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New Strategy for the Ciech Chemical Group

A new strategy for the Ciech Chemical Group for 2007-2011 forecasts a significant increase in the Group's income and profit. The basic scenario to be followed by the Management Board of Ciech SA provides for the establishment of new divisions. At present there are three divisions in Ciech: Soda, Organic and FosChem. The last one will be transformed, resulting in two new divisions: Agro, and Silicates and Glass. This will ultimately produce four divisions.

Investments and acquisitions

The establishment of the Agro Division will include, as an essential element, the acquisition of a manufacturer of nitrogenous fertilisers. The implementation of this scenario, known as "Intensive development", will require, by 2011, the investment of PLN 4.8 billion and will lead to an increase in the Group's income by approximately PLN 8 billion. A number of investments and acquisitions will also be performed, which will make it possible to boost the manufacturing potential and in consequence to increase income even if, for any reason, Ciech does not take over the manufacturer of nitrogenous fertilisers. This variant is called by the Management Board of Ciech a "Sustainable Development" scenario. Its implementation will take lower investment expenditure (approximately PLN 3.1 billion) and will lead to a smaller increase in income (up to PLN 5.6 billion); however, it ensures higher profitability.

Development of the four Divisions

Priority activities provided for in the strategy until 2011 are as follows:

The Organika Division The competitiveness is to grow due to the lowering of TDI manufacturing costs and reasonable development of the manufacturing capacity. As regards EPI, epoxy resins, polyester resins and PUR foams; additional effects will also be brought about by a reduction of costs, the extension of the product portfolio and development of the manufacturing capacity. It is assumed that the investment expenditure will amount to PLN 700-1,000 million and the estimated annual EBITDA income over 3-5 years will amount to PLN 150 million.

Soda Division The strengthening of the Ciech Chemical Group in the soda ash market requires the pricing and geographical optimisation of sales, restoration of the profitability of US Govora and development of the manufacturing capacity at Ciech Soda Polska. Besides the results due to the merger of soda companies, the Group will also seek opportunities for new acquisitions.

Silicates and Glass Division Its establishment requires organic growth and acquisitions. There will be investments in the manufacture of sodium silicate in the form of lumps and sodium water glass, and in the taking over of the profitable niche of potassium silicates. Marketing campaigns should also contribute to the sale of glass hollow blocks. Acquisitions are being considered for the segment of lanterns and jars.

Agro Division The scale of development of the Division depends on whether it will be possible to carry out a sufficiently attractive acquisition. It is known that a good competitive position in Poland requires the consolidation of the fertiliser market. The right acquisitions must allow for manufacturing and raw material synergies with the other Divisions of the Group. The aim is to provide agriculture with fertilisers and plant protection chemicals as a comprehensive service. This will be supported by the development of an efficient distribution system.

Investment in research and development

Another key area of the Group's operations is research and development. The Ciech Chemical Group is one of very few Polish entities in the chemical industry to have an economic and intellectual potential enabling it to carry out significant R&D projects. Therefore, these areas will be given a special position. It is important to pay attention to the planned rationalisation and development of the network of foreign agencies due to the considerable share of exports and the need for good penetration of foreign markets.

Advancement to the top twenty

The new strategy was created as a response to the strengthening of the Ciech Chemical Group in Central and Eastern Europe. The implementation of both the scenarios ensures Ciech a position among the top twenty largest chemical companies in Europe.

The new strategy also involves a change in the mission of the Ciech Chemical Group. The mission followed now is defined as: "We create value in these segments of the chemical market in which we are competent and achieve a strong and lasting competitive position." The wording of the new mission is an effect of consistent development and also a response by Ciech to the privilege of competing with the largest economic organisations of Europe.

Ciech Chemical Group is a leader in the European chemical market, bringing together over 30 companies and is among one hundred largest economic organisations in Poland. The Group's main products are soda ash and salt, phosphatic fertilisers and other basic chemicals that are used in the glass-making, furniture, construction and food industries. With an annual income of approximately PLN 3.5 billion the Ciech Chemical Group is in the top hundred largest Polish enterprises (70th position in the "500 List" by Polityka and 87th position in the "500 List" by Rzeczpospolita). Since February 2005 Ciech SA has been listed on the Warsaw Stock Exchange. The largest shareholders of the company are the State Treasury (36.68 % of shares and votes at the General Shareholders' Meeting), Pioneer Pekao Investment Management SA (12.52 %) and Otwarty Fundusz Emerytalny PZU "Złota Jesień" (6.1 %). For more information see www.ciech.com.

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