

ANWIL SA Capital Group Consolidated Financial Statement

2007 was marked by favourable macroeconomic conditions for the business operation of chemical companies, not only in Poland, but all over Europe.

Owing to the growing GDP and soaring demand on domestic and export markets, the economy, especially in the sectors supported by the products manufactured by ANWIL Group, experienced a high growth.

Fundamental Financial Parameters – ANWIL SA Capital Group

		2006	2006 pro-forma ¹	2007
Net sales	mln PLN	1 980	2 664	2 825
– domestic		1 334	—	1 437
– export		646	—	1 388
Profit on sales	mln PLN	231	203	255
Gross profit	mln PLN	245	216	246
Net profit	mln PLN	198	182	210
EBIT	mln PLN	248	218	250
(Gross profit + interest)				
Cash from operating activity	mln PLN	244	—	362
ROACE*				9,69%
(NOPAT/average invested capital with books corrections)				
ROE				11,70%
(Net profit/average equity)				
Assets	mln PLN	2 499	2 499	2 461
Shareholders' equity	mln PLN	1 783	1 791	1 805
Average employment	persons	3 490	3 490	3 448

¹ according to current regulations, Spolana a.s. has been consolidated since the day of its acquisition, i.e. November 14, 2006; to bring to comparable periods, parameters presented in the pro-forma statement consider Spolana a.s. yearlong consolidation

2007 was the first full year when ANWIL Group operated as in an extended form combined with the Czech company Spolana a.s. whose production range includes polyvinyl chloride, soda hydroxide, caprolactam and ammonium sulphate. Spolana a.s. is the only manufacturer of these products in the Czech Republic. The acquisition of Spolana a.s. was another step to enlarge the Chemical Segment of PKN ORLEN S.A. As a result of this investment ANWIL SA became a dominant shareholder in a company of a similar production profile. The identified and partly completed synergy is bound to prove beneficial for the companies' shareholders.

Understanding the scale of the challenge, the company set out to implement the "coherence enhancement" processes, and subsequently, the stage of identification and gradation of possible integration problems was stepped into. Finally, the rout for mutual development in the new organisational situation was determined. Consistent pursuit of the ANWIL SA development strategy again allowed ANWIL Group to bring substantial profits for its shareholders.

Through pursuing the programme of increasing the value for its shareholders in the sense of maximising the level of return on investment, by means of implementing efficiency-enhancing activities, ANWIL Group managed to achieve one of the highest net profit levels in its history.

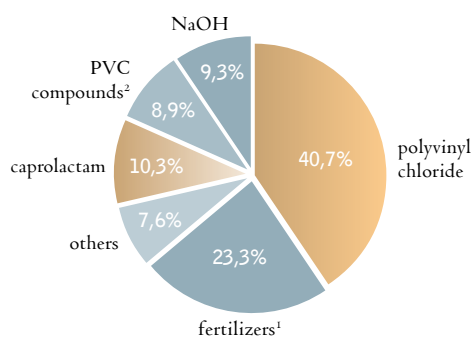
ANWIL SA policy as the owner is concentrated on those elements of the Capital Group assets that directly create the added value. Therefore, the fundamental aim of the margin accumulation policy is closing the material and product chains combined with the maximised utilisation of petrochemical raw materials within PKN ORLEN S.A. The consequence of this approach is an ongoing process of integration of assets connected with chemical production within ANWIL Group.

Owing to the optimal use of the production capacity resulting in record-breaking sales figures of polyvinyl chloride, fertilizers and PVC compounds, ANWIL Group managed to benefit from one of the key success factors in the chemical sector – economies of scale.

In 2007 a number of investments were made by the ANWIL Group:

- investments aimed at productivity and continuous operation enhancement in the fertilizer, PVC, CW and caustic soda plants,

The Value Structure of Sales of Products and Services in 2007



¹ the position covers: ammonium nitrate, CANWIL and ammonium sulphate

² the position covers: granulates, blends and sheets

* ROACE = NOPAT/IC (Net Operating Profit After Tax/ Invested Capital)

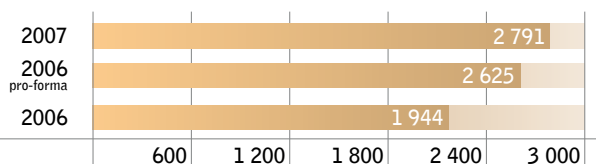
- investments resulting in improved quality and competitiveness of the product,
- investments enabling the reduction of unit production costs and the emission of gases into the atmosphere,
- investments aimed at reducing repair costs and water wastage, as well as the leakage of sewage into the soil.

A high level of demand for polyvinyl chloride and PVC granulates brought about by a boom in the construction and investment markets combined with a high demand for sodium hydroxide, on the one hand, and the strong Polish Zloty influencing the import profitability, a substantial increase in the price of raw materials and energy – particularly influencing the PVC and PVC compounds sales, on the other hand, were the key factors shaping the results achieved by the ANWIL Group in the area of PVC and chlor-alkali. Moreover, an improving financial condition of Polish farmers and the trend to use more and more fertilizers in the agricultural production determined an increased demand for fertilizers. The profitability in this sector, however, was strongly affected by growing prices of natural gas. ANWIL Group achieved a record-breaking level of revenues from sales of both products and services, amounting to 2 791 million zlotys. This level was largely shaped by the sales figures of four fundamental product groups, which in 2007, made up 83,1% of the total revenue value. The sales of polyvinyl chloride had the largest share in the revenues structure reaching the value of 40,7%. The runner-up group was made of nitrogenous fertilizers (ammonium nitrate, nitro-chalk CANWIL, ammonium sulphate from Spolana a.s.) with 23,3% and further there were caprolactam – 10,3% and PVC compounds (8,9%).

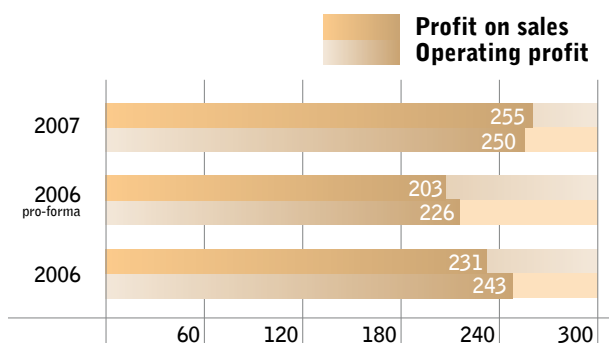
The sales result reached PLN 255 million. In the remaining operational and financial activity the ANWIL Group results were in the negative territory.

As a result in 2007 ANWIL Group achieved the gross profit of PLN 246 million. After tax, the net result was PLN 210 million. The 2007 financial statement has been prepared in accordance with the International Financial Reporting Standards.

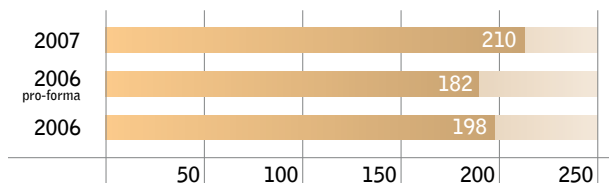
Revenues from sales of products and services [mln PLN]



Profit on Sales and Operating Profit [mln PLN]



Net profit [mln PLN]



Balance sheet

As for 2007.12.31

Assets

	notes	thousand PLN	thousand €*
FIXED ASSETS		1 840 228	513 744
1. Intangible assets	1	7 906	2 207
2. Tangible assets	2	1 765 384	492 850
3. Other long-term fixed assets	3	2 327	650
4. Financial assets	4	35 132	9 808
5. Land/the right of perpetual usufruct		728	203
6. Investments in buildings and premises		28 751	8 026
CURRENT ASSETS		620 423	173 205
1. Inventories		266 407	74 374
2. CIT receivables		481	134
3. Trade and other receivables	5	295 036	82 366
4. Short-term financial assets	6	3 493	975
5. Cash		44 942	12 547
6. Accruals		5 894	1 645
7. Assets classified as held for sale		4 169	1 164
TOTAL ASSETS		2 460 651	686 949

Liabilities

	notes	thousand PLN	thousand €*
SHAREHOLDERS' EQUITY		1 804 833	503 862
1. Share capital	7	313 032	87 390
2. Exchange rate differences from subsidiaries conversion		-2 240	-625
3. Retained earnings including:		1 440 486	402 146
– Net profit from the current year		209 905	55 488
– Exchange rate differences from conversion net profit			3 112
4. Minority interests		53 555	14 951
LONG-TERM LIABILITIES		224 155	62 578
1. Provisions for deferred tax		115 941	32 368
2. Provisions	8	19 818	5 533
3. Long-term provisions for employee benefits		25 401	7 091
4. Interest-bearing borrowings		25 439	7 102
5. Other long-term liabilities	9	37 556	10 484
SHORT-TERM LIABILITIES		431 663	120 509
1. CIT liabilities		24 321	6 790
2. Provisions		3 876	1 082
3. Short-term provisions for employee benefits		14 025	3 915
4. Interest-bearing borrowings		89 263	24 920
5. Trade liabilities, other liabilities and accruals	10	295 478	82 490
6. Accrued income		4 700	1 312
TOTAL LIABILITIES		2 460 651	686 949

*NBP exchange rate on 31.12.2007: 1 € = 3,5820 PLN

Notes to balance sheet

	thousand PLN	thousand €
1. Intangible assets	7 906	2 207
cover:		
– licences, patents and similar assets	7 906	2 207
2. Tangible assets	1 765 384	492 850
cover:		
– fixed assets	1 717 227	479 405
– fixed assets under construction	48 157	13 445
3. Other fixed assets	2 327	650
cover:		
– long-term receivables	2 327	650
4. Financial assets	35 132	9 808
cover:		
– shares in entities	34 930	9 752
– loans granted	202	56
5. Trade and other receivables	295 036	82 366
cover:		
– trade receivables	230 149	64 251
– others	64 887	18 115
6. Short-term financial assets	3 493	975
cover:		
– valuation of the hedging transaction of the loan granted	3 493	975
7. Share capital	313 032	87 390
covers:		
– capital registered in National Court Register	134 925	37 667
– share capital revaluated (in accordance with z IAS 29)	178 107	49 723

8. Long-term provisions	19 818	5 533
mainly cover:		
– provisions for land reclamation and pollution removal costs	19 187	5 356
9. Other long-term liabilities	37 556	10 484
mainly cover:		
– grant received from ERDF	33 313	9 300
– amortisation of the loan received from NFEP&WM	1 592	444
10. Trade liabilities, other liabilities and accruals	295 478	82 490
cover:		
– trade liabilities including prepayment received from customers	253 931	70 891
– other liabilities	41 546	11 599

The Profit and Loss Account

	thousand PLN	thousand €*
Total revenues, including:	2 855 490	754 842
– net sales of finished products and services	2 790 736	737 724
– net sales of goods for resale and materials	34 063	9 005
– other operating income	17 378	4 594
– financial income	13 314	3 519

The Profit and Loss Account

for the period 2007.01.01. – 2007.12.31

	notes	thousand PLN	thousand €*
1. Net sales:	1	2 824 799	746 728
Sales of finished products and services		2 790 736	737 724
2. Operating costs	2	2 569 625	679 274
3. Profit on sales		255 174	67 454
4. Other operating income	3	17 378	4 594
5. Other operating costs	4	22 672	5 993
6. Operating profit		249 879	66 055
7. Financial income	5	13 314	3 519
8. Financial expenses	6	18 400	4 864
9. Profit (loss) on sales of total or partial shares of affiliated units		0	0
10. Participation in profits of affiliated companies accounted for by equity method		1 191	315
11. Profit on continuing operations		245 983	65 025
12. Extraordinary profit		0	0
13. Extraordinary loss		0	0
14. Gross profit		245 983	65 025
15. Income tax		35 468	9 376
16. Minority shareholders profits		-611	-161
17. Net profit		209 905	55 488

*1 € = 3.7829 (NBP average exchange rate in 2007)

Notes to the Profit and Loss Account

	thousand PLN	thousand €
1. Net sales	2 824 799	746 728
covers:		
– income from net sales of finished products	2 736 021	723 260
– income from net sales of goods for resale and materials	34 063	9 005
– income from sales of services	54 715	14 464
2. Operating costs	2 569 625	679 274
cover:		
Costs of manufacturing, sales and distribution costs, administrative expenses, cost of sales of services, value of goods for resale and materials		
3. Other operating income	17 378	4 594
covers:		
– profit on sale of non-financial fixed assets	2 603	688
– subsidies	3 272	865
– other operating income	11 502	3 041
4. Other operating costs	22 672	5 993
cover:		
– update of fixed assets value	7 711	2 038
– other operating costs	14 961	3 955
5. Financial income	13 314	3 519
covers:		
– interest received	3 591	949
– gain on sale of investment	854	226
– financial instruments valuation	3 493	923
– other financial income	5 375	1 421
6. Financial expenses	18 400	4 864
cover:		
– interest paid	4 307	1 139
– exchange losses over gains	11 902	3 146
– other financial expenses	2 191	579

Cash Flow Statement

for the period 2007.01.01. – 2007.12.31

	thousand PLN	thousand €*
Net cash flow from operating activity	362 365	95 790
Net profit	209 905	55 488
Total adjustments	152 460	40 302
Net cash flow from investing activity	-87 198	-23 051
Cash inflow from investing activity	28 167	7 446
Cash outflow from investing activity	115 365	30 497
Net cash flow from financing activity	-244 595	-64 658
Cash inflow from financing activity	142 524	37 676
Cash outflow from financing activity	387 119	102 334
Net cash inflow/outflow during the year	30 572	8 081
Changes in cash resulting from foreign exchange gains/losses	40	678
Cash at the beginning of year	14 330	3 788
Cash at the end of year	44 942	12 547

*1 € = 3.7829 (NBP average exchange rate in 2007)