyna handled the preparation and coordination of the investment and works on the construction site were performed by 12 main contractors, mainly the companies associated with Organika-Sarzyna.

The investment is a response to growing market demand for epoxy resins used to produce paints and varnishes and used in the electronics and building industry. It is estimated that in the years to come the demand for epoxy resins will increase by 5 to 8% annually. With respect to the above, the Ciech Chemical Group, comprising ZCh Organika-Sarzyna, plans to further improve manufacturing capacities in this segment. ZCh Organika-Sarzyna as the sole and experienced manufacturer of epoxy resins in Poland wants to become a well-respected player on the European market.

Plans regarding further investments

The expansion of systems to produce polyester resins is another planned investment which should be carried out as early as in 2008. Then the company will produce not 15,000 tonnes a year but a minimum of 25,000 tonnes of the resins. All in all, the completion of the entire investment scheme will result in the considerable strengthening of Organika-Sarzyna productive potential allowing for an increase in income on sales from PLN 400 million to 700-800 million annually.

Upon the acquisition of 80% of the shares in ZCh Organika-Sarzyna at PLN 244.5 million in December 2006, Ciech SA committed to carry out material investments between 2007 and 2011 worth at least PLN 130 million. According to new plans, the amount will definitely be higher as the list of investment assignments subject to analysis reaches approx. PLN 350 million.

In line with the strategy prepared together with the Boston Consulting Group, the Organika Division in Ciech, to which ZCh Organika-Sarzyna is subordinated in terms of the organisational structure, opened an intensive season for investment expansion and integration. Pursuant to the strategy of the Ciech Chemical Group, the Organika Division will take over a major part of commercial competence, while the production companies will focus on manufacturing the most profitable products.

Innovative investments in the Ciech Chemical Group

The concept and project of the upgrade and development of the system to produce epoxy resins have been prepared by the Ciech Chemical Group closely with Instytut Ciężkiej Syntezy Organicznej "Blachownia" (the "Blachownia" Institute of Heavy Organic Synthesis) from Kędzierzyn-Koźle and Biuro Projektów Biprokwas from Gliwice. One of the most important technologies for the growth of ZCh Organika-Sarzyna was modernised using Polish scientific and technical ideas protected by patents instead of purchasing foreign licences.

The innovative character of the finalised project is based not only on the implementation of modern equipment-related solutions but also on the automation of the most significant phases of the technological process, while the increase of the production scale will enable performance improvement.

The Ciech Chemical Group is becoming a leader of innovation in the chemical industry; this year a special organisational unit has been appointed within the Group, which is responsible for managing and coordinating this activity. Assignments of the company's own highly qualified technical staff shared with domestic scientific research units and institutes for the completion of projects comprising new and improved products as well as new modernised technologies became one of the key areas of the Ciech growth strategy.

Investment expenditures on research and development projects as well as innovative investments planned for this year increased in the Ciech Group to PLN 80 million, which corresponds to approx. 2.3% sales value. This value considerably exceeds the average indexes in the country within this area.

The completion of the ambitious research and development scheme and innovative projects within the Ciech Chemical Group entails the maximum exploitation of co-financing this activity by the aid funds of the European Union. Presently, chances of obtaining resources from structural funds within the operational programmes of "Innovative Economy" and "Infrastructure and Environment" are analysed, as well as ventures of "Technological Initiative" and the Seventh Framework Programme of the European Community (EC) for research and technological development for 2007-2013.