

Press release

## Good outlook for the next quarters

**Despite difficult macroeconomic conditions, after three quarters 2009 Ciech Chemical Group generated PLN 2.72 billion of sales revenues and PLN 140 million of the operating profit. At the end of each period, the company has PLN 28 million net losses. The group's net debt decreased in the third quarter by PLN 81 million. Improvement in the conditions for markets for key products of the Group: soda ash and TCI create good outlook for the next quarter.**

The period from July to September was another period in which a reduction in the pace of decrease in the production dynamics in Poland was observed. The general situation improved. However, the global economy still experienced crisis. High bank margins and limited access to financing negatively influenced the costs of financing the activity. Also, strengthening of the Polish zloty negatively influenced Ciech's results as nearly half of the Groups' revenues are generated in foreign currencies. – *Despite unfavourable macroeconomic conditions, we manage to generate high financial flows* – said Ryszard Kunicki, managing Ciech Chemical Group. – *In combination with improving market conditions, it is a good forecast for the next quarters* – he added.

In the 3rd quarter, the company observed an increase in the volume of sales in the markets for baking soda and soda ash in comparison to the previous quarters. The sales of both products increased in terms of quantities by 12% from July to September. In comparison to the previous quarter it achieved 436 thousand tons. In the organic segment, demand for TDI stabilized at a high level, and the margin rose in comparison to the turn of 2008 and 2009. Also, an improvement in the situation of the sector of polyester resins and PUR foams is observed. It is mainly related to the increase in sales volume and stabilisation of margins.

### Stable revenues and decrease in unemployment rate

From January to September this year, Ciech Chemical Group achieved PLN 2 725 million of sales revenues, i.e. only 9 % less than in the corresponding period of 2008. The decrease is related to lower prices for organic products and lower demand and sales of fertilizers. The previous quarter was another quarter in which the significance of Soda Division rose considerably. In sum, it generated as much as 89% of EBITDA within nine months with 40% share in income. Despite the positive operating result of PLN 10 million after three quarters, the Group observed a negative net result accounting for PLN 28 million. – *This results, mainly, from the strengthening of the Polish zloty in the 2nd and 3rd quarters 2009 in comparison to the previous periods* – explained Robert Bednarski in charge of the finance of Ciech Group. EBITDA calculated without inflow of options accounted for PLN 369 million which corresponds to a decrease by 13% (after consideration the account of securities, the result accounted for PLN 310 million).

Despite worse operating results and burden resulting from option transactions, in the third quarter Ciech Group improved operating financial flows. At the end of September 2009, they accounted for PLN 347 million minus PLN 17 million in the previous year. Free financial flows were positive and accounted for PLN 72 million, which means that Ciech Group was able to fund its investment activities solely with operating flows and to allocate the surplus to reduction in the debt. The net debt decreased by PLN 81 million in comparison to the previous quarter and by PLN 50 million in comparison to the end of 2008.

In three quarters 2009, the Group received subsidies from EU funds for investment activities accounting for PLN 112 million. Other applications for an amount exceeding PLN 82 million are being prepared.

### **Extension of the agreement “status quo”**

In recent weeks, the Group took further steps involving refinancing of the debt of Ciech Group. Key financing conditions were agreed with the main loan partners. Within the framework of the process, the banks concerned receives informational packages including financial projections, information memorandum, report of a market adviser and financing conditions. Legal due diligence preparing conclusion of contracts and establishment of securities is being completed. The Banks and Ciech Group decided that several weeks are required to obtain necessary loan consents of all partners, completion of documentation, fulfilment of suspending conditions and disbursement of the refinance loan. Therefore, it was decided to extend the agreement in maintenance of status quo as regards financing of the Group by banks concluded on August 14th, 2009 up to December 15th, 2009.

### **Decisive stage of privatisation**

The process of sale of shares of Ciech, Azoty Tarnów and ZAK owned by the State Treasury and Nafta Polska entered the decisive stage. At the end of the third quarter, Nafta Polska conducting the process on behalf of the State Treasury announced a short list of investors. The list of entities invited to further negotiations includes: Bain Capital Ltd. - American private equity fund, consortium including the British investment fund Cinven Ltd and consultancy company Kolaja & Partners, NQI (National Qatar Industries Co.) – private fund specialising in investments in the crude oil, gas and petrochemical industry, PCC – German capital group operating mainly in the chemical, energy and logistic industry, I Fundusz Mistral SA, Polish private equity fund and UAB Achema Group – one of the largest private groups in the Baltic region in business of chemical production. The decision was preceded by verification of initial bids. – *We are satisfied with the large interest in the privatisation of the companies from the first chemical group* – said Ryszard Kunicki, president of Ciech. – *We are very glad that the process takes place according to the schedule.* Currently, the stage of presentation of companies to potential investors is being completed. The investors received materials regarding the company in the form of a virtual Data Room.

*The Ciech Chemical Group is the biggest chemical concern in Poland. It comprises 58 companies and is one of the leaders in the Central European market. The Group has a well-developed production structure and business network in Poland, Europe and Asia. The main Group's products include soda ash (second place in Europe), TDI, salt, phosphate and compound fertilizers, plant protection chemicals, epoxy and polyester resins and other organic chemical products used in the glassmaking, furniture, chemical, construction and agriculture industries. With annual revenues of approximately PLN 3.8 billion, the Ciech Chemical Group is among the 50 largest Polish enterprises. Since February 2005, Ciech SA has been listed on the Warsaw Stock Exchange. The largest shareholders of the company include the State Treasury (36.68 percent of shares and votes at the General Meeting of Shareholders), Pioneer Pekao Investment Management SA (18.77 percent), PZU "Złota Jesień" Open Pension Fund (6.12 percent). More information at [www.ciech.com](http://www.ciech.com).*

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