

A LETTER OF PRESIDENT OF THE BOARD

Dear Sirs & Madams.

I provide an annual report summarizing actions taken by Ostrowski Zakład Ciepłowniczy S.A. in the year 2007.

The most important challenge in overpassed 2007 year was finishing and commissioning of the new cogeneration block ORC. During the year there has appeared a change in organization of ORC construction and in a way of carrying an investment out, according to construction permit and Constructional Law being in force.

Finished investment was very complicated technically and organizationally. Despite many difficulties we managed to put into use the whole Project according to foredesigns, I consider this as a great success the more so as the device installed in our Company is the first of that kind in Poland.

In 2007, The Company achieved revenues from sale on the level of 28.628.000 PLN, whereof 95% from sale of energy, working out net profit in the amount of 1.654.000 PLN. The result gained from basic activity is as the one preplanned in this activity. We wrote down a drop in net profit in the whole activity that results from decrease of the income from sale of rights for CO2 emission, which was out of control of the Board.

Reassuring, I can say that our Company works on solid basis, which allow for elastic reaction for changing environmental circumstances and to meet needs of customers. The management of Ostrowski Zakład Ciepłowniczy S.A. uses financial and material resources of the Company and motivates its employees for cooperation against competition. Modern technology, qualified personnel, certificates for production of electric energy in cogeneration and production from renewable sources put our Company at the top of heat- generating plants.

For the nearest years Ostrowski Zakład Ciepłowniczy S.A. is planning continuation of ambitious way of development and consolidation of position on the local market

With best regards

President of the Board

Zenon Musialski

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I. GENERAL INFORMATION.

Ostrowski Zakład Ciepłowniczy OZC S.A. carries on activity in the scope of generation, transmission, distribution and trade turnover of heat and generation and distribution of electric energy. Heat is being supplied for central heating needs, hot, usable water, technological and manufacturing needs. Moreover OZC SA offers services in the scope of construction and modernization of heating systems. The company functions on the basis of following concessions given by president of URE (The Energy Regulatory Office):

1. Heat generation – decision No WCC/241/203/U/OT-5/98/RO with changes No WCC/241E/203/W/OPO/2005/AJ dated May the 10th, 2005.
2. Heat transmission and distribution - decision No PCC/255/203/U/OT-5/98/RO with changes No PCC/255B/203/OPO/2003/AJ dated January the 8th, 2003.
3. Heat turnover - decision No OCC/83/203/OT-5/98/RO with changes No OCC/83B/203/W/3/2001/ZJ dated May the 14th, 2001 r.
4. Electric energy generation No WEE/68/203/W/1/2/2000/AS with changes No WEE/68A/203/W/OPO/2000/AJ dated December the 27th, 2007 r.
5. Electric Energy distribution - DEE/66/203/W/OPO/2008/AJ dated April the 3rd, 2008 r.

Central Source of heat and electric energy OZC S.A. is heat and power plant with power installed 100 MW, in which there work boilers being fed with coal, gas, oil, wood and a gas turbine. Heating system consists of heating network 49, 3 km and 864 heating centers. Except for heating system OZC SA operates 12 local boiler houses in southern Wielkopolska. For energy generation OZC SA uses ecological fuels and energy saving technologies. The company possesses renewable energy sources used for heat generation based on biomass combustion (straw, wood briquette), cogenerative gas sources and a source biomass-fired that allow for generation of electric energy and heat generation in cogeneration.

Cogenerated electric energy and heat generation is one of the most effective methods of energy saving and carbon dioxide emission reduction in the process of electric energy and heat generation. Efficiency of changing the chemical energy contained in fuel into usable one i.e. electric energy and heat is much higher than with separated generation. Heat prices are being calculated according to rules of Energetic Law and so called tariff decree, and they are being presented in tariffs approved annually by President of URE. Management of the integrated system according to ISO certificates in the scope of quality, environment protection and industrial safety is additional guarantee that heat and electric energy generation take place in conditions safe for employees and friendly to environment.

1. MANAGEMENT OF THE COMPANY.

GENERAL MEETING

For day 31 of December 2007 shareholders of OZC S.A. own:

HOLDIKOM S.A. – Poland - 51, 0% shares in share capital

E.ON SVERIGE AB -Sweden- 48, 6 % shares in share capital

REMAINDERS- 0, 4%

All shares of Ostrowski Zakład Ciepłowniczy SA are ordinary shares to the holder and do not give the owners special control rights. There are no limitations in assignment of ownership of stocks or in implementing voting rights for issuer shares.

In 2007 year OZC SA did not issue any stocks. In the company there are no programs of workers shares.

OZC SA does not have any information about contracts that in the nearest future can change the proportions of shares by present shareholders and covenantees.

SUPERVISORY BOARD

SINCE 01.01.2007 TO 16.03.2007

1. Jan Banaszak
2. Håkan Hagström
3. Piotr Horodyski
4. Mariusz Majkut
5. Dorota Misiak
6. Andrzej Szpunar
7. Jerzy Waliński

SINCE 16.03.2007 TO 31.12.2007

1. Marek Cichy
2. Håkan Hagström
3. Piotr Horodyski
4. Mariusz Majkut
5. Dorota Misiak
6. Dawid Sztandera
7. Bartosz Ziótkowski

BOARD

Zenon Musialski – 16.03.2007 - 31.12.2007 President of The Board
 Marian Kazienko – 01.01.2007 - 16.03.2007 President of The Board
 Alina Tomaszewska – 01.01.2007 - 31.12.2007 Executive.
 Andrzej Grzesiek – 01.01.2007 - 16.03.2007 Executive.

Executives of Supervisory Board delegated for Executive of the Board:

Marek Cichy – 16.03.2007 – 22.05.2007
 Bartosz Ziótkowski – 23.05.2007 – 13.06.2007

In OZC SA Company there are no contracts with Managers that would foresee compensation in case of their resignation or dismissal from work. Value of managing and supervisory parties is described in note 47 in financial statement of the Company.

In The year 2007 there was no changes in rules of managing the Company and the Capital Group. There also wasn't any change in appointing and dismissing managers or in powers of managing staff, especially the right to make decision about emission or repurchase of shares. Managing and supervisory staff do not have any shares of the Company nor in related entities.

2. PERSONEL.

An average employment in 2007 was 83,49 people (83, 49 people worked full time). On 31.12.2007, there were 82 full time employees. Over last twelve months 6 people were employed and 9 were made redundant.

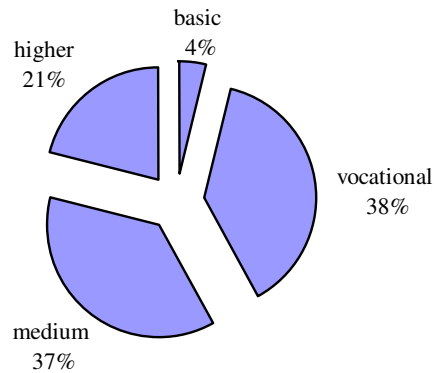
The personnel level, due to blue-collar workers and white-collar workers, is presented below:

EMPLOYMENT
 (PREPARED AS AT DECEMBER 31, 2006)

Specification	2007	
	people	%
Total employment, including:	82	100
Blue-collar workers	56	68,3
White-collar workers	26	31,7

We have experienced well trained and competent personnel. Their commitment and high quality of service make that the company can effectively realize consumers' needs and owners' expectations

Employment structure by education criterion in 2007.



Company actively supports professional development of employees by varied training: workshops and seminars. Development and training of employees was conducted according to procedure which evaluates the Company employees by interviews, questionnaires and direct observation. The positive aspect is that people started to notice the need for training and run for it. In 2007 the total cost of training was 82 185 PLN.

In September 2007 company trade unions- NSZZ "Solidarnosc" and Krajowy Związek Ciepłownikow had a dispute with Board of Directors bargaining payment raise. Thanks to meetings with mediators we reached a compromise ending the dispute at the same time.

A good opportunity to all employees' integration was the third company picnic organized in cooperation with trade unions in September 2007. The event took place in Ostrow Wielkopolski in a nice Hotel Borowianka atmosphere.

II. FINANCIAL AND ECONOMIC ANALYSIS.

1. DEVELOPEMENT PROSPECTS. CHARACTERISTICS OF FACTORS ESSENTIAL FOR DEVELOPEMENT.

Tending to Get The position of regional leader in the scope of heat supply, the Company is going to guarantee its customers the highest quality of heating services. One of the directions of Ostrowski Zakład Ciepłowniczy SA development is usage of alternative and renewable fuels i.e. straw and wood for heat and electric energy generation in care for environment protection and to meet requirements on European union standards. As the company with many years of experience in the branch of thermal energy it will realize its actions keeping principles of business ethics taking care for customers' satisfaction. The priority is that the Company would make it mark by high quality of activity, look forward to respect and trust.

Strategic Direction of OZC SA development is above all development of profitable activity related with heat and electric energy sale, additionally the strategy of company's development will be based on differentiation of activity tending to full use of personal and material potential of the Company and to use economic potential existing in the environment. Therefore, except for continuation of basic activities as:

- Heat generation, transfer and distribution;
- Electric energy generation, transfer and distribution;

The company is planning wider scope of services as:

- Wholesale and retail of installation materials;
- Real estate rent and tenancy;
- Transfer and distribution of electric energy;
- Services of realization in installation branch (centers, internal installations).

Development of the Company will be namely based on assuring reliability of heat and electric energy supplies for customers, high quality of services, industrial safety, pre-ecological activities and implementation of new technologies and development of employees' competence.

Factors important for development

Participation in the market and competition. Thermal system OZC SA supplies heat for about 45% of citizens of Ostrów Wielkopolski. The Company possesses notable part in local heat market. On the market of system heating the Company has got no competitors, heat and power generating plant "EC Ostrów" is the greatest source of heat in Ostrow Wielkopolski. Recipients may see the market of available, primary heat sources as competitive (coal, gas, electric energy).

Recipients. Possibilities of gaining New customers are determined with existing technological conditions: extension and parameters of existing systems and economic ones: construction and systems development). Potential groups of new heat recipients are: existing buildings without central heating, existing buildings with boiler-rooms fired with coal, gas, oil, buildings under construction, one-family houses, objects disconnected from heating system.

Power ordered. OZC similar to majority of heating plants is noting decrease of power ordered, although the number of recipients grows. It is caused by cut in recipients' heat demand, changes in the climate (more and more gentle winters) and rationalization of heat consumption by recipients connected with usage of modern energy saving technologies, thermo-modernization and measurement of supplies. Systematic reduce of heat sale is also connected with liquidation and limitation of industrial manufacturing in the area of Ostrów Wielkopolski.

Legal normalization. OZC S.A. deal in activity, which requires concession according to law, ipso facto it is being controlled and regulated by proper offices – The Energy Regulatory Office. The Company acts according to Energetic Law, Decree of Minister of Economy regarding specified conditions of heating systems functioning and Decree of Economy Minister regarding specified rules of forming and calculation of tariffs and heat requirement clearings. In its activities the Company has to follow changes in regulations according to law adjustment to union regulations, i.a. Directive No 2004/8/WE about promotion of cogeneration and Directive No 2001/77/WE regarding support of power generation from renewable sources on local market.

System of rights for CO2 emission trade. Year 2007 closed the first, three years lasting, clearing period of trade system of rights for CO2 emission. In heat and power station Heat Power Plant "Ostrów" falling under this system there was kept, required by the law, quantity and quality monitoring of fuels

consumption. After ending of each year there was a report of CO₂ emission made up, which after being verified, constituted a base for amortization of particular amount of emission rights given for installation mean- year bank.

Ecology. Ostrowski Zakład Ciepłowniczy SA as an entity dealing in economic activity in the energetic section is conscious of great meaning of natural environment protection. The Company has been realizing pro ecologic policy for many years- it is shown in i.a.:

- Observing legal environmental requirements related to exploitation of installations of energetic fuel combustion;
- Infestations and modernizations that allow achieve ecological effect in form of primary fuel savings and restriction of pollution emission (e.g. construction of cogeneration set ORC biomass fired, modernization of coal boilers in tight walls technology).

Integrated permissions.

Since The half of 2006 the biggest installation owned by the Company – heat and power station Heat Power Plant “Ostrów” placed in Ostrów Wielkopolski at Grunwaldzka 74 Street- is falling under integrated permission. Rules regarding integrated Permissions are defined by the Decree – Environment Protection Law dated April the 27th, 2001, which puts the duty of acquiring the permission for all installations, which because of kind and scale of effecting the environment may cause considerable pollution of particular natural elements or the environment at total.

Moreover the Company has got the decision about permissible pollution emission for ecological boiler station in Kępno. For both objects are periodically monitored for pollution emission, and the results are being used for calculations of charges for economical use of environment, that the Company regularly pays for the account of Urząd Marszałkowski (Marshal Office)in Poznań. Control executed by Wojewódzki Inspektorat Ochrony Środowiska (District Inspectorate of Environment Protection), as in previous years, did not shown breach of the environment protection law that would effect in infliction of fine.

Integrated Management System. In The Company there is implemented and permanently improved integrated system of quality, environment protection and industrial safety management according to norms PN-EN ISO 9001:2001, PN-EN ISO 14001:2004 and PN-N-18001:2004 requirements. Efficient functioning of ntegrated Management System gives the possibility of consonant company development, better work organization, unequivocal definition of tasks, competences and employees responsibility and their readiness for fulfilling the clients' needs, facilities in fulfilling legal stipulation and assurance of quick adaptation of internal regulations to changes in legal system, strengthening of company's position on the market.

2. DESCRIPTION OF IMPORTANT FACTORS OF RISK.

Fuel price hazard.

For energy production OZC S.A. uses natural resources such as coal and gas. Price changes in these areas are dependent on politicians establishing and the Company does not have any impact on that. Since fuels cover 60 % of expenses this works in the wrong direction.

Energetic System Law hazard.

The Act on Energy Law and executive acts define providing energy supplies. Constantly changing control mechanism hinders financial and revenue planning.

Heat Demand hazard.

Over last few years there was a declining tendency for heat which was a result of: industry restructuring, thermo-modernization, optimal consumption. We are actively working on Marketing and Distribution by winning over new clients which will partly compensate this negative tendency. Unfortunately we are limited by the range of our network system and the lack of new crucial investments in the city.

Financial situation of the recipients' hazard.

Mainly consumers living in flats use the city heating network. With the range of "ready heat" industrial clients play a crucial role. Their financial situation and their financial commitment are crucial for OZC S.A. finances and are constantly monitored.

3. FINANCIAL RESULT ANALYSIS.

Ostrowskiego Zakładu Ciepłowniczego S.A. Balance sheet.

Contents	Current year 2007		Previous year 2006		Change
	TPLN	%	TPLN	%	
1	2	3	4	5	2/4
ASSETS					
Fixed assets	84.743	82	65.837	70	129
• Intangible fixe assets	80	0	127	0	63
• Tangible fix assets	83.431	81	64.530	69	129
• Long term investments	939	1	939	1	100
• Long term accruals and deferred income	293	0	241	0	122
Current assets	18.304	18	28.141	30	65
• Stocks	4.351	5	6.609	7	66
• Credit and claims	7.042	7	6.888	7	102
• Short term investments	6.470	6	14.250	16	45
• Accruals	441	0	394	0	112
TOTAL ASSETS	103.047	100	93.978	100	110
LIABILITIES					
Equity	72.955	71	73.950	79	99
• Paid-in share capital	12 174	12	12 174	13	100
• Supplementary capital	25.817	25	24.471	26	105
• Reserve capital	2.392	2	2.530	3	95
• Profit	30.918	30	31.132	33	99
• Net profit	1.654	2	3.643	4	45
Long term liabilities	11.511	11	7.613	8	151
Short term liabilities	6.110	6	5.611	6	109
Accruals	12.471	12	6.804	7	183
TOTAL LIABILITIES	103.047	100	93.978	100	110

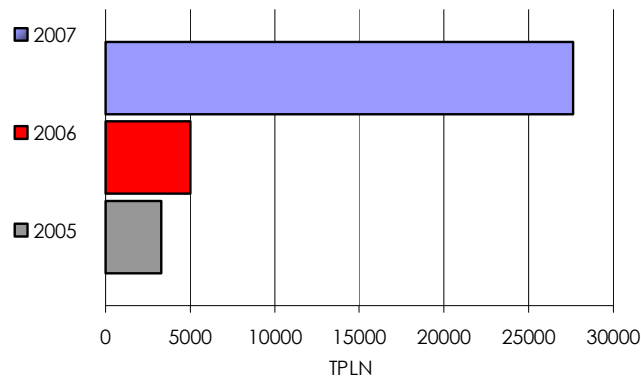
ASSETS- COMPANY'S PROPERTY

In 2007 extensive investments in main energy source for Heat and Power Plant "Ostrów" were made, in order to fulfil requirements in scope of dust emission and improvement of efficiency of boilers, as well as development of connections, pipelines and heat centres.

Value of fix assets put into operation in last years is presented below:

- in the year 2005 3.307
- in the year 2006 5.000
- In the year 2007 27.614

Fix assets put into operation in last 2005-2007



Passives –sources of finance.

Structure of company capitals for last 3 years is presented in the below diagram

YEAR	2007	2006	2005
EQUITY	12.174	12.174	12.174
Supplementary capital	25.817	24.471	24.068
Reserve capital	1.340	1.340	1.340
Reserve capital from fixed assets revaluation	1.052	1.189	1.189
Profit	30.918	31.132	31.159
Total	71.301	70.306	69.930

Profit and loss statement.

In 2007, the Group's net sales increased by 3% and cost increase by 4% in relation to year 2006. The sales results was 170 TPLN lower last year which is a result of constant increase of producing costs. Such high increase of costs was mainly caused by increase of natural gas and coal price.

The result of operation activity increased by 2.363 TPLN than last year. It was as a result of generating of 37.000 allocations of allowances of emission right trades of CO₂ (income 2.306 TPLN). The Group's net profit for 2007 was 2.306 TPLN whereas in 2006 it was only 16 TPLN. The Group's net profit in 2007 was 16 TPLN, in 2006 it was up 45% and amounted to 3.643 TPLN.

ANALYTICAL PROFIT AND LOSS STATEMENT OF
OSTROWSKI ZAKŁAD CIEPŁOWNICZY S.A.

No	Contents	Current year 2007	Previous year 2006	Change	
				(3-4) TPLN	3/4 %
1	2	3	4		
1	Sales of service	28.682	27 953	729	103
2	Cost of service	26.164	25 240	924	104
3	Gross sales	2 518	2 713	-195	93
4	Selling costs, general and administrative costs	2 354	2 379	-25	99
5	Sales	164	334	-170	49
6	Other operational revenue	1 596	3 927	-2 331	41
7	Other operation expenses	329	467	-138	70
8	Operating activity result	1 431	3 794	-2 363	38
9	Other operating revenue	578	735	-157	79
10	Operating expenses	0	0	0	0
11	Operating profit and loss	2 009	4 529	-2 520	44
12	Gross result	2 009	4 529	1 313	44
13	Tax	355	886	-531	40
14	Net profit	1 654	3 643	-1 989	45

Revenues.

Total revenue increased by 5,4 % compared with last year which is a result of decreasing other operating revenues by emission of trade profits.

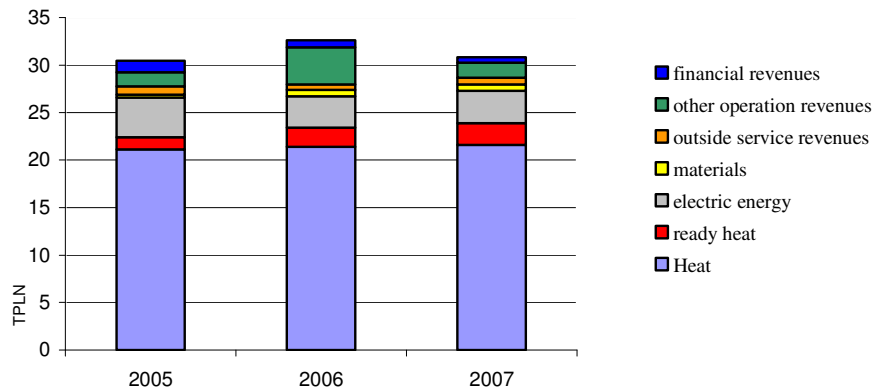
Revenue from heat sales from district heating network is almost the same as in the previous year. A new unit of ready heat in DROP Kępno increased the need for thermal energy in summer, which resulted in revenue up 10%.

REVENUES STRUCTURE IN YEARS 2006-2007

Types of revenues	2007 TPLN	Structure %	2006 TPLN	Structure %
Heat sale	21 598	70	21 391	66

"ready heat" services sale	2 297	7	2 029	6
Electric Energy sale	3 406	11	3 300	10
Materials sale	665	2	663	2
Outside services revenues	716	2	569	2
Other operation revenues	1 596	6	3 927	12
Financial revenues	578	2	735	2
TOTAL	30 856	100	32 614	100

Revenues structure in years 2005-2007.



Expenses

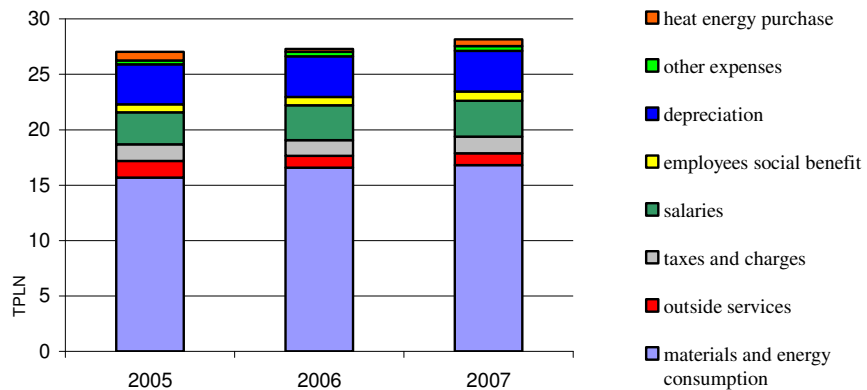
Operation expenses were up 3% compared with the previous year. Costs of energy and materials increased by 1% and wages by 3,9%.

COSTS IN CONFIGURATION TYPE

Contents	Year 2007	Structure %	Year 2006	Structure %
Materials and energy consumption	16 834	60	16 587	60
Outside services	1 038	4	1 080	6
Taxes and charges	1 496	5	1 414	5
Salaries	3 230	11	3 110	11
Employees social benefits	857	3	779	3
Depreciation	3 675	13	3 661	13
Other expenses	414	2	406	1

Heat energy purchase	595	2	259	1
TOTAL	28 139	100	27 296	100

Costs in configuration type in years 2005-2007.

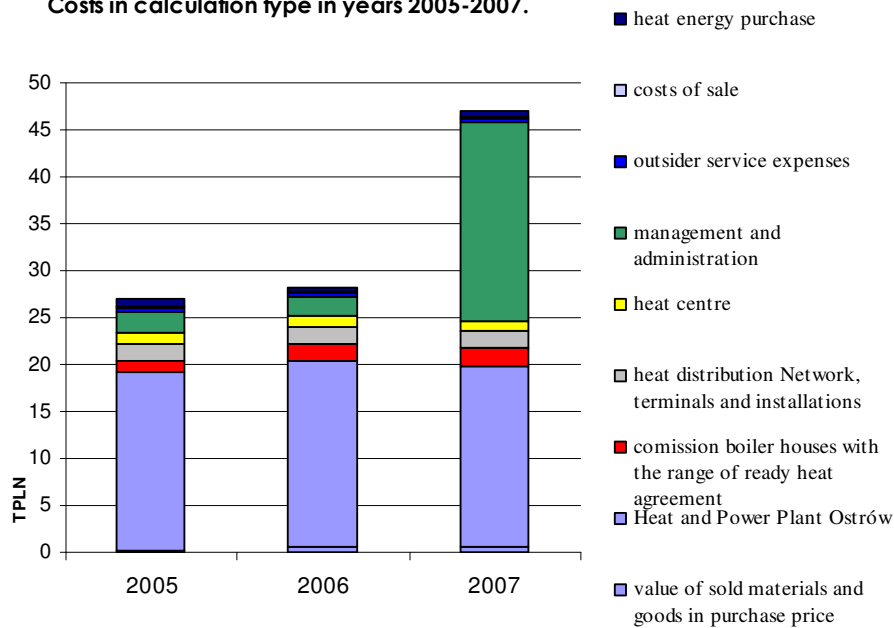


To present a full picture of the company potential, expenses in calculation type, i.e. divided on performed activity are presented below .

COSTS IN CALCULATING CONFIGURATION

Contents	Year 2007 TPLN	Year 2006 TPLN
Value of sold materials and goods in purchase prices	617	646
Heat and powerplant „Ostrów”	19 735	19 211
Comission boiler houses with the range of „ready heat” agreement	1 983	1 824
Heat Distribution Network, terminals and installations	1 786	1 722
Heat centres	1 078	1 189
Management and administarion	2 112	2 158
Outside serv bice expenses	370	389
Costs of sale	242	221
Heat energy purchase	595	259
Total	28 518	27 619

Costs in calculation type in years 2005-2007.



Performance ratio

Specification	PERIOD		
	2007	2006	2005
Net profit	1 654	3 643	2 595
cash flow (net profit + depreciation)	5 329	7 304	6 198
Sales revenues	28 682	27 953	27 780
Total assets	103 047	93 979	90 377
Circulating assets	18 304	28 141	30 052
Equity	72 955	73 950	72 526
Long-term outside capitals	3 912	-	-
Short-term outside capitals	6 110	5 611	3 892
Total amount of shares	1 217	1 217	1 217
Dividend	2 435	2 192	2 070
Gross profit	2 009	4 529	3 216
Paid interests	0	0	26
PROFITABILITY RATIOS			
Profit from sale	5,8	13,0	9,3
Sale profitability=cash flow/sale (%)	18,6	26,1	22,3
zyskowność majątku(ROA)=zysk netto/aktywa ogółem(%)	1,6	3,9	2,9
Assets' profitability (ROA)=cash/assets(%)	5,2	7,8	6,9
Profitability of equity (ROE)=net profit/equity(%)	2,3	4,9	3,6

Profitability of equity ROE=cash/equity.	7,3	9,9	8,5
return on committed capital (ROCE) =EBIT/committed capital (%)	2,0	5,1	2,8
LIGUIDITY RATIO			
Current Cash flow ratio/ current assets/ current liabilities	3,0	5,0	7,7
DEBT COVERAGE RATIO			
Intrest coverage ratio= (Gross profit+ Intrest paid)/intrest paid	0	0	124,7
Ownership of the company charge= total fixed assets/ Total obligations	10,3	16,7	23,2
Coverage of the ownership of the comapny with equity= equity/total fixed assets	0,7	0,8	0,8
CAPITAL MARKET RATIO			
EPS= net profit per 1 share =net profit /number of issued shares	1,4	3,0	2,1
P/E= relation of price to profit per 1 share= Market price per 1 share/EPS	52,8	16,3	12,6
Dividend per 1 share in PLN =dividend/shares held	2,0	1,8	1,7
Dividend ratio= dividend per 1 share/ Market price per 1 share(%)	2,8	3,7	6,4
Paid dividend ratio= dividend per 1 share /EPS(%)	147,2	60,2	79,8

Additional economic-financial information.

In 2007 the Company did not entered any contracts in the meaning of 1 pt.3 annex No1 for Regulations of CeTO traffic. Simultaneously, the Company does not have any information about agreements among shareholders.

The company did not take nor granted any loans or credits, did not give any securities. The company did not publish any financial result forecast for 2007.

In 2007 there were no any factors or unpredicted events, which could have had an influence on activity of the Company or profits gained.

Below there is some information about organizational and capital connections of the Company with other entities.

Entity	Seed capital	Held shares value	Shares in share capitall
ZEC Skwierzyzna Sp.z o.o	1.834 TPLN	937 TPLN	51%

In 2007 OZC Limited did not invest in stocks and shares, financial instruments, intangible fixed assets or Real estate. No capital investments beyond related entities were made as well. In 2007 transactions, whose single or total value exceeds the amount of 500 000 €. did not appear.

Information about agreement with the body authorized for analysis of financial report.

No	Specification	2007	2006
1	Date of contractation with auditor	07.11.2007	02.11.2006
2	Period of contract validity	Up to day of issuing an opinion, 14th May 2008 at The latest	Up to day of issuing an opinion, 14th May 2007 at The latest.
3	Total pay for audit	Unitary report 16 000,00 PLN+VAT	Unitary report 16 000,00 PLN+VAT

III. MARKET AND SUPPLY SOURCES.

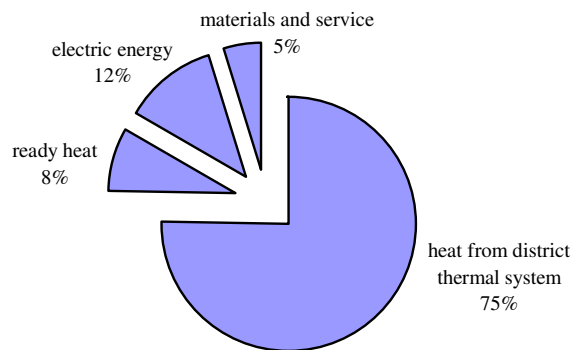
As multi-energy company Ostrowski Zakład Ciepłowniczy Joint-Stock Company delivers heat energy for district heating, hot water, heat for technology and production as well as electricity. Company delivers also services in scope of building of new heat networks and reconstruction of existing ones both for the institutional and individual clients. Ostrowski Zakład Ciepłowniczy operates on energy market in Ostrów Wielkopolski and South Wielkopolska.

In 2007, similar like previous years, energy from district heating was the most dominant product, generating 75% of company revenue.

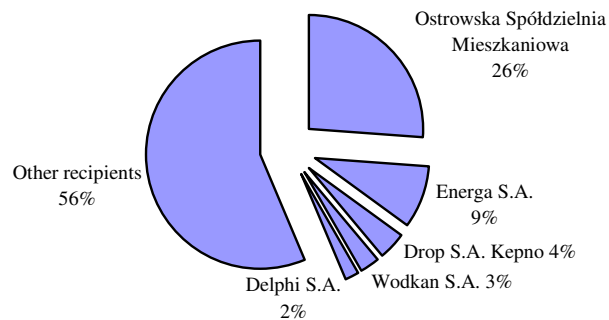
Over the last years the Company has developed some products, such as:

- district heating
- "Ready heat"
- electric energy
- service

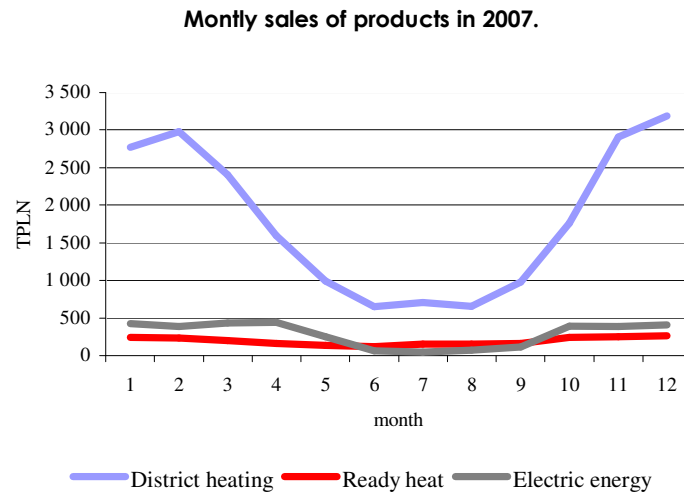
Particular products in sales revenues



Strategic recipients in 2007



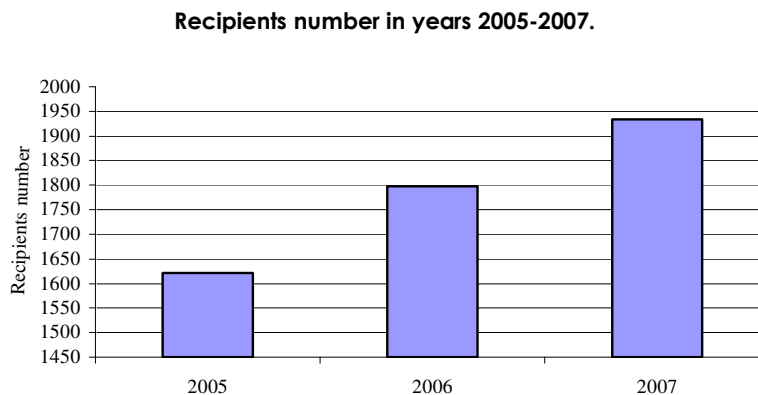
Monthly sales of products in 2007 are presented as below:



1. THERMAL ENERGY

1.1 THERMAL ENERGY FROM DISTRICT HEATING NETWORK.

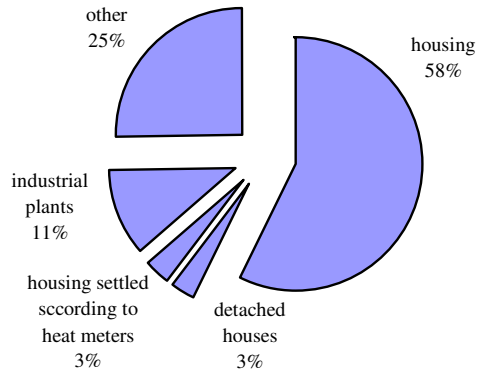
In 2007 district heating system operated as based on heat source- Heat and Power Generating Plant (Elektrociepłownia Ostrów) and district heating network in Ostrów Wielkopolski. Heat recipients growth during last three years:



Heat recipients structure is presented below:

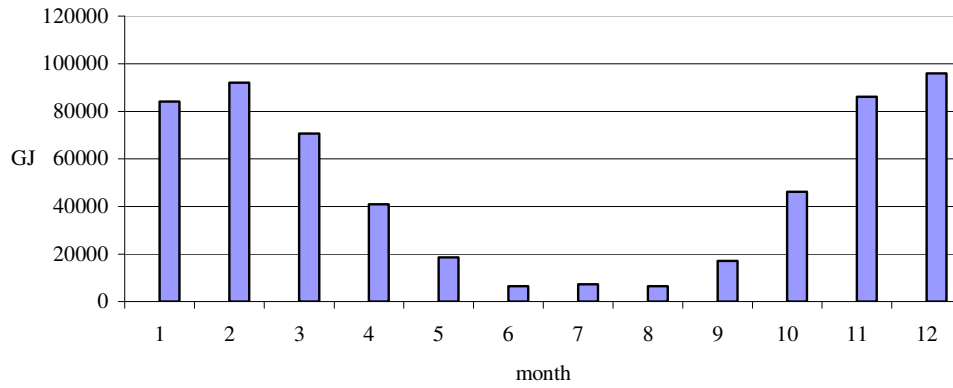
- block of flats occupants: Ostrów Housing Co-operative Society (Ostrowska Spółdzielnia Mieszkaniowa (32% n sale), Municipal Housing Administration Establishment Ltd., other housing co-operatives and housing communities,
- detached house occupants (406 recipients),
- block of flats occupants with individual contracts (1012 recipients) ,
- industrial plants: Delphi Automotive Technology Systems, Process Control Company ZAP S.A., SPOMAX,
- public institutions and trade companies

Heat recipients.



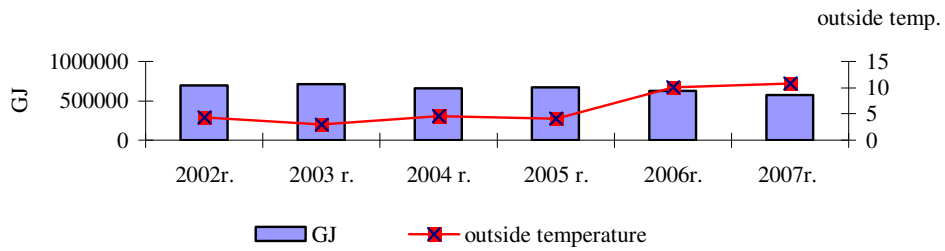
Heat sale from district heating system in year 2007 according to sales in particular months is presented below:

Heat sale from district heating system in 2007.



Just for comparison heat sale and outside temperature in recent years is presented below

Heat sale and average outside temperature in years 2002-2007



Change ordered power in 2007.

Heat energy generated in particular heating periods strictly depends on outside temperature. In 2007, ordered power declined by 0,36 MW_t, which was a result of:

- new connections +1,15MW_t
- decline of ordered power caused by 45 customers to -1,51 MW

The main reason for that was thermo modernization, optimalisation of consumption.

1.2 „READY HEAT”

The essence of "Ready Heat" is to take over total control and responsibility in production and delivery of thermal energy by energy-efficient environmental friendly technologies. This service aims at thermal energy production and delivery for central heating, hot water and ventilation needs according to previously fixed price and time.

The product is oriented at owners or administrations of buildings which have local heat generation plants in Ostrów Wielkopolski as well as in Ostrów region.

Within the framework of "ready heat" following boiler house were operated:

1. Nowe Skalmierzyce:

- a boiler house with total capacity of 2 MW_t, which is a result of being fired by straw and coal 2 boilers, located in 24 Kaliska Street
- a boiler house with capacity of 0,400 MW_t, which is a result of being fired by oil and biomass in 2 boilers, located in 5 Mickiewicza Street

2. Opatówek:

- a boiler house with total capacity of 0,800 MW_t, which is a result of being fired by coal and wood in two boilers, located in 4b Szkolna Street
- a boiler house with total capacity of 0,140 MW_t, which is a result of being fired by natural gas, located in 4b Jana Street

3. Ostrów Wielkopolski:

- a boiler house with total capacity of 0,200 MW_t, which is a result of being fired by natural gas in one boiler, located in 64 Zębcowska Street
- a boiler house with total capacity of 0,200 MW_t, which is a result of being fired by natural gas in one boiler, located in 54 Rejtana Street

4. Raszków:

- a boiler house with total capacity of 0,0650 MW_t, which is a result of being fired by coal and wood in 3 boilers, located in 22b Polna Street

5. Masanów:

- a boiler house with total capacity of 0,060 Mw, which is a result of being fired by coal in 1 boiler, located in 40 Lipowa Street

6. Lewkowiec:

- a boiler house with total capacity of 0,650 MW_t, which is a result of being fired by coal in two boilers, located in Lewkowiec number 68.

7. Gorzyce Wielkie:

- a boiler house with total capacity of 0,075 MW_t, which is a result of being fired by coal in one boiler, located in 31 Szkolna Street

8. Kotłownia w Kępnie:

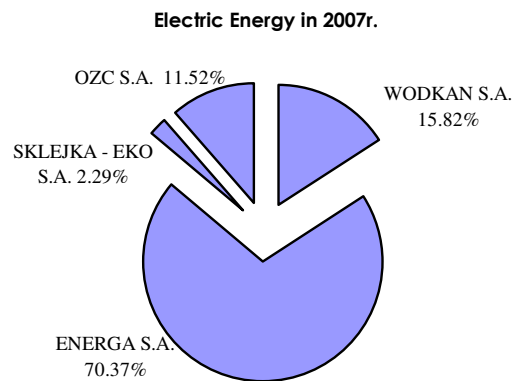
- a boiler house with total capacity of 7, 25 MW_t, which is a result of being fired by coal in three boilers, located in 7 Wrocławska Street

9. Kotłownia w Psarach:

- a boiler house with total capacity of 0,350 MW_t, which is a result of being fired by coal and wood in two boilers, located in 2 Leśna Street.

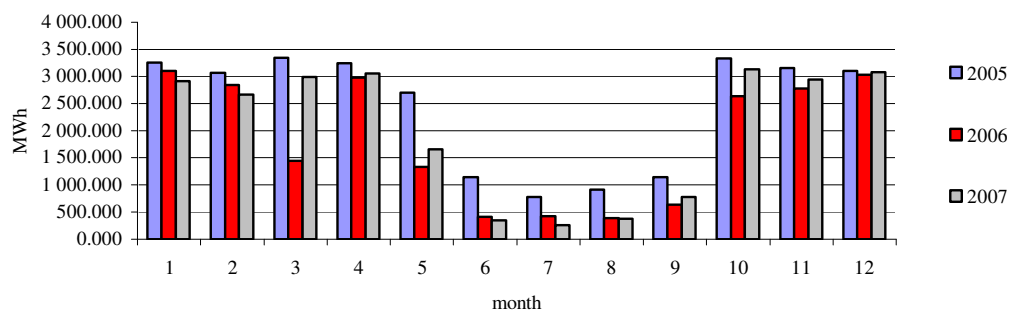
2. ELECTRIC ENERGY.

Product „electric energy” is a result of generating electric energy in co generative system in EC Ostrów basing on gas turbo set. Electric energy was directed to three recipients i.e. Koncern Energetyczny (energy consortium) Energa in Kalisz, hydro-sewerage company WODKAN S.A. in Ostrów Wielkopolski and Sklejka -Eko S.A in Ostrów Wielkopolski. Koncern Energetyczny ENERGA S.A. was and still is the strategic recipient of the product, participation of energy sale for the Consortium in OZC SA income in total stands for 11% . WODKAN S.A. was buying electric energy in direct system for feeding the station of water treatment, pumping station and sewage treatment plant for Ostrów Wielkopolski city, whereas Sklejka –Eko S.A. has started purchasing.



Wielkość sprzedaży energii elektrycznej w poszczególnych latach i miesiącach przedstawiamy na wykresie.

Sale of electric energy in monthly system in years 2005-2007.



3. PERFORMANCE, INSPECTION, ADVISEMENT AND TRADE SERVICES.

Services realized in recent year included the wide scope of works connected with:

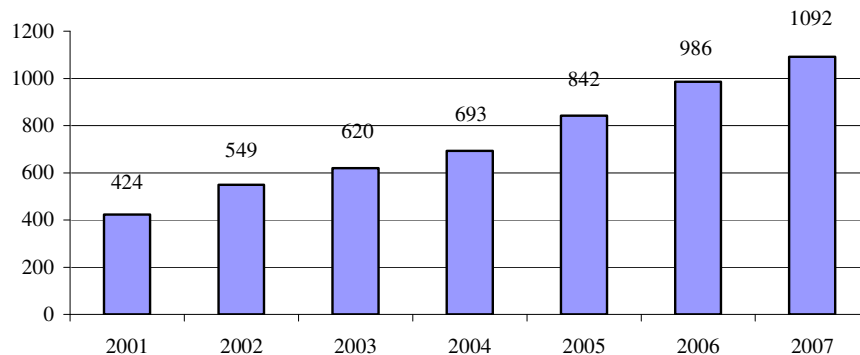
- Workmanship and realization of thermal centers;
- Workmanship and realization of internal installations of central heating and usable hot water
- Trade of materials and devices for realization of investment connected with systems, thermal centers and internal installations constructing.

Services were being realized in the range of central heating and usable hot water installation within the framework of offer so called "heat in your flat". Those services were being realized in complex and were very popular among the citizens of Ostrów Wielkopolski. Works were being made most of all in buildings owned for Miejski Zakład Gospodarki Mieszkaniowej (City Housing Administration), housing communities and private owners.

Incomes from trade of installation materials amounted to 629 000 PLN. In 2007 we realized 61 service projects for the amount of 496 000 PLN.

On the diagram there is shown the number of installations accounted individually in particular years

Number of receiving instalations in years 2001-2007.



Important form of activity within the framework of heat supply from municipal heat system was the service "heat in your flat", realized for tenants of many-families buildings. In 2007 we made 91 central heating installations in individual flats and for institutions, therein 48 flats of OTBS (Association of Social Buildings of Ostrów Wielkopolski) were connected.

This service is a connection of farther recipients, especially in the city center, also an individual settlement of particular apartments according to indication of heat gauges.

4. PRODUCTION FUELS SUPPLY.

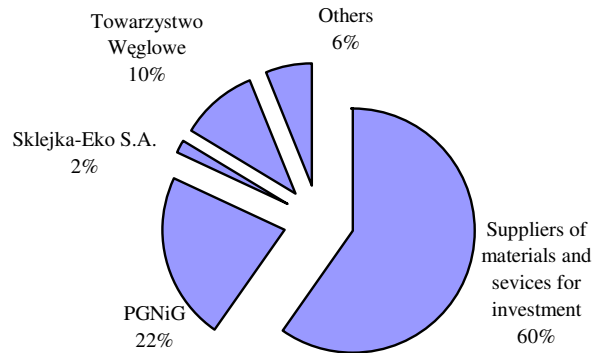
Main suppliers.

1. PGNiG S.A. – 36% Incomes from sale.
2. Trading company „TOWARZYSTWO WĘGLOWE” Sp. z o.o. – 16% Incomes from sale.
3. Sklejka – Eko SA – 3% Incomes from sale.

Companies PGNIG and Trading Company „TOWARZYSTWO WĘGLOWE” Sp. z o.o. supply production materials on the basis of commercial contracts. Trading company „TOWARZYSTWO WĘGLOWE” Sp. z o.o. was selected in unrestricted bidding.

In The scope of gas supply The Company is dependant to PGNIG, which is a monopolist in national scale, supplies take place on the basis of long-term contracting.

Suppliers structure in general in 2007.



The most important challenge in overpassed 2007 year was finishing and commissioning of the new cogeneration block ORC. Supplies for the investment were of 60% from the total amount of supplies. The main contractors operated according to the entered contract with Polytechnik Polska Sp. z o.o.-supplier of the equipment– 40%, Turboden s.r.l. – 17% sales.

PARTICULAR FUELS CONSUMPTION IN 2007.

Boiler house	Small coal	coal EKORET	Natural gas	Oil	Straw	Briquete
	t	t	m ³	l	t	t
Heat and power plant „Ostrów”	26 355		9 261 668	51 660		4 622
Nowe Skalmierzyce Kaliska Street	455				440	208
Nowe Skalmierzyce Mickiewicza Street				6 260		160
Raszków Polna Street		208				
Malfarb - Lewkowiec		62				
Opatówek Szkolna Street		187				19
Opatówek św Jana Street			14 595			
Zębcowska -gas			46 243			

Rejtana - gas			18 689			
Masanów - school		18				
Gorzyce- school		22				
Kępno - DROP	2 505					
Psary		74				31
TOTAL	29 315	571	9 341 195	57 920	440	5 040

5. MARKET DEVELOPMENT.

Due to development in building industry, new buildings were completed by TBS (Social Building Society) (48 flats in. Kujawska Street). Before heating period 2007/2008 all those buildings were connected to district heating network. (Another TBS buildings and council buildings as well are going to be realised next years). Networks were done and 32 new connections were realised 1300 metres in length.

13 detached houses, 23 business clients and 91 flats were connected to district heating. As result of new connections, ordered power increased by 1,14 MW_t. New connections were being realized up to the end of the year 2007. New connections number depends on our marketing activity which we evaluate as proper and positive and what is more customer-oriented.

IV. SYSTEMS OF ENERGY SUPPLY.

1. ENERGY SOURCES

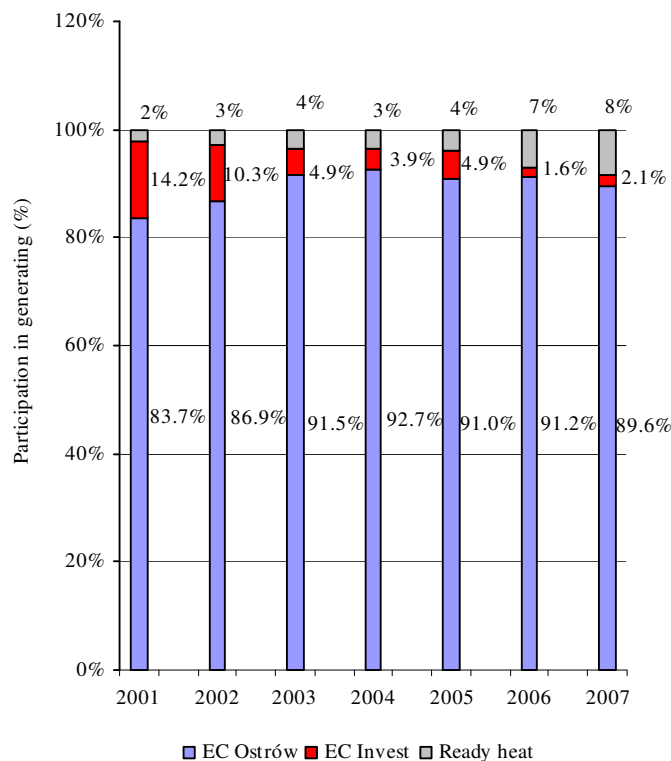
OZC S.A. provided :

- from January to December from Haet and Power Palant Ostrow
- additional in July, August, November and December from EC INVEST

GENERATION AND PURCHASE OF THE HEAT ENERGY IN YEAR

Months	Outside Temp. °C	EC INVEST GJ	Participation S Q %	EC OSTRÓW GJ	Water wastage t	Total Q GJ	t/h
January	5,3	0	0,0	99 143,7	747,7	99 143,7	914,1
February	2,4	0	0,0	103 076,7	597,5	103 076,7	940,2
March	7,0	0	0,0	78 278,3	1095,9	78 278,3	865,5
April	10,9	0	0,0	46 593,0	869,8	46 593,0	669
May	16,6	0	0,0	22 542,5	568,4	22 542,5	370,7
June	20,3	0	0,0	13 124,7	454,6	13 124,7	275,7
July	19,8	360	2,8	12 298,7	1124,4	12 658,7	248,4
August	19,4	1880	15,8	10 031,2	793,1	11 911,2	248,7
September	14,0	0	0,0	25 987,4	1110,5	25 987,4	431,7
October	9,0	0	0,0	59 346,1	1251,9	59 346,1	747,2
November	3,1	2250	2,3	95 419,9	599,7	97 669,9	942
December	1,7	11260	10,0	100 838,7	552,1	112 098,7	1012
Total from the beginning of the year		15750		666 681	9 766	682 431	

Comparison of sources participation in generating from 2001-2007.



HEAT AND POWER PLANT „OSTRÓW”.

In Heat and Power Plant Ostrów following heating appliances worked in 2007:

- 4 boilers WR-10 with capacity of 49,6 MW each,
- a turbine KB 7 with a waste-heat boiler with capacity of 11,6 MW for heat production and 5,2 MW for electric energy, gas-fired
- 1 boiler with capacity of 15,0 MW, gas-fired
- 1 boiler with capacity of 15,0 MW, oil-fired or gas-fired
- ORC turbogenerator with total capacity of 9MW where the energy is generated from wooden chips. Thermal energy coming from the boiler is transformed in ORC turbogenerator into electric and thermal energy.

Being aware of our importance as a strategic energy supplying company we were well prepared to the heating period. All the planned repairs and inspection works had been done. We have also realized all planned modernisation and finished the investment in ORC system.

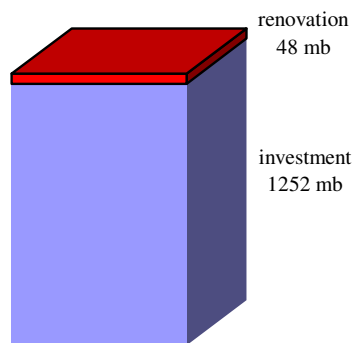
2. HEAT SYSTEM.

Heating sytem is an important element of district heating system. OZC S.A. operate aerial and underground as preinsulated. They are

- a) main DN 400 – 150 mm
- b) distribution type pipelines and connection DN 150 – 25 mm

District heating pipeline has a total length of above 49,3 km. There were being realized new pipelines, connections and modernisation to blocks of flats in Kujawska, Partyzancka, Danysza, Wąska and Gdańska streets. New pipelines to new OTBS buildins were made in Kujawska Street. Modernization of pipeline 2DN 150 was done in Aleje Słowackiego to housing development in Konopnicka Street. The total number of preinsulated pipelines (including repaired ones) was 1.252 metres in length and repair works covered 48 meters of pipelines in length..

Development of preinsulated pipelines lenght lines in 2007



3. HEAT CENTRES.

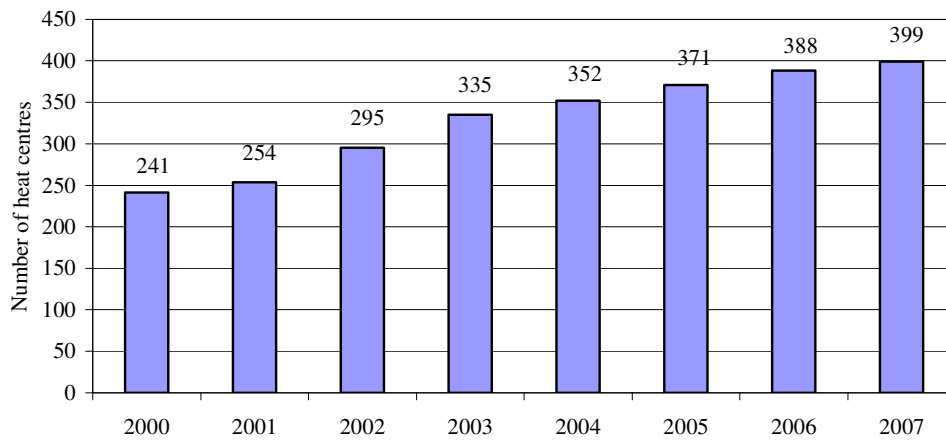
There are followings heat centers in Ostrów heat distribution system:

- single - functional - heating medium only for central heating needs
- double - functional - heating medium for central heating and hot water needs
- multi - functional - heating medium for central heating, hot water, ventilation and technology needs.

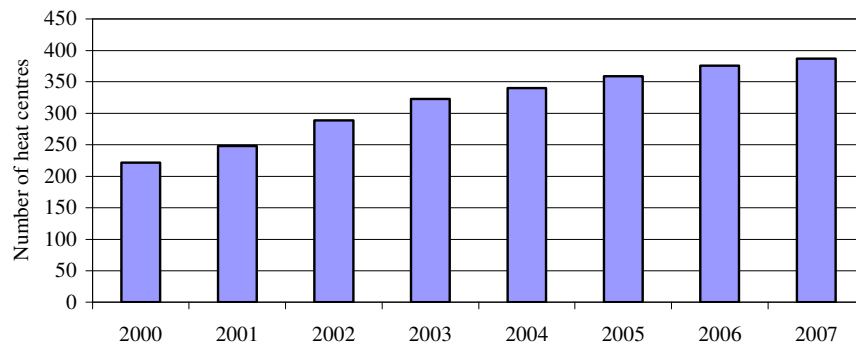
In 2007, 864 heat centers were operated including 302 heat centers in detached houses. Repairs of heat centers in scope of technological installation replacement were done in buildings:

- 1 Chełmińskiego Street
- 68 Strzelecka Street
- 10 Aleje Słowackiego

Amount of heat centres operated by OZC SA



Heat centres with weather gauges.



IV. INVESTMENT.

Building of co generative block biomass fired in heat and power generating plant Ostrów had very important meaning for Ostrowski Zakład Ciepłowniczy. Beside given for use in 2000 the set of gas turbine and waste heat boiler it is the most important investment which Ostrowski Zakład Ciepłowniczy realized within its 16 years of existence. Project consisted in liquidation of one from five coal boilers exploited in EC Ostrów and building at this place a modern co generative block biomass fired with turbo generator ORC. Turbo generator working in ORC technology is a basic set of the block-in enables to generate heat and electric energy in cogeneration.

OZC SA gained external assets for financing the investment from Foundation EkoFundusz and a loan from National Found of Environment Protection and Water Economy. Cost-effectiveness of the Project depends most of all on mean-year number of work hours of the system and on fuel prices. Attractiveness of the Project increases meaningly in situation of heat demand off the heating season and when there would appear possibility of gaining cheap biofuel (e.g. as the by-product in production process). The investment gives the possibility to increase the incomes connected with electric energy generation from renewable sources by sale of property rights from electric energy certificates of origin granted. Moreover, owing to limitation of coal consumption, OZC SA will be disposing a greater bank of untapped rights for CO2 emission.

In 2007 in Heat and Power Station "Ostrów" there was a water boiler WR-10 No 4 modernized with the technology of "tight walls".

Within the framework of modernization there were grate boxes changed, which because of their construction affect the efficiency of combustion process and the reduction of pollution emitted to the atmosphere. This grate construction with the new batteries of cyclones provides keeping allowable norms of dust emission. Modernized boiler is being characterized with high efficiency, especially in the scope of low boiler load. Efficiency after the modernization has risen about 10%, while maximum boiler power has risen from 11,6 MW to 13 MW. Boilers modernization in Heat and Power Station "Ostrów" effected with decrease of electric energy consumption and for improvement of combustion process, also simplify those devices service.

INVESTMENT TASKS IN 2007.

No	Name of Project	Expenses foreseen in budget in 2007 in thousands of PLN.	Costs incurred to 31.12.2007 in thousands of PLN.
A	Heat and Power Plant Ostrów	18 720	21 274
B	Infrastructure for electric energy and gas distribution	600	800
C	New systems and heating centers	1 100	614
D	Building of boiler houses, systems, centers within the framework of "Ready Heat"	1 100	32
E	Remaining investment purchase	100	24
	Investment total	21 620	22 744

PLANNED INVESTMENT COSTS WITHIN NEXT 12 MONTHS FROM A BALANCE DAY.

Investment plan for 2008 consists of 5 sections:

- First section concerns investment in municipal heating system- regards new connections – and regeneration investment too – planned amount of investment cost- 1 602 000 PLN;
- Second one is the cost for the source- Heat and Power Station "Ostrów"- planned cost – 1 970 000PLN;
- Third section concerns investments and modernizations connected with improvement of Company functioning – this investment section cost amounts to 950 000 PLN;
- Fourth section – infrastructure for electric energy distribution- planned costs-440 000 PLN;
- Fifth one contains investment of "Ready Heat"- expenses in this section amount to 70 000 PLN.

Totally planned expenses for planned investment amount to 5 032 000 PLN.

Investment plan is concentrated on material investments, which target is development and modernization with compliance of ecological effect. They will provide increase of efficiency and reduction of production systems failure frequency, and they will contribute increase of Company's market value.

V. FINANCIAL STATEMENT.

BALANCE

Ostrowski Zakład Ciepłowniczy S.A.
57 Wysocka street
63-400 Ostrów Wielkopolski

prepared as at
December 31, 2007

ASSETS	31.12.2007.	31.12.2006	LIABILITIES	31.12.2007	31.12.2006
0	1	2	0	1	2
A. Fixed assets	84 743 359,04	65 837 392,42	A. Equity	72 954 936,96	73 949 708,01
I. Intangible fixed assets	79 902,31	126 852,95	I. Paid-in share capital	12 174 200,00	12 174 200,00
1. Completed projects			II. Supplementary capital	25 817 384,00	24 471 489,13
2. Goodwill			III. Revaluation capital	1 051 253,44	1 189 302,26
3. Other Intangible assets	79 902,31	126 852,95	IV. Reserve capital	1 340 265,33	1 340 265,33
4. Prepayment in advance of intangible assets			V. Profits kept	30 917 404,17	31 131 765,24
II. Tangible fix assets	83 431 090,23	64 530 009,97	VI. Profit (loss) from the current period	1 654 430,02	3 642 686,05
1 Fixed assets	83 356 656,54	59 584 794,08	B. Long term liabilities	11 511 351,85	7 613 418,02
a) land	2 103 850,27	2 103 850,27	1. for related entities		
b) buildings	38 416 638,50	32 501 410,52	2. for remaining entities	11 511 351,85	7 613 418,02
c) machines and equipment	41 601 800,47	23 647 912,93	a) loans	3 912 000,00	0,00
d) means of transport	573 386,13	620 595,37	b) issue of debt instruments		
e) other fixed assets	660 981,17	711 024,99	c) leasing liabilities		
2 Fixed assets in advance	74 433,69	1 754 071,49	d) other liabilities		
3. Prepayment in advance for fixed assets	0,00	3 191 144,40	e) long term liabilities		
III. Long term debtors	0,00	0,00	f) Provision for deferred income tax	6 520 627,61	6 773 847,61
1 from related entities			g) Provision for social security premiums	1 078 724,24	839 570,41
2. from other entities			h) other provisions		
IV. Long-term investments	939 197,50	939 197,50	C. Short term liabilities	6 110 045,54	5 611 593,66
1. Property			1. For related entities	33 424,69	28 627,25
2. Investments in related entities	936 677,50	936 677,50	a) for deliveries and services over period	33 424,69	28 627,25
3. Loans			b) other		
4. Up to kept assets			2. For remaining entities	6 076 620,85	5 582 966,41
5. Assets from sale	2 520,00	2 520,00	a) loans	448 000,00	0,00

0	1	2	0	1	2
V. Long term accruals and deferred income	293 169,00	241 332,00	b) issue of debt instruments		
1. Deferred income tax	293 169,00	241 332,00	c) leasing liabilities		
2. Other accruals			d) other financial liabilities		
B Short term Current assets	18 303 537,04	28 141 140,27	e) other short term financial liabilities		
I. Stocks	4 350 297,34	6 609 516,93	f) for deliveries and services over period	1 670 175,02	983 891,78
1. Raw materials	4 304 139,53	6 389 271,27	g) prepayment for deliveries		
2. Unfinished goods and goods in progress			h) bill of exchange obligations		
3. Ready goods			i) tax, duties, and social security premiums	1 183 151,55	1 357 909,48
4. Goods for resale			j) payroll payment	184 197,64	140 262,58
5. Payments in advance for delivery	46 157,81	220 245,66	k) other	2 505 456,90	3 050 014,76
II. Short term credits	7 041 733,64	6 887 835,46	l provisions for social benefits	85 639,74	50 887,81
1. Liabilities from related entities	304 515,99	272 631,19	ł) pozostate rezerwy		
a)) for deliveries and services	304 515,99	272 631,19	D Accruals	12 470 561,73	6 803 813,00
b) other			1. Profit related	12 470 561,73	6 803 813,00
2 Credits from remaining entities	6 737 217,65	6 615 204,27	2. Other	0,00	0,00
a) for deliveries and services	5 252 973,84	4 102 936,27	E. Liabilities connected with fixe asstets for sale		
b taxes, duties and social security and health payments	1 063 255,00	2 159 940,00			
c) from legal institution					
d) other	420 988,81	352 328,00			
III Short term tangible assets	6 470 176,45	14 249 612,76			
1. Finance assets in fair value, through finance result	0,00	0,00			
a) in related entities	0,00	0,00			
Related parties					
- equities					
- other securities					
- loans	0,00	0,00			
- other short -term financial assets					
b) in remaining entities					

0	1	2	0	1	2
- other short term financial assets					
2Loans					
3. Up to kept assets					
4. Assets to sale					
5. cash and cash equivalents	6 470 176,45	14 249 612,76			
- cash in hand and at bank	58 176,45	159 612,76			
- other means of payment	6 412 000,00	14 090 000,00			
other cash assets					
IV. Short term accruals and deferred income	441 329,61	394 175,12			
- expenses related	104 681,40	94 917,59			
- orher	336 648,21	299 257,53			
TOTAL ASSETS	103 046 896,08	93 978 532,69	LIABILITIES TOTAL	103 046 896,08	93 978 532,69

PROFIT AND LOSS STATEMENT.

Ostrowski Zakład Ciepłowniczy S.A.
57 Wysocka Street
63-400 Ostrów Wielkopolski

From 01.01.2007 to 31.12.2007

comparative figures

Specification	Current year 2007	Previus year 2006
OPERATING ACTIVITY		
A. Net sales and sales equivalents	28 919 317,56	28 276 588,44
- from related entities	1 633 420,92	1 690 453,07
I. Net sales of services	27 421 899,55	27 030 917,76
II. Changes in service value (increase – positive value, decrease negative value)	9 763,81	12 339,77
III. Cost of service rendered on own account	227 393,16	311 302,87
IV. . Net sales of fixes assets	1 260 261,04	922 028,04
B. Operating expenses	28 755 450,81	27 942 957,29
I. Depreciation	3 675 136,00	3 661 346,62
II. Materials and energy	16 834 062,57	16 587 362,03
III. External services	1 037 862,95	1 080 546,42
IV. Taxes and charges, including::	1 496 019,56	1 414 306,73
- Excise duty	456 321,00	401 382,00
V. Salaries	3 230 002,71	3 109 933,30
VI. Social security and other benefits	856 735,83	778 706,85
VII. Other costs	414 122,65	406 171,34
VIII. Cost of fixed assets sold	1 211 508,54	904 584,00
C. Profit (loss) from sale (A-B)	163 866,75	333 631,15
D. Other operating revenue	1 596 540,83	3 926 977,54
I. Gain profit from sale of non-financial fixed assets	80 253,40	22 461,41
II. Subsidies	1 209 869,07	1 194 155,18
III. Interests	40 617,17	44 568,75
IV. Other operating revenue	265 801,19	2 665 792,20
E. Other operating expenses	329 359,48	466 971,80
I. Losses from sale of non-financial fixed assets	0,00	0,00
II Revaluation of non-financial assets	19 990,90	96 694,57
III Intrests	2 657,25	10 039,80

IV. Other operating expenses	306 711,33	360 237,43
F. Operating profit and loss on operating activities (C+D-E)	1 431 048,10	3 793 636,89
G. Financial revenue	577 924,92	735 374,16
I. Dividends and profit participation	0,00	0,00
II. Interest including	577 924,92	735 117,56
III. profit from sales of investments	0,00	0,00
IV. Revaluation of investments	0,00	0,00
V. Other	0,00	256,60
H. Financial expenses	0,00	0,00
I. Interest including	0,00	0,00
II. Loss from sales of investments	0,00	0,00
III. Revaluation of investments	0,00	0,00
IV. Other	0,00	0,00
I. Profit (loss) on ordinary activities (F+G-H)	2 008 973,02	4 529 011,05
J. Extraordinary activities (J.I.-J.II.)	354 543,00	886 325,00
L. Gross profit (loss)	1 654 430,02	3 642 686,05
CEASED ACTIVITY		
L. Gross profit (loss)		
M. Net profit (loss) for financial year (M-/ +N)		
Profit per share (in PLN)	1,36	2,99
Profit per share from continued activity	1,36	2,99
Profit per share from continued activity and ceased activity		

PROFIT AND LOSS STATEMENT.

Ostrowski Zakład Ciepłowniczy S.A.
57 Wysocka street
63-400 Ostrów Wielkopolski

From 01.01.2007 to 31.12.2007
calculation type

SPECIFICATION	Current year 2007	Previous year 2006
OPERATING ACTIVITY		
A Net revenues from sales of products, goods and materials, including:	28 682 160,59	27 952 945,80
I. Net revenues from sales of products	27 421 899,55	27 030 917,76
II. Net revenues from sales of materials	1 260 261,04	922 028,04
B. Cost of products, goods and materials sold, including:	26 163 677,64	25 240 132,60
I. Manufacturing cost of products sold	24 952 169,10	24 335 548,60
II. Value of goods and materials sold	1 211 508,54	904 584,00
C. Gross profit (loss) on sales (A-B)	2 518 482,95	2 712 813,20
D. Costs of sales	242 362,99	221 511,15
E. General and administrative costs	2 112 253,21	2 157 670,90
F. Other operational revenue	1 596 540,83	3 926 977,54
I. Gross profit from sale on non-financial fixed assets	80 253,40	22 461,41
II. Subsidies	1 209 869,07	1 194 155,18
III. Interests	40 617,17	44 568,75
IV. Other operating revenues	265 801,19	2 665 792,20
G. Other operating expenses	329 359,48	466 971,80
I. Losses from sale on non-financial fixed assets	0,00	
II. Revaluation of non-financial assets	19 990,90	96 694,57
III. Intrests	2 657,25	10 039,80
IV. Other operating costs	306 711,33	360 237,43
H. Profit (loss) on business activities (C+D-E-F-G)	1 431 048,10	3 793 636,89
I. Financial revenues	577 924,92	735 374,16
I Dividend and profit sharing		0,00
II. Intrests	577 924,92	735 117,56
III. Gain on disposal of investments		
IV. Revaluation of investments		
V. Other financial revenues	0,00	256,60
J. Financial Expenses	0,00	0,00

I. Intrests	0,00	0,00
II. Loss on disposal of investment		
III. Revaluation of investments		
IV. Other financial expenses	0,00	0,00
K. Profit (loss) before tax (H+I-J)	2 008 973,02	4 529 011,05
L. Corporate income tax	354 543,00	886 325,00
M. Profit (loss) on operating activity (K-/L)	1 654 430,02	3 642 686,05
CEASED ACTIVITY		
N. Profit (loss) on ceased activity		
O. Net profit (loss) for financial year (M-/N)		
Profit per share (in PLN)	1,36	2,99
Profit per share from continued activity	1,36	2,99
Profit per share from continued activity and ceased activity		

CASH FLOW STATEMENT.

Ostrowski Zakład Ciepłowniczy S.A.
57 Wysocka street
63-400 Ostrów Wielkopolski

From 01.01.2007 to 31.12.2007
indirect method

SPECIFICATION	Current year 2007	Prevoius year 2006
0	1	2
A. Przepływy środków pieniężnych z działalności operacyjnej		
1. Depreciation	1 654 430,02	3 642 686,05
2. Exchange gains (losses)	5 080 207,48	3 934 310,39
3. Interest and profit sharing (dividend)	3 675 136,00	3 661 346,62
4. Profit (loss) on investment activities		
5. Change in provisions	577 924,92	725 334,36
6. Change of state of inventory	-74 553,40	-1 469,59
7. Change in receivables	20 685,76	191 432,09
8. Change in short-term liabilities excluding credits and loans	2 259 219,59	-799 910,38
9. Counted income tax	-247 372,18	-678 394,63
10. Paid income tax	258 938,95	1 708 691,28
11. Change in prepayments and accruals	659 600,00	967 871,00
12. Other adjustments	-741 516,00	-627 090,20
III. Cash flow from operating activity (I+II)	-1 308 860,56	-1 213 500,16
1. Depreciation	1 004,40	
2. Exchange gains (losses)	6 734 637,50	7 576 996,44
B. Cash flows from investments		
I. Inflows	5 700,00	22 461,41
1. Disposal of intangible and tangible fixed assets	5 700,00	22 461,41
2. Disposal of investments in real property and in intangible assets		
3. From financial assets, including:		0,00
a) in related entities		
b) in other entities		0,00
- sales of financial assets		
- dividends and profit sharing		
- repayment of granted long-term loans		
- interests		
- other inflows from financial assets		
4. Other inflows from investment activities		
II. Outflows	22 743 626,69	9 150 577,24
1. Purchase of intangible, legal and fix assets	22 743 626,69	9 150 577,24
2. Investment in real property and intangible and legal assets		

0	1	2
3. For financial assets, including:	0,00	0,00
a) in related entities		
b) in other entities	0,00	0,00
- purchase of financial assets		
- long-term loans granted		
4. Other outflows from investment activities		
III. Net cash flows from investment activities (I-II)	-22 737 926,69	-9 128 115,83
C. Cash flow from finance activity		
I. Inflows	11 236 617,80	1 468 900,00
1. Net inflows from issuance of shares and other capital instruments and from capital contributions		
2. Credits and loans	4 360 000,00	0,00
3. Issuance of debt securities		
4. Other inflows from financial activities	6 876 617,80	1 468 900,00
II Outflows	3 012 764,92	3 160 130,14
1. Purchase of own shares		
2. Dividend and other payments to shareholders	2 434 840,00	2 191 996,00
3. Profit distribution liabilities other than profit distribution payments to shareholders		
4. Repayment of credits and loans		242 799,78
5. Redemption of debt securities		
6. Payment of other financial liabilities		
7. Payment of liabilities arising from financial leases		
8. Interests	577 924,92	725 334,36
9. Other outflows from financial activities		
III. Cash flow from finance activity (I - II)	8 223 852,88	-1 691 230,14
D. Total net cash flows (A.III. + B.III + C.III)	-7 779 436,31	-3 242 349,53
E. Balance sheet change in cash, including:	-7 779 436,31	-3 242 349,53
- change in cash due to exchange differences		
F. Cash opening balance	14 249 612,76	17 491 962,29
G. Closing balance of cash (F+D), including:	6 470 176,45	14 249 612,76

SETTELMENT OF CHANGED IN EQUITY

Ostrowski Zakład Ciepłowniczy S.A.
57 Wysocka street
63-400 Ostrów Wielkopolski

prepared as at
December 31, 2007

SPECIFICATION	Current year	Previous year
	2007	2006
0	1	2
I. Opening balance of equity	73 949 708,01	72 525 809,96
- adjustments of fundamental errors and changes in accounting principles		
I.a. Opening balance of equity after adjustments	73 949 708,01	72 525 809,96
1. Opening balance of share capital	12 174 200,00	12 174 200,00
1.1. Changes in share capital	0,00	0,00
a) increase (due to)		
- issuance of shares		
b) decrease (due to)		
- redemption of shares		
1.2 Closing balance of share capital	12 174 200,00	12 174 200,00
2. Opening balance of called up share capital		
2.1. Changes in called up share capital	0,00	0,00
a) increase (due to)		
b) decrease (due to)		
2.2. Closing balance of called up share capital	0,00	0,00
3. Opening balance of own shares		
a) increase (due to)		
b) decrease		
3.1. Closing balance of own shares	0,00	0,00
4. Opening balance of supplementary capital	24 471 489,13	24 068 263,31
4.1 Changes in supplementary capital	1 345 894,87	403 225,82
a) increase (due to)	1 345 894,87	403 225,82
- issue of shares above face value		
- from profit distribution (statutory)	291 414,88	207 566,55
- from profit distribution (above the statutory minimum value)	916 431,17	195 659,27
- liquidation of revaluated fixed assets	138 048,82	
- other		
b) decrease (due to)	0,00	0,00
- loss coverage		
- tangible fixed assets disposal		
- other		

4.2 Closing balance of supplementary capital	25 817 384,00	24 471 489,13
5. Opening balance of revaluation reserve	1 189 302,26	1 189 302,26
5.1. Changes in revaluation reserve	-138 048,82	0,00
a) increase (due to)	0,00	0,00
- from profit distribution (statutory)		
- profit share		
- other		
b) decrease (due to)	138 048,82	0,00
- sales of tangible fixed assets	138 048,82	
- other		
5.2. Closing balance of revaluation reserve	1 051 253,44	1 189 302,26
6. Opening balance of other reserve capitals	1 340 265,33	1 340 265,33
6.1. Changes in other reserve capitals	0,00	0,00
a) increase (due to)	0,00	0,00
- from profit distribution		
b) decrease (due to)	0,00	0,00
- expenses according to resolutions		
- other		
6.2. Closing balance of other reserve capitals	1 340 265,33	1 340 265,33
7. Kept profits		
7.1 Opening balance of kept profits	31 131 765,24	31 159 197,24
- adjustments of fundamenta errors		
7.2. Opening balance of kept profits, after adjustments	31 131 765,24	31 159 197,24
a) increase due to	0,00	0,00
- distribution of previous years' profit		
- adjustments in the previous years		
b) decrease (due to)	214 361,07	27 432,00
- elimination ST	214 361,07	27 432,00
- purposes for reserve capital		
7.3 Opening balance of kept profits	30 917 404,17	31 131 765,24
7.4. Opening balance of kept losses		
- errors adjustments		
7.5 Closing balance of previous years' profit (loss), after adjustments	0,00	0,00
a) increase (due to)	0,00	0,00
- previous' years loss brought foward		
b) decrease due to	0,00	0,00
- loss cover		
- other		
7.6. . Closing balance of previous years' profit (loss)	0,00	0,00
7.7. Closing balance of previous years' profit (loss)	30 917 404,17	31 131 765,24

8. Opening balance of net result	3 642 686,05	2 594 581,82
a) increase (due to)		
b) decrease (due to)	3 642 686,05	2 594 581,82
- dywidend	2 434 840,00	2 191 356,00
-purposes for reserve capitall	1 207 846,05	403 225,82
-purpopses for kept profits		
8.1. Opening balance of net result	0,00	0,00
9. Net result	1 654 430,02	3 642 686,05
a) Net profit	1 654 430,02	3 642 686,05
b) Net loss (negative value)		
c) write-offs on profit (negative value)		
II. Closing balance of equity	72 954 936,96	73 949 708,01
III. Equity including proposed profit distribution (loss coverage)		

Ostrów Wielkopolski, April 2008.

Alina Tomaszewska

Executive

Zenon Musialski

President

**STATEMENTS OF THE MANAGING BOARD OF
OSTROWSKI ZAKŁAD CIEPŁOWNICZY S.A.**

1. To the best of their knowledge the Managing Board declares that yearly financial reports and comparative data were made in accordance with legally binding rules of accounting. Moreover, they truly, honestly, and clearly reflect the material and financial situation of the issuer and its financial result. The Managing Board report contains the actual state of development and achievements as well as the situation of the issuer including the description of risk and dangers.

2. The Managing Board declares that the subject entitled to audit the financial report and responsible for auditing the yearly financial report was chosen in accordance with the rules of law. Moreover, the above-mentioned subject and chartered accountants who audited the financial reports fulfilled the conditions to issue an objective and independent opinion on the audit in accordance with legally binding national regulations.

3. Ostrowski Zakład Ciepłowniczy S.A. obeys the rules of corporation order introduced by virtue of the Supervisory Board and The Managing Board of CeTO S.A. resolutions in February 2005. The rules of functioning of the company authorities are defined in the company statute and company regulations. The General Assembly of Shareholders had a stable set of regulations with detailed description of rules concerning having sessions and passing resolutions. The Supervisory Board and The Issuer's Managing Board have stable set of regulations and they function in accordance with them.

Alina Tomaszewska

Executive

Zenon Musialski

President