

Bydgoszcz, September 17th, 2007

Press Release

Great investment in ZCh Zachem SA

Today the Presidents of Zachem SA Anna Zarzycka and Krzysztof Kulik and the Presidents of Mostostal Puławy SA Andrzej Pruchniak and Agata Sajnaj have signed a contract in Bydgoszcz on development of the TDI (toluene diisocyanate) system, a component used for manufacture of polyurethane foams. The approximate value of the investment will amount to PLN 80 million.

The greatest investment of Ciech

Development of the system manufacturing TDI is the biggest material investment in the history of the Ciech Chemical Group, owing 80% shares in ZCh Zachem. The contract signed today will allow Zachem to increase the TDI production from 60 thousand tonnes to 75 thousand tonnes a year. The initiative is expected to be completed by the end of 2008. The investment is mainly based on the modernisation and development of the existing systems, which will enable removal of all bottlenecks that curb TDI production today. Solutions to be applied will eliminate failures, and this in turn will improve employee and natural environment safety.

The investment is the opening of a new era for Zachem, operating since 1939. This entails commencement of large investment projects that will be carried out thanks to the company's acquisition performed by Ciech SA in December last year. Presently, in organisational terms, Zachem comes under the Ciech Organika Division (parallel to ZCh Organika-Sarzyna in Nowa Sarzyna), which generated over 45% of the Group income during two quarters of 2007.

The company from Bydgoszcz is the sole manufacturer of TDI in Poland. Polyurethane foams made using TDI are used in the furniture industry (mattresses, furniture covers), car industry (seats, bumpers), textiles (insulating materials), cosmetics industry (bathing sponges), as well as in the building industry as insulation materials, binders and adhesives.

According to analysts, the TDI market is very attractive as demand is growing for the products made using this material. Large players in the market are increasing their manufacturing capacities. Zachem's advantage is that it is not dependent on its licence to manufacture toluene diisocyanate since it uses its own technology, with parameters comparable to those of the global giants. Increasing manufacturing capacity of TDI, and becoming independent of deliveries of key raw materials used for its production in the nearest future, this company from Bydgoszcz will considerably improve the competitiveness of its flagship product.

TDA Manufacturing Plant and Chlorine Manufacturing Plant

Upon acquisition of Zachem, Ciech guaranteed the investment level would amount at least to PLN 176 million within 5 years. Accordingly, development of the TDI system would assure completion of almost a half of the obligations. However, the projects prepared by Ciech have a considerably higher value: investments in Zachem will total PLN 650 million within the next four years.

After modernisation of TDI Manufacturing Plant, other even larger investments are expected. The works on modernisation of the Chlorine Manufacturing Plant and construction of TDA Manufacturing Plant are well under way.

The Chlorine Manufacturing Plant will be a source of the chlorine used in Zachem to produce TDI and epichlorohydrin (the raw material used for epoxy resins). The existing system provides approx. 50 % of the company's demand, the remaining part the Ciech Chemical Group purchases at external suppliers. The necessity to modernise and develop the Chlorine Manufacturing Plant is also connected with necessity to replace the existing brine electrolyses with new ones complying with requirements under environmental law of the EU.

Construction of TDA Manufacturing Plant, whereas is going to increase business safety. Presently, the majority of Zachem's demand for TDA is satisfied by imports, however, the Ciech Chemical Group aims for full autarchy within the area of TDA and TDI production based on its own raw materials.

Integration of the Organika Division

Epichlorohydrin produced in Zachem is a raw material used to obtain epoxy resins manufactured in the Chemical Plants of Organika-Sarzyna within structures of the Ciech Chemical Group. Also in this area, investments of Ciech SA are expected to exceed obligations' value under a privatisation agreement, stipulated to stand at PLN 120 million. The estimated expenditures will exceed PLN 300 million.

Furthermore, integration of ZCh Zachem and ZCh Organika-Sarzyna within the Ciech Organika Division is in progress. The projected results of focus on manufacture of the most profitable products and transfer of business functions onto the Group level are expected to amount at least to PLN 150 million annually.

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, resins and other organic chemical products used in the glass-making, furniture, construction and agriculture.

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 at 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" (6.12 %) are the most prominent shareholders of the company.

For more information please visit the web site www.ciech.com.

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