

***Polish Energy Partners Capital Group***

**CONSOLIDATED FINANCIAL STATEMENTS BASED ON INTERNATIONAL FINANCIAL  
REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2010**

**WITH THE INDEPENDENT AUDITOR'S REPORT**

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*Zbigniew Prokopowicz – President*

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*Anna Kwarciańska – Vice-president*

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*Michał Kozłowski – Vice-president*

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*Agnieszka Grzeszczak – Chief Accountant*

Warsaw, 10 February 2011

Polish Energy Partners Capital Group  
Consolidated Financial Statements for the year ended 31 December 2010  
(in thousand zlotys)

**Consolidated Balance Sheet**

**as at 31 December 2010**

**Assets**

	Notes	31.12.2010	31.12.2009
<b>I. Non-current assets (long-term)</b>		<b>577 493</b>	<b>500 119</b>
1. Property, plant and equipment	10	277 353	163 931
2. Intangible assets	8	971	1 087
3. Goodwill	9	834	834
4. Financial assets	12	812	320
5. Long-term receivables	11	296 534	333 186
6. Deferred tax asset	19	848	549
7. Prepayments and accrued income	13	141	212
<b>II. Current assets (short-term)</b>		<b>234 635</b>	<b>164 867</b>
1. Inventories	14	36 014	36 466
2. Trade receivables	15	85 140	14 537
3. Income tax receivables	15	25	1 183
4. Other short-term receivables	15	63 847	52 444
5. Accruals and deferred income	16	3 346	2 008
6. Prepayments and accrued income	17	46 263	58 229
<b>Total assets</b>		<b>812 128</b>	<b>664 986</b>

**Liabilities**

	Notes	31.12.2010	31.12.2009
<b>Equity and liabilities</b>		<b>304 316</b>	<b>235 341</b>
<b>I. Equity</b>	18	39 488	38 519
1. Issued capital		38 812	34 252
2. Share premium	43	14 865	9 844
3. Share based payments	18	121 398	80 486
5. Accumulated profits (losses) from previous years	18	27 072	24 280
6. Net profit (loss) for the period		61 562	46 866
7. Non-controlling interests	18	1 119	1 094
<b>II. Non-current liabilities</b>		<b>388 057</b>	<b>354 717</b>
1. Interest-bearing loans and borrowings	21	370 314	339 501
2. Deferred tax liability	19	12 024	9 150
3. Provisions	20	874	1 005
4. Accruals and deferred income	24	4 425	4 720
5. Other liabilities		420	341
<b>III. Current liabilities</b>		<b>119 755</b>	<b>74 928</b>
1. Interest-bearing loans and borrowings	22,23	62 049	46 979
2. Trade payables	22	21 702	13 931
3. Income tax payable	22	10 025	1 418
4. Other liabilities	22	14 267	2 053
5. Provisions	20	945	676
6. Accruals and deferred income	24	10 767	9 871
<b>Total equity and liabilities</b>		<b>812 128</b>	<b>664 986</b>

Additional notes to consolidated financial statements included on pages 9 to 93 constitute its integral part. 2

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Polish Energy Partners Capital Group  
Consolidated Financial Statements for the year ended 31 December 2010  
(in thousand zlotys)

**Consolidated income statement**  
**for the year ended 31 December 2010**

	Notes	31.12.2010	31.12.2009	Q4 2010	Q4 2009
<b>CONTINUING OPERATIONS</b>					
I. Sale of goods and rendering of services	26	169 416	97 193	69 767	23 544
II. Income from certified rights	26	6 550	8 948	2 010	2 177
<b>Revenue</b>		<b>175 966</b>	<b>106 141</b>	<b>71 777</b>	<b>25 721</b>
Cost of sales	27	(73 328)	(51 572)	(27 964)	(16 496)
<b>Gross profit (loss)</b>		<b>102 638</b>	<b>54 569</b>	<b>43 813</b>	<b>9 225</b>
Other operating income	28	1 291	1 108	750	176
General and administrative expenses	27	(19 046)	(14 385)	(4 997)	(3 942)
of which share-based payments	27	(5 021)	(1 800)	(1 255)	(450)
Other operating costs	29	(5 912)	(855)	(5 454)	(343)
Finance income	30	24 024	34 448	5 667	3 123
Finance costs	31	(23 281)	(15 700)	(5 806)	(4 485)
<b>Profit (loss) before tax</b>		<b>79 714</b>	<b>59 185</b>	<b>33 973</b>	<b>3 754</b>
Income tax expense	19	(18 045)	(12 261)	(7 225)	(651)
<b>Net profit (loss) for the year from continuing operations</b>		<b>61 669</b>	<b>46 924</b>	<b>26 748</b>	<b>3 103</b>
<b>Discontinued operations</b>					
Profit (loss) for the period from discontinued operations		-	-	-	-
<b>Net profit (loss) for the year</b>		<b>61 669</b>	<b>46 924</b>	<b>26 748</b>	<b>3 103</b>
<b>Attributable to:</b>		<b>61 669</b>	<b>46 924</b>	<b>26 748</b>	<b>3 103</b>
Equity holders of the parent		61 563	46 866	26 733	3 043
Non-controlling interests		106	58	15	60
<b>Earnings (loss) per share</b>					
basic, profit for the year attributable to ordinary equity holders of the parent		3,16	2,48	1,37	0,16
basic, profit from continuing operations attributable to ordinary equity holders of the parent		3,16	2,48	1,37	0,16
diluted, profit for the year attributable to ordinary equity holders of the parent		3,16	2,48	1,37	0,16
diluted, profit from continuing operations attributable to ordinary equity holders of the parent		3,16	2,48	1,37	0,16

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	31.12.2010	31.12.2009	Q4 2010	Q4 2009
Net profit (loss) attributable to equity holders of the parent	61 563	46 866	26 733	3 043
Unrealised foreign exchange differences	(622)	2 645	(254)	(1 583)
Income tax effect	118	(503)	48	301
<b>Net profit (loss) attributable to equity holders of the parent adjusted by foreign exchange differences</b>	<b>62 067</b>	<b>44 724</b>	<b>26 939</b>	<b>4 325</b>

Key Financial and Economic Data	31.12.2010	31.12.2009	Q4 2010	Q4 2009
	Without wind farm development and implementation activity and without wind farm sale	Without wind farm development and implementation activity and without wind farm sale	Without wind farm development and implementation activity and without wind farm sale	Without wind farm development and implementation activity and without wind farm sale
Revenue	115 602	95 934	29 219	25 721
EBITDA	49 364	42 233	8 916	7 747
Adjusted EBITDA including financial lease interest	53 262	44 462	9 915	8 282
<b>Net profit</b>	<b>28 715</b>	<b>24 565</b>	<b>4 003</b>	<b>3 079</b>
<b>Net profit adjusted for foreign exchange balance sheet valuation</b>	<b>29 219</b>	<b>22 423</b>	<b>4 209</b>	<b>4 362</b>

Key Financial and Economic Data	31.12.2010	31.12.2009	Q4 2010	Q4 2009
	Wind farm development and implementation activity and wind farm sales	Wind farm development and implementation activity and wind farm sales	Wind farm development and implementation activity and wind farm sales	Wind farm development and implementation activity and wind farm sales
Revenue	60 364	10 207	42 558	-
EBITDA	40 552	8 085	28 060	-
Adjusted EBITDA including minority share in wind farm profits	40 552	27 300	28 060	-
<b>Net Profit</b>	<b>32 848</b>	<b>22 301</b>	<b>22 729</b>	-
<b>Net profit adjusted for foreign exchange balance sheet valuation</b>	<b>32 848</b>	<b>22 301</b>	<b>22 729</b>	-

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Polish Energy Partners Capital Group  
 Consolidated Financial Statements for the year ended 31 December 2010  
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**Consolidated statement of comprehensive income  
 for the year ended 31 December 2010**

	31.12.2010	31.12.2009	Q4 2010	Q4 2009
<b>Profit (loss) for the year</b>	<b>61 669</b>	<b>46 924</b>	<b>26 748</b>	<b>3 103</b>
<b>Other comprehensive income</b>	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Movement on cash flow hedges	(3 126)	-	-	-
Profits (losses) on actuarial pension contribution plans	-	-	-	-
Income tax effect	-	-	-	-
Other comprehensive income for the year, net of tax	<b>(3 126)</b>	-	-	-
<b>Total comprehensive income for the year</b>	<b>58 543</b>	<b>46 924</b>	<b>26 748</b>	<b>3 103</b>
Total comprehensive income attributable to:				
Equity holders of the parent	58 437	46 866	26 733	3 043
Non-controlling interests	106	58	15	60

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**Consolidated statement of changes in equity  
for the year ended 31 December 2010**

	Issued capital	Share Premium	Share based payments	Other capital reserves	Accumulated profits (losses) from previous years	Accumulated profits (losses) from previous years	Non-controlling interests	Total equity
<b>As at 1 January 2010</b>	<b>38 519</b>	<b>34 252</b>	<b>9 844</b>	<b>80 486</b>	<b>71 146</b>	<b>-</b>	<b>1 094</b>	<b>235 341</b>
Total comprehensive income	-	-	-	(3 126)	-	61 563	106	58 543
Transfers to other capital reserves	-	-	-	44 038	(44 075)	-	(81)	(118)
Share-based payments	-	-	5 021	-	-	-	-	5 021
Issue of shares	969	4 560	-	-	-	-	-	5 529
<b>As at 31 December 2010</b>	<b>39 488</b>	<b>38 812</b>	<b>14 865</b>	<b>121 398</b>	<b>27 071</b>	<b>61 563</b>	<b>1 119</b>	<b>304 316</b>

**for the year ended 31 December 2009**

<b>As at 1 January 2009</b>	<b>37 596</b>	<b>29 912</b>	<b>8 044</b>	<b>43 744</b>	<b>61 022</b>	<b>-</b>	<b>1 036</b>	<b>181 354</b>
Total comprehensive income	-	-	-	-	-	46 866	58	46 924
Transfers to other capital reserves	-	-	-	36 742	(36 742)	-	-	-
Share-based payments	-	-	1 800	-	-	-	-	1 800
Issue of shares	923	4340	-	-	-	-	-	5 263
Other	-	-	-	-	-	-	-	-
<b>As at 31 December 2009</b>	<b>38 519</b>	<b>34 252</b>	<b>9 844</b>	<b>80 486</b>	<b>24 280</b>	<b>46 866</b>	<b>1 094</b>	<b>235 341</b>

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**Consolidated statement of cash flows  
 for the year ended 31 December 2010**

	Notes	31.12.2010	31.12.2009
<b>A. Cash flow from operating activities - indirect method</b>			
<b>I. Profit before tax</b>		<b>79 714</b>	<b>59 185</b>
<b>II. Adjustments for</b>		<b>(57 453)</b>	<b>(23 729)</b>
1.Share of (profits) losses of assets accounted for using equity method		-	-
2.Depreciation	27	10 945	9 881
3. Foreign exchange gains (losses)		697	(268)
4. Interest and shares in profits (dividends)		1 247	2 004
5.(Gain) loss on investing activities		441	(16 191)
6. Income tax paid		(5 707)	(8 255)
7.Movement in provisions		139	(79)
8.Movement in inventories	33	452	(11 526)
9.Movement in receivables	33	(73 097)	(4 913)
10.Movement in short-term liabilities except for loans and borrowings	33	6 708	1 920
11.Change in prepayments, accruals and deferred income	33	(4 299)	1 898
12. Other adjustments	33	5 021	1 800
<b>III .Cash flows from operating activities (I+/-II)</b>		<b>22 261</b>	<b>35 456</b>
<b>B. Cash flow from investing activities</b>			
<b>I. Inflows</b>		<b>55 376</b>	<b>84 679</b>
1. Sale of property, plant and equipment and intangibles		1	617
2. Sale of investments in properties and intangibles		-	-
3. From financial assets, of which		1 900	44 370
- sale of financial assets		1 800	7 726
- dividend and shares in profits		-	7
- repayment of long-term borrowings granted		-	34 947
- interest received		-	1 690
- other inflows from financial fixed assets		100	-
4. Sale of a subsidiary, net of cash disposed of		-	-
5. Other investing inflows	33	53 475	39 692
<b>II. Outflows</b>		<b>142 612</b>	<b>109 652</b>
1. Purchase of property, plant and equipment and intangibles		125 470	17 460
2. Purchase of investments in properties and intangibles		-	-
3. For financial instruments, of which:		1 995	5 547
- purchase of financial instruments		1 995	190
- long-term borrowings granted		-	5 357
5. Purchase of a subsidiary, net of cash disposed of		-	(460)
6.Other investing outflows	33	15 147	87 105
<b>III.Net cash flows used in investing activities (I-II)</b>		<b>(87 236)</b>	<b>(24 973)</b>
<b>C. Cash flow from financing activities</b>			
<b>I. Inflows</b>		<b>136 381</b>	<b>122 445</b>
1. Issue of shares, other capital instruments and additional payments to capital		5 529	5 262
2. Loans and borrowings		130 852	117 183

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3. Issue of long term bonds	-	-
4. Subsidies received	-	-
<b>II. Outflows</b>	<b>83 312</b>	<b>85 240</b>
1.Dividends and other payments to equity holders of the parent	116	-
2. Outflows due to appropriation of profit other than payments to equity holders of the parent	-	30
3.Repayment of loans and borrowings	63 220	70 677
4.Redemption of debt securities	-	-
5.Payment of other finance liabilities	-	-
6.Payment of finance lease liabilities	206	239
7.Interest paid	19 770	14 294
<b>III.Net cash flows from/(used in) financing activities (I-II)</b>	<b>53 069</b>	<b>37 205</b>
<b>D. Total net cash flows from activities (A.III+/-B.III+/-C.III)</b>	<b>(11 906)</b>	<b>47 688</b>
<b>E. Balance sheet change in cash and cash equivalents, of which:</b>	<b>(11 966)</b>	<b>46 672</b>
- change in cash and cash equivalents due to net foreign exchange differences	(57)	(1 016)
<b>F. Cash and cash equivalents at the beginning of the period</b>	<b>58 229</b>	<b>11 557</b>
<b>G. Cash and cash equivalents at the end of the period, of which:</b>	<b>46 266</b>	<b>58 229</b>
- of restricted use	33	2 054
	2 054	23 729

Restricted cash relates to bank deposits held for the servicing of bank loans.

<b>Presentation of external sources of financing (statement of cash flows)</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
C.I.2 Loans and borrowings received	130 852	117 183
C.II.3 Repayment of loans and borrowings	(63 220)	(70 677)
<b>Movement in external sources of financing, of which:</b>	<b>67 632</b>	<b>46 506</b>
Net inflows from investment bank loans	61 919	43 282
Net inflows from VAT loans	6 780	(12)
Net inflows from bank overdrafts	(1 065)	3 236



## 1. General information

Polish Energy Partners Capital Group (hereinafter 'the Group' or 'the Capital Group'), is composed of Polish Energy Partners SA ('the holding company', 'the Company') and its subsidiaries. The parent company was created on the basis of a Notaries Deed dated 17 July 1997. The Company is entered in the National Court Register, kept by The Regional Court for the Capital City of Warsaw, XX Economic Department of National Court Register, under the number of 0000026545. The Company was granted with the statistical number (REGON) 012693488. The Company's registered office is located in Warsaw, at ul. Wiertnicza 169.

The main area of the parent company's business activities includes:

- Production and distribution of electricity (PKD 40.10),
- Steam and hot water production and supply (PKD 40.30),
- General construction and civil engineering works (PKD 45.21),
- Building installation (PKD 45.3),
- Other loans granting (PKD 65.22),
- Research and development on natural sciences and engineering (PKD 73.10),
- Development and selling of real estate (PKD 70.11),
- Management of real estate on a fee or contract basis (PKD 70.32),
- Accounting and book-keeping activities (PKD 74.12),
- Architectural and engineering activities and related technical consultancy (PKD 74.20),
- Business and management consultancy activities (PKD 74.14),
- Other business activities not elsewhere classified (PKD 74.84),
- Other education not elsewhere classified (PKD 80.42),
- Wholesale of solid, liquid and gaseous fuels and derivative products (PKD 51.51).

The area of activity of subsidiaries of Polish Energy Partners S.A. is related to the activity of the holding company.

### 1.1 Period of operation of the Company and the Group entities

The parent company and other Group entities have an unlimited period of operation.

### 1.2 Indication of the period, for which the consolidated financial statements are presented

The consolidated financial statements are prepared for the year ended 31 December 2010 and include the comparative data for the year ended 31 December 2009.

### 1.3 Composition of the Management Board and Supervisory Board of the parent company

As at 31 December 2010, the parent company's Management Board was composed of:

Zbigniew Prokopowicz	President
Anna Kwarciańska	Vice-president
Michał Kozłowski	Vice-president

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As at 31 December 2010, the parent company's Supervisory Board was composed of:

Stephen Klein	President
Krzysztof Sędzikowski	Member
Artur Olszewski	Member
Krzysztof Sobolewski	Member
Krzysztof Kaczmarczyk	Member
Marek Gabryjelski	Member

As at the date of approving this financial statements the composition of the Supervisory and Management Board was unchanged.

## 2. Going Concern

The consolidated financial statements are prepared on the basis of the Company and Group entities will be a going concern in the foreseeable future, i.e. during the period of at least 12 months from the balance sheet date - 31 December 2010. As at the day of signing the consolidated financial statements, the Management Board of the Company is not aware of any facts or circumstances, that would indicate a threat to the continued activity of the Company and other Group entities in the foreseeable future, i.e. in the period of at least 12 months after the balance sheet date- after 31 December 2010, on the basis of the intended or compulsory withdrawal from or substantial limitation of its current operations.

As at 31 December 2010 the subsidiary – Interpep Sp. z o.o., EC Wizów, Spółka komandytowa generated loss that reduced the negative shareholders' equity amounting to 1 717 thousand zlotys as at 31 December 2010. In the case of negative profitability of the company, a substantial uncertainty exists as to the company's ability to continue as a going concern. The parent company issued a written representation supporting the company's activity in the period not shorter than the next 12 months. According to the Code of Commercial Partnerships and Companies the limited partner 'komandytariusz' is responsible for the company's liabilities towards its creditors only to a limited amount 'suma komandytowa' of 50 thousand zlotys.

In the year ended 31 December 2009, the parent company sold fixed assets leased by its subsidiary – Energopep Sp. z o.o., EC Jeziorna, Spółka komandytowa. Consequently, in 2011, the subsidiary stopped its operations. The company will function or will change its operating profile until all receivables are collected.

## 3. Group Structure

As at 31 December 2010, the Polish Energy Partners Group established the following entities:

- Grupa PEP Biomasa Energetyczna Wschód Sp. z o.o.
- Grupa PEP Bioelektrownia 1 Sp. z o.o.
- Grupa PEP Bioelektrownia Świecie Sp. z o.o.

#### 4. Authorisation of consolidated financial statements

These consolidated financial statements were authorised for issue by the Management Board of the parent company on 10 February 2011.

#### 5. Accounting policies

The accounting policies applied in preparing these consolidated financial statements are consistent with those applied to prepare the consolidated financial statements of the Group for the year ended 31 December 2009, except for the application of the following amendments to existing standards and new interpretations effective for annual periods beginning on or after 1 January 2010.

- IFRS 2 *Share-based payment*: Group share based payments settled in cash – effective for financial years beginning on or after 1 January 2010. This amendment clarifies the accounting method for Group share based payments settled in cash. It replaces IFRIC 8 and IFRIC 11. The application of this interpretation had no impact on the financial position or results of the Group.
- IFRS 3 *Business combinations* (updated) and IAS 27 *Consolidated and separate financial statement* (changed) effective for financial years beginning on or after 1 July 2009. IFRS 3 introduces substantial changes to the accounting method for business combination after that date. The changes relate to valuation of non-controlling interests, recognizing direct acquisitions costs, initial recognition and subsequent valuation of contingent considerations and settlements of step acquisitions. These changes influence the amount of goodwill, results presented for a period in which acquisition takes place and results reported in subsequent periods.
- Amended IAS 27 requires that the changes in the interest in the subsidiary (not effecting in loss of control) to be recognized as shareholders transactions. As a consequence such transactions will not result in recognition of goodwill or profit or loss. Additionally, the standard changes the allocation method of losses incurred by subsidiaries and accounting for loss of control over subsidiaries. Changes to IFRS 3 and IAS 27 will influence future transactions of acquiring or losing control over subsidiaries and transactions with non controlling shareholders. The change in accounting policy has been introduced as a forward looking and has not had a significant influence either upon the overall financial situation or the financial results of the Group.
- Amended IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items*– effective for financial years beginning on or after 1 July 2009. The amendments relate to the determination of one side risk in a hedged position and determination of inflation, in some situations, as hedged risk or part of the risk. Financial instruments have been presented in note 35.
- IFRIC 17 *Distributions of Non-cash Assets to Owners* effective for financial years beginning on or after 1 July 2009. Interpretation includes guidance on accounting for the distributions of non-cash assets to owners in the form of other capital reserve distribution/non allocated financial profit or dividend. This interpretation has not had an influence either upon the overall financial situation or the financial results of the Group.
- Amendments to IFRS (published in May 2008) – in May 2008 the Board issued the first collection of amendments to the published standards. The changes which the Group have applied since 1 January 2010 are as follows:
- IFRS 5 - *Non-Current Assets Held For Sale And Discontinued Operations* – the amendment explains that if a subsidiary can be classified according to classification criteria as held for sale, all its assets and liabilities are classified as held for sale even if after the sale the parent company will retain non controlling interest in that entity. The change in accounting policy has been introduced as a forward looking and has not had an influence either upon the overall financial situation or the financial results of the Group.

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The Group has not decided for the earlier introduction of any of the standards, interpretations or amendments which was published but not yet effective.

**5.1 New standards and interpretations which were published, and did not still come into effect**

- Amendments to IAS 32 Financial instruments: presentation: Classification of Rights Issues – effective for financial years beginning on or after 1 February 2010,
- IAS 24 Disclosure of Related Party Transactions (revised in November 2009) - effective for financial years beginning on or after 1 January 2011,
- IFRS 9 Financial Instruments - effective for financial years beginning on or after 1 January 2013, has not been endorsed by the European Union till the date of approving these financial statements,
- Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - effective for financial years beginning on or after 1 January 2011,
- IFRS 19 - Extinguishing Financial Liabilities with Equity Instruments - effective for financial years beginning on or after 1 July 2010,
- Amendments to IAS 1 First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters - effective for financial years beginning on or after 1 July 2010,
- Amendments resulting from May 2010 Annual Improvements to IFRSs – part of the amendments is effective for financial years beginning on or after 1 July 2010 and part for financial years beginning on or after 1 January 2011 - has not been endorsed by the European Union till the date of approving these financial statements,
- Amendments to IFRS 7 on disclosures about transfers of financial assets effective for financial years beginning on or after 1 July 2010 or beginning on or after 1 January 2011 has not been endorsed by the European Union till the date of approving these financial statements,
- Amendments to IAS 12 amended in Deferred Tax: Recovery of Underlying Assets - effective for financial years beginning on or after 1 January 2012 has not been endorsed by the European Union till the date of approving these financial statements,
- Amendments to IFRS 1 amended for severe hyperinflation and removal fixed transition dates for first-time adopters - effective for financial years beginning on or after 1 January 2011 has not been endorsed by the European Union till the date of approving these financial statements.

**5.2 Change in comparative financial data**

As at 31 December 2010 in consolidated financial statements the following reclassification was introduced:

- the investment expenditures for the leased fixed assets were presented in item I.5 Long term receivables as future Receivables from leasing.

In the financial statement as of 31 December 2009 these expenditures were presented in item II.4 Other long term receivables (2 459 thousand zlotys).

The above change does not impact the financial result for the year ended 31 December 2009, they are introduced to assure comparativeness of the presented data and reflect more accurately the current financial position of the Group.

### **5.3 Basis of preparation of consolidated financial statements**

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments and available-for-sale financial assets, which have been measured at fair value.

These consolidated financial statements for the year ended 31 December 2010 with comparative data for the year ended 31 December 2009 have been audited by the independent auditor. The data for the fourth quarter of 2010 and comparative data for fourth quarter of 2009 have not been audited.

### **5.4 Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards in particular in accordance with IFRS endorsed by the European Union. At the date of authorisation of these consolidated financial statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRSs applied by the Group and the IFRS endorsed by the European Union.

IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC', 'IFRICs').

Certain Group entities keep books of accounts in accordance with accounting policies specified in the Accounting Act dated 29 September 1994 ('the Accounting Act') with subsequent amendments and the regulations issued based on that Act (all together: 'Polish Accounting Standards'). These consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRS.

### **5.5 Significant information based on professional judgment**

Some of the information reported in these consolidated financial statement are based on the estimates and professional judgement of the Group. These values achieved based assumptions and estimates may differ from actually achieved results. Among the assumptions and estimates which had the most significant impact on the assets and liabilities amounts recognised in the consolidated financial statements:

- classification and valuation of the lease – Group as a lessor (note 38) – Group classifies leasing as operating or financial based on the judgement to what extent risks and benefits are borne by the lessor and lessee. This judgement is made based on economic substance of each of the transaction;
- receivables from wind farms sale – payment date is contingent on fulfilling conditions precedent stipulated in the agreement;
- exercisability of call option further described in note 38.2, in relation to the judgement of exercisability of the option, the parent company decided that it exercises the full control over the subsidiary and consequently consolidates fully this entity.

In the year ended 31 December 2010, there were not changes in a way the professional judgement of the Group of the information presented in the consolidated financial statements, and the amounts resulting from professional judgement have been presented in the above notes.

## **5.6 Significant information based on professional estimates**

Below the underlying assumptions relating to the future have been discussed as well as of the key sources of uncertainty present as at the balance sheet date, which bring the risk of substantial adjustment to the carrying amounts of assets and liabilities in the following financial year.

- expenditures classified as wind farms development (note 14),
- classification of green certificates and certified emission rights CO2 (note 26)
- share based payments (note 43),
- depreciation rates – they are set based on the forecast economic useful life of tangible and non tangible assets; the Group reassesses the periods useful life every year based on the current estimates,
- allowances for doubtful debts (note 15),
- provisions for litigation, holiday pay accruals,
- deferred tax asset – the Group recognizes the deferred tax asset based on the assumption that in future tax profit will be achieved which will allow for the asset to be used. In case the tax results achieved by the Group deteriorated, this assumption would be unjustified,
- impairment of assets – the Group has tested the impairment of assets. It required assessment of the value of the cash generating unit which owns the assets. The assessment of the value is based on forecasting the cash flow statements generated by the cash generating unit and requires setting the discount rate to be applied for present value calculations of those flows.

In the year ended 31 December 2010, there were not changes in a way the professional estimates of the Group of the information presented in the consolidated financial statements, and the amounts resulting from professional judgement have been presented in the above notes

## **5.7 Functional currency and presentation currency**

Polish zloty is the functional currency of the Company and other entities included in these consolidated financial statements as well as the presentation currency of these consolidated financial statements.

## **5.8 Basis of consolidation**

These consolidated financial statements comprise the financial statements of Polish Energy Partners S.A. and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries after giving consideration to the adjustments made to achieve conformity with IFRS, are prepared for the same reporting period as those of the parent company, using consistent accounting policies, and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which such control is transferred out of the Group. An entity is controlled by the parent company when the parent has, directly or indirectly, through its subsidiaries, more than half of the votes at the shareholders' meeting of that entity, unless it is possible to prove that such holding does not represent control. Control is also exercised if the company has the power to govern the financial or operating policy of an enterprise so as to obtain benefits from its activities.

Assets and liabilities of subsidiary are valued at fair value from the date on which control is obtained by the Group. The difference between fair value of these assets and liabilities and the carrying amount of the acquired net assets results in goodwill.

All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate impairment.

### **5.9 Investments in associates**

Investments in associates are accounted for using the equity method. An associate is an entity in which the parent company has, either directly or through subsidiaries, significant influence and which is neither its subsidiary nor a joint venture. The financial statements of the associates are the basis for valuation of investments in associates using the equity method. The reporting periods of the associates and the parent company are the same.

Investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the parent's share of the associates' net assets, less any impairment losses. The income statement reflects the parent's share in the results of operations of the associates. The adjustment to the carrying value may be necessary as a result of changes in the proportion of the interest held in associate, resulting from changes in comprehensive income of that entity. The impairment test of investment in associates is performed when there is an indication that the impairment of the value occurred or that the impairment write off from the previous year is no longer required.

Where there has been a change recognised directly in the associates' equity, the parent recognises its share in those changes and discloses it, when applicable, in the statement of changes in equity.

### **5.10 Goodwill**

Goodwill on acquisition is initially measured at cost being the excess of the cost:

- consideration transferred,
- amount of all the non controlling interest in the acquired entity, and
- in case of business combination in step acquisition - over the acquirer's interest in the net fair value of the capital of the acquired entity formerly belonging to acquiring entity.

over the net amount of acquired identifiable assets and liabilities measured at the acquisition date.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill is not amortised.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units that are expected to benefit from the combination. Each unit, or set of units, to which the goodwill has been allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, and
- be not greater than a single business segment, in accordance with the definition of IFRS 8 Operating Segments.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit to which the goodwill has been allocated. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill represents part of a cash-generating unit and part of the operations within that unit is disposed of, the goodwill

associated with the operations disposed of is included in the carrying amount of the operations when determining gain or loss on disposal of the operation. Goodwill disposed of in such circumstances is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained.

### 5.11 Intangible assets

Intangible assets acquired or produced (in case they meet criteria of development costs) separately are measured on initial recognition at cost or manufacturing cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditures incurred for internally generated intangible assets, excluding capitalised development costs, are not capitalised and are charged against profits in the year in which they are incurred.

The useful lives of tangible assets are assessed by the Group to either finite or indefinite. Intangible assets with finite lives are amortized over the useful life period and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Period and amortisation method of intangible assets with finite lives are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually either individually or at the cash generating unit level.

A summary of the policies applied to the Group's intangible assets is as follows:

Patents and Licenses	1 year
Software	2-5 years
Other intangible assets	5 years

Research costs are expensed in the profit and loss account as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition, the historical cost model is applied, which requires the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment is identified during the reporting period, which may suggest that the carrying amount may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

### 5.12 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. In the case of the perpetual usufruct of land, cost is understood to mean the purchase price stated in the decision issued by the municipality at the moment of granting such right.



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Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The initial cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Cost also comprises the cost of replacement of fixed asset components when incurred, if the recognition criteria are met. Subsequent expenditures, such as repair or maintenance costs, are expensed in the reporting period in which they were incurred.

Upon purchase, fixed assets are divided into components, which represent items with a significant value that can be allocated a separate useful life. Overhauls also represent asset component.

Property, plant and equipment excluding land are depreciated using the straight-line method over their estimated useful lives.

Type	Useful life
Buildings and constructions	20 years
Plant and machinery	2,5 – 20 years
Motor vehicles	2,5 – 5 years
Other	5-7 years

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed annually and, if necessary, adjusted retrospectively i.e. with effect from the beginning of the financial year that has just ended.

Items of property, plant and equipment are presented individually and depreciated over their estimated useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its further use. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the income statement for the period in which derecognition took place.

### **5.13 Assets under construction**

Assets under construction are recognised at purchase price or cost of construction less any impairment losses. Construction in progress also includes investment materials purchased for construction. Assets under construction are not depreciated until completed and brought into use.

### **5.14 Borrowing costs**

Borrowing costs including interest and foreign exchange losses relating to the construction, adaptation, assembly or improvement of tangible or intangible assets are capitalised as part of the cost of the asset over the period of construction, adaptation, assembly or improvement, where the borrowings were taken out for that purpose. Borrowing costs include interest and foreign exchange gains or losses to the extent they are regarded as an adjustment to interest costs.

### **5.15 Impairment of non-financial assets**

An assessment is made at each reporting date to determine whether there is any indication that a non financial asset may be impaired. If such indication exists, or in case an annual impairment testing is

required, the Group makes an estimate of the recoverable amount of that asset or cash generating unit which this asset is part of.

The recoverable amount of an asset or a cash-generating unit is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in the expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised immediately in the income statement. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### **5.16 Financial assets**

Financial assets are classified into one of the following categories:

- financial assets held to maturity,
- financial assets at fair value through profit or loss,
- loans and receivables,
- financial assets available for sale.

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold until maturity, other than:

- those that upon initial recognition are designated as at fair value through profit or loss;
- those that are designated as available for sale; and
- those that meet the definition of loans and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest rate. Financial assets held to maturity are classified as non-current assets if they are falling due within more than 12 months from the balance sheet date.

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- a) it is classified as held for trading. A financial asset is classified as held for trading if it is:
  - acquired principally for the purpose of selling it in the near term;
  - part of a portfolio of identified financial instruments that are managed together and for

which there is evidence of a recent actual pattern of short-term profit-taking; or

- a derivative except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

b) in line with IFRS 39 was classified to this category.

Financial assets at fair value through profit or loss are measured at fair value, which takes into account their market value as at the balance sheet date. Any change in the fair value of these instruments is taken to finance costs or finance income. When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited. Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. As at 31 December 2010, no financial assets have been designated as at fair value through profit and loss (as at 31 December 2009: nil)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the balance sheet date. Loans and receivables with maturities exceeding 12 months from the balance sheet date are classified under non-current assets.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Available-for-sale financial assets are measured at fair value, without deducting transaction costs, and taking into account their market value at the balance sheet date. Where no quoted market price is available and there is no possibility to determine their fair value using alternative methods, available-for-sale financial assets are measured at cost, adjusted for any impairment losses. Positive and negative differences between the fair value and acquisition cost, net of deferred tax, of financial assets available for sale (if quoted market price determined on the regulated market is available or if the fair value can be determined using other reliable method), are taken to the revaluation reserve. Any decrease in the value of financial assets available for sale resulting from impairment losses is taken to the income statement and recorded under finance cost.

Purchase and sale of financial assets is recognised at the transaction date. Initially, financial assets are recognised at acquisition cost, i.e. at fair value plus, for financial assets other than classified as financial assets as at fair value through profit and loss, transaction costs.

Financial assets are derecognised if the Group loses its control over contractual rights attached to those assets, which usually takes place upon sale of the asset or where all cash flows attributed to the given asset are transferred to an independent third party.

### **5.17 Impairment of financial assets**

An assessment is made at each reporting date to determine whether there is any objective evidence that a financial asset or a group of financial assets may be impaired.

#### ***Assets carried at amortised cost***

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate

(i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance amount. The amount of the loss shall be recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included on a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

#### ***Financial assets carried at cost***

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### ***Available-for-sale financial assets***

If there is objective evidence that an impairment loss has been incurred on an available-for-sale asset, then the amount of the difference between the acquisition cost (net of any principal payment and interest) and current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss, is removed from equity and recognised in the income statement. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, with the amount of the reversal recognised in the income statement.

## **5.18 Leasing**

### ***Group as lessee***

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease and subsequent lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

### **Group as lessor**

One of the Group entities is party to lease agreements whereby it gives over tangible fixed assets or intangible assets to other entities for use for an agreed period of time in return for lease payments.

In accordance with IAS 17, the lease agreement to which the subsidiary is a party meets the criteria of finance lease and it has therefore been presented as a finance lease in the consolidated financial statements of the Group. For tax regulations, this transaction is treated as operating lease.

Where the agreement results in substantially the whole of the risks and rewards of ownership of an asset being transferred to the user, the leased asset is recognised as asset of the lessee at the present value of the minimum lease payments at the inception. The lessor ceases to recognise the leased asset in the balance sheet and a corresponding receivable is recognised, at the present value of the minimum lease payments. Lease payments are apportioned between financial income and reduction of the outstanding receivable so as to produce a constant rate of return on the outstanding receivable. Finance income and costs are recognised directly in the income statement.

### **5.19 Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each inventory item to its present location and condition are accounted for using weighted average cost method.

Cost of production of finished goods and work-in-progress are accounted for cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity

Net selling price is the selling price estimated at the balance sheet date net of VAT and excise taxes, less any rebates, discounts and other similar items, less the estimated costs to complete and costs to sell.

Green certificates (paragraph 5.35), certified emission rights (paragraph 5.34) and wind farm development expenditures when the technical feasibility has been assessed as probable, are recognised under inventories due to their short operating cycle and high turnover.

### **5.20 Short- and long-term receivables**

Trade receivables, except for leased receivable described in the note 5.18, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

The value of receivables is tested against the probability of receiving consideration. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Doubtful debts provision is accounted for in other operating costs or finance costs – depending on the type of receivables to which doubtful debt relates.

Receivables written-off, outstanding or unrecoverable, from which there was no write-downs or there were write-downs but in incomplete amount, their amount is included in other operating costs or finance costs.

Budget receivables are presented as short-term receivables, except for the corporate income tax receivables which constitute the separate item in balance sheet.

If the effect of the time value of money is material, the value of receivables is determined by discounting the estimated future cash flows to present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Where discounting is used, any increase in the balance due to the passage of time is recognised as finance income.

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### 5.21 Foreign currency translation

Transactions denominated in currencies other than Polish zlotys are translated into Polish zlotys at the foreign exchange rate prevailing on the transaction date.

At the balance sheet date, assets and liabilities expressed in currencies other than Polish zlotys are translated into Polish zlotys using the average NBP rate prevailing for the given currency at the year-end. Exchange differences resulting from translation are recorded under finance revenue or finance costs, or – in cases defined in accounting policies – are capitalised in the cost of the assets.

Non-monetary foreign currency assets and liabilities recognised at historical cost are translated at the historical foreign exchange rate prevailing on the transaction date. Non-monetary foreign currency assets and liabilities recognised at fair value are translated into Polish zlotys using the rate of exchange binding as at the date of re-measurement to fair value.

The following exchange rates were used for valuation purposes:

	31.12.2010	31.12.2009
USD	2,9641	2,8503
EUR	3,9603	4,1082
GBP	4,5938	4,5986
CAD	2,9691	2,7163

### 5.22 Cash and cash equivalents

For the purpose of a consolidated statement of cash flow, cash and cash equivalents consist of cash, short-term bank deposits, investment funds units, treasury bonds and other bonds that were not allocated to investing activities.

### 5.23 Prepaid and accrued expenses

Group entities recognise prepayments if the costs incurred relate to future reporting periods. Accruals are recognised at the amount of probable liabilities relating to the current reporting period.

### 5.24 Issued capital

The issued share capital is recorded at the amount stated in the Company's Articles of Association and registered in the court register. Any differences between the fair value of the consideration obtained and the nominal value of shares are recorded under reserve capital. When the Company's own shares are re-acquired, the amount of consideration paid is recognised as a charge to equity and reported in the balance sheet as treasury shares. Contributions declared but unpaid are recognised under unpaid share capital.

### 5.25 Share-based payment transactions

Members of the Management Board and key employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for equity instruments ('equity-settled transactions').

### ***Equity-settled transactions***

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a binomial model or Black-Scholes-Merton model. In valuing equity-settled transactions, market conditions are accounted for as described in note 43.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments, will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

### **5.26 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

### **5.27 Jubilee bonuses and retirement benefits**

In accordance with internal remuneration regulations, employees of Group entities are entitled to jubilee bonuses and retirement benefits. Jubilee bonuses are paid out after completion of a number of years in service. Retirement benefits are paid out as one-off benefit upon retirement. The amount of those benefits depends on the number of years of employment and the employee's average salary. The Group makes a provision for jubilee bonuses and retirement benefits in order to allocate the costs of those allowances to the periods to which they relate. In accordance with IAS 19, jubilee bonuses represent other long-term employee benefits, while retirement benefits are post-employment defined benefits. The carrying amount of the Group's liabilities resulting from those benefits is calculated at each balance sheet date by an independent actuary. The balance of these liabilities equals discounted payments which will be made in the future and accounts for staff turnover, and relates to the period to

the balance sheet date. Demographic information and information on staff turnover are based on historical information. Any actuarial gains and losses are recognised in the income statement.

#### **5.28 Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### **5.29 Trade and other payables**

Short-term trade payables are carried at the amount due and payable. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) or the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded. As at 31 December 2010, no financial liabilities have been designated as at fair value through profit and loss (as at 31 December 2009: Nil).

Financial liabilities other than financial instruments at fair value through profit or loss are measured at amortised cost, using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Other non-financial liabilities include, in particular, liabilities to the tax office in respect of value added tax and advance payment liabilities which will be settled by way of delivery of goods or services, or fixed assets. Other non-financial liabilities are recognised at the amount due.

#### **5.30 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are recognised at the fair value of the consideration received or receivable, net of Value Added Tax and excise tax and discounts. The following specific recognition criteria must also be met before revenue is recognised.



### **5.31 Sale of goods**

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured.

#### **5.28.1. Rendering of services**

Revenue from provision of services is recognised by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### **5.28.2. Interests**

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

#### **5.28.3. Dividends**

Revenue is recognised when the shareholders' rights to receive the payment are established.

#### **5.28.4. Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, its fair value is credited to a deferred income account and is released systematically to the income statement over the estimated useful life of the relevant asset by way of equal annual instalments.

### **5.32 Income tax**

#### **5.33 Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

#### **5.29.1 Deferred tax**

For financial reporting purposes deferred income tax is recognised, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liability is recognised for all taxable temporary differences:

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- except where the deferred income tax liability arises from the initial recognition of goodwill, an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax asset is recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### **5.29.2 Value Added Tax**

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

#### **5.34 Earnings per share**

Earnings per share for each reporting period is calculated as quotient of the net profit for the given accounting period and the weighted average of shares outstanding in that period.

Diluted earnings per share for each reporting period is calculated as quotient of the net profit adjusted by changes in net profit as a result in potential change in number of shares for the given accounting period and the weighted average of shares outstanding in that period.

### **5.35 Contingent liabilities and assets**

Contingent liabilities are obligations whose fulfilment depends on the occurrence of specific events. They are not recognised in the balance sheet, but they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liability is:

- a) probable obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or
- b) present obligation as a result of past events but which is not disclosed in the financial statements because
  - a. payment to fulfil obligation is not probable
  - b. obligation (liability) amount cannot be measured reliably enough.

Contingent assets are not recognised in the balance sheet, however they are disclosed where an inflow of economic benefits is probable

### **5.36 Greenhouse gas emissions**

The Group recognises a provision for greenhouse gas emission when actual emissions exceed the emission rights granted and still held. Any excess of emission allowances over the actual emission level is recorded in off-balance sheet records.

### **5.37 Certificates of origin**

Due to their short operating cycle and high turnover, green certificates are recognised under operating income and current assets (inventories) when the electricity is produced and it is probable that economic benefits will flow to the Group.

### **5.38 Certified emission rights (Joint Implementation Mechanism)**

Due to their short operating cycle and high turnover, certified emission rights are recognised under operating income and current assets (inventories) when the electricity is produced and it is probable that economic benefits will flow to the Group.

## **6. Segment information**

For the management purposes the Group has prepared the analysis aiming at identification of reportable operating segments. Based on such analysis, the following business segments have been separated:

- outsourcing activity segment, aiming at providing operational services,
- outsourcing activity segment, aiming at production of heat and electricity,

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- development and sales of wind farms segment
- wind power industry segment,
- biomass segment relating to production of pellet from energy crops.

The director's board of the Company monitors separately results achieved by segments to make decisions regarding allocation of resources, assessment of results of the allocation and results of operation. The basis for assessment is profit or loss from operations which are in certain respect, as it has been explained in a table below, measured differently than the profit or loss from operations in the consolidated financial statements. Financing of the Group (including finance costs and revenues) and corporate income tax are monitored at the Group level and is not allocated to segments.

The transaction prices between the operating segments are market based in a similar way as non related party transactions.

The table below presents the primary data relating to the activity of separated segments:

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Continuing Operations							
31.12.2010	Outsourcing activity - operational services	Other outsourcing activity – production of heat and electricity	Development and sale of wind farms	Biomass	Wind power industry	Unallocated	Total
Sales to external customers	57 264	30 707	60 376	13 968	13 651	-	175 966
Total Revenues	57 264	30 707	60 376	13 968	13 651	-	175 966
<b>Gross Profit (Loss)</b>	<b>45 367</b>	<b>7 158</b>	<b>44 104</b>	<b>(499)</b>	<b>6 508</b>	<b>-</b>	<b>102 638</b>
General and administrative expenses	-	-	-	-	-	(19 046)	(19 046)
Interest Revenues/Costs	4 347	43	49	(574)	(3 120)	-	745
Wind farm sales revenues	-	-	-	-	-	-	-
Unrealized Foreign Exchange Revenues/Costs	(3 305)	5	-	(24)	2 702	-	(622)
Other Finance Revenues/Costs	-	-	-	-	-	620	620
Other Operating Revenues/Costs	-	-	(3 887)	-	-	(734)	(4 621)
<b>Profit (Loss) before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79 714</b>
Income tax expense	-	-	-	-	-	(18 045)	(18 045)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61 669</b>
Segment assets	389 760	97 545	184 962	32 632	95 415	-	800 314
Unallocated assets	-	-	-	-	-	11 814	11 814
<b>Total Assets</b>	<b>389 760</b>	<b>97 545</b>	<b>184 962</b>	<b>32 632</b>	<b>95 415</b>	<b>11 814</b>	<b>812 128</b>
Segment liabilities	270 180	36 227	98 231	19 567	74 030	-	498 235
Unallocated liabilities	-	-	-	-	-	9 577	9 577
<b>Total Liabilities</b>	<b>270 180</b>	<b>36 227</b>	<b>98 231</b>	<b>19 567</b>	<b>74 030</b>	<b>9 577</b>	<b>507 812</b>
<b>Capital expenditure, of which:</b>	<b>55</b>	<b>207</b>	<b>110 038</b>	<b>14 829</b>	<b>2</b>	<b>339</b>	<b>125 470</b>
Property, plant and equipment	55	207	110 038	14 829	2	339	125 470
Depreciation	379	4 275	26	1 195	5 070	-	10 945

In item "Outsourcing activity – operational services" the revenues from Mondi Świecie S.A. account for 32% of total sales revenues. In item "Development and sale of wind farms, revenues generated by Lewanter Sp. o.o. account for 24% of total sales revenues.

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**Continuing Operations**

31.12.2009	Outsourcing activity - operational services	Other outsourcing activity – production of heat and electricity	Development and sale of wind farms	Biomass	Wind power industry	Unallocated	Total
Sales to external customers	46 510	32 054	10 212	3 109	14 256		106 141
Total Revenues	46 510	32 054	10 212	3 109	14 256		106 141
<b>Gross Profit (Loss)</b>	<b>34 874</b>	<b>6 305</b>	<b>8 064</b>	<b>(1 802)</b>	<b>7 128</b>		<b>54 569</b>
General and administrative expenses	-					(14 355)	(14 355)
Interest Revenues/Costs	3 053	(204)	4	(345)	(3 385)		(877)
Wind farm sales revenues	-		19 225				19 225
Unrealized Foreign Exchange Revenues/Costs	1 068	38			1 539		2 645
Other Finance Revenues/Costs						(2 245)	(2 2245)
Other Operating Revenues/Costs						223	223
<b>Profit (Loss) before tax</b>							<b>59 185</b>
Income tax expense						(12 261)	(12 261)
<b>Net profit</b>							<b>46 024</b>
Segment assets	428 692	65 421	40 138	18 911	97 005		650 167
Unallocated assets						14 819	14 819
<b>Total Assets</b>	<b>428 692</b>	<b>65 421</b>	<b>40 138</b>	<b>18 911</b>	<b>97 005</b>	<b>14 819</b>	<b>664 986</b>
Segment liabilities	302 459	27 275	158	10 255	80 347		420 494
Unallocated liabilities						9 151	9 151
<b>Total Liabilities</b>	<b>302 459</b>	<b>27 275</b>	<b>158</b>	<b>10 255</b>		<b>9 151</b>	<b>429 645</b>
<b>Capital expenditure, of which:</b>	<b>39</b>	<b>95</b>	<b>10 141</b>	<b>6 401</b>	<b>8</b>	<b>776</b>	<b>17 460</b>
Property, plant and equipment	39	95	10 141	6 401	8	776	17 460
Depreciation	64	4 125		625	5 067		9 881

In item "Outsourcing activity – operational services" the revenues from Mondi Świecie S.A. account for 44% of total sales revenues.

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## 7. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year adjusted by the weighted average number of ordinary shares that would be issued as a result of conversion of all dilutive equity instruments into ordinary shares (i.e. adjusted for the effects of dilutive options and dilutive convertible redeemable preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

<b>EARNING PER SHARE</b>		
	<b>31.12.2010</b>	<b>31.12.2009</b>
Net profit (loss)	61 653	46 866
Weighted average number of ordinary shares	19 506 422	18 875 040
Basic earnings per share (in zlotys)	3,16	2,48

	<b>31.12.2010</b>	<b>31.12.2009</b>
Weighted average number of ordinary shares	19 506 422	18 875 040
Effect of dilution	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	19 506 422	18 875 040

New option program does not have a significant impact on the diluted profit per share.

Since the reporting date and before the completion of these financial statements, the managing or supervising persons exercised the right to acquire the subscription warrants or converted the subscription warrants into shares.

## 8. Intangible assets

### INTANGIBLE ASSETS

31.12.2010	Development costs	Patents and licences, of which:		Total intangible assets
		computer software		
<b>1. cost at the beginning of the period</b>	<b>865</b>	<b>983</b>	<b>229</b>	<b>1 848</b>
a) additions, of which:	-	119	53	119
- purchase	-	119	53	119
b) disposals, of which:	-	(205)	-	(205)
- sale or disposal	-	(205)	-	(205)
<b>2. cost at the end of the period</b>	<b>865</b>	<b>897</b>	<b>282</b>	<b>1 762</b>
<b>3. accumulated depreciation at the beginning of the</b>	<b>(49)</b>	<b>(712)</b>	<b>(218)</b>	<b>(761)</b>

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period				
- depreciation charge for the period	(85)	(150)	(48)	(235)
- disposal	-	205	-	205
- sale or disposal	-	205	-	205
<b>4. accumulated depreciation at the end of the period</b>	<b>(134)</b>	<b>(657)</b>	<b>(266)</b>	<b>(791)</b>
<b>5. impairment at the beginning of the period</b>	-	-	-	-
- increase	-	-	-	-
- decrease	-	-	-	-
<b>6. impairment at the end of the period</b>	-	-	-	-
<b>7. net book value at the beginning of the period</b>	<b>816</b>	<b>271</b>	<b>11</b>	<b>1 087</b>
<b>8. net book value at the end of the period</b>	<b>731</b>	<b>240</b>	<b>16</b>	<b>971</b>

31.12.2009	Development costs	Patents and licences, of which:		Total intangible assets
		computer software		
<b>1. cost at the beginning of the period</b>	-	967	225	967
a) additions, of which:	865	16	4	881
- purchase	865	16	4	881
<b>2. cost at the end of the period</b>	<b>865</b>	<b>983</b>	<b>229</b>	<b>1 848</b>
<b>3. accumulated depreciation at the beginning of the period</b>	-	(668)	(217)	(668)
- depreciation charge for the period	(49)	(44)	(1)	(93)
<b>4. accumulated depreciation at the end of the period</b>	<b>(49)</b>	<b>(712)</b>	<b>(218)</b>	<b>(761)</b>
<b>5. impairment at the beginning of the period</b>	-	-	-	-
- increase	-	-	-	-
- decrease	-	-	-	-
<b>6. impairment at the end of the period</b>	-	-	-	-
<b>7. net book value at the beginning of the period</b>	-	299	8	299
<b>8. net book value at the end of the period</b>	<b>816</b>	<b>271</b>	<b>11</b>	<b>1 087</b>

#### 9. Business combinations and acquisition of non-controlling interest

GOODWILL FROM CONSOLIDATION	31.12.2010	31.12.2009
- Dipol Sp. z o.o.	132	132
- Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Komandytowa	437	437
- Amon Sp. z o.o.	85	85
- Talia Sp. z o.o.	56	56
- Other	124	124
<b>Total goodwill from consolidation</b>	<b>834</b>	<b>834</b>



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**GOODWILL FROM CONSOLIDATION (MOVEMENTS)**

	31.12.2010	31.12.2009
Goodwill from consolidation at the beginning of the period	834	569
Increases due to acquisition of control	-	265
<b>Total goodwill from consolidation</b>	<b>834</b>	<b>834</b>

From the Group's point of view, the increase in goodwill as a result of obtaining control over the subsidiaries, as well as the amount of assets, liabilities and contingent liabilities of the acquirees do not constitute material amounts, thus the Group decided not to provide any additional disclosures that are required by IFRS 3.

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**10. Property, plant and equipment**

31.12.2010	PROPERTY, PLANT AND EQUIPEMENT						
	- freehold land (including perpetual usufruct right)	- buildings, premises and constructions	- machinery and technical equipment	- motor vehicles progress total property, plant and equipment	- other	- construction in progress	total property, plant and equipment
<b>1. cost at the beginning of the period</b>	1 798	24 247	138 290	2 334	829	34 718	202 217
a) additions, of which:	-	7 850	8 829	673	78	147 461	164 891
- purchase	-	-	243	327	74	147 461	148 105
- transfers	-	7 850	8 586	346	4	-	16 786
b) decrease, of which:	(100)	(946)	(10 663)	(320)	(99)	(34 319)	(46 447)
- sale and liquidation	(100)	(946)	(10 663)	(320)	(99)	(324)	(12 452)
- reclassification to finance lease receivables	-	-	-	-	-	(17 209)	(17 209)
- transfers	-	-	-	-	-	(16 786)	(16 786)
<b>2. cost at the end of the period</b>	1 698	31 151	136 456	2 687	808	147 860	320 661
<b>3. accumulated depreciation at the beginning of the period</b>	-	(1 352)	(33 749)	(1 331)	(697)	(156)	(37 285)
- depreciation charge for the year	-	(1 909)	(8 436)	(241)	(124)	-	(10 710)
- decrease, of which:	-	476	4 888	244	80	-	5 688
- sale and liquidation	-	476	4 888	244	80	-	5 688
<b>4. accumulated depreciation at the end of the period</b>	-	(2 785)	(37 297)	(1 328)	(741)	(156)	(42 307)
<b>5. impairment at the beginning of the period</b>	-	-	(773)	-	-	(228)	(1 001)
- additions	-	-	-	-	-	-	-
- transfers	-	-	-	-	-	-	-
<b>6. impairment at the end of the period</b>	-	-	(773)	-	-	(228)	(1 001)
<b>7. net book value at the beginning of the period</b>	1 798	22 895	103 768	1 003	132	34 334	163 931
<b>8. net book value at the end of the period</b>	1 698	28 366	98 386	1 359	67	147 476	277 353

As at 31 December 2010, land and building valuing 30 064 thousand zlotys were mortgage securing repayment of loans. During the year ended 31 December 2010, the amount of 1 610 thousand zlotys was capitalised as qualified borrowing costs. The carrying value of motor vehicle held under finance leases contracts at 31 December 2010 was 1 359 thousand zlotys.

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PROPERTY, PLANT AND EQUIPEMENT							
31.12.2009	- freehold land (including perpetual usufruct right)	- buildings, premises and constructions	- machinery and technical equipment	- motor vehicles progress total property, plant and equipment	- other	- construction in progress	total property, plant and equipment
<b>1. cost at the beginning of the period</b>	<b>1 026</b>	<b>29 632</b>	<b>132 731</b>	<b>1 517</b>	<b>740</b>	<b>39 350</b>	<b>204 997</b>
a) additions, of which:	772	882	5 587	817	458	100 503	109 019
- purchase	772	-	23	359	451	90 565	92 170
- transfers	-	882	5 564	458	7	9 938	16 849
b) decrease, of which:	-	(6 267)	(28)	-	(369)	(105 135)	(111 799)
- sale and liquidation	-	(6 267)	(28)	-	-	-	(6 295)
- reclassification to finance lease receivables	-	-	-	-	-	(98 604)	(98 604)
- transfers	-	-	-	-	(369)	(6 531)	(6 900)
<b>2. cost at the end of the period</b>	<b>1 798</b>	<b>24 247</b>	<b>138 290</b>	<b>2 334</b>	<b>829</b>	<b>34 718</b>	<b>202 217</b>
<b>3. accumulated depreciation at the beginning of the period</b>	-	(5 612)	(26 277)	(1 070)	(612)	-	(33 571)
- depreciation charge for the year	-	(1 784)	(7 500)	(261)	(85)	(156)	(9 786)
- decrease, of which:	-	6 044	28	-	-	-	6 072
- sale and liquidation	-	6 044	28	-	-	-	6 072
<b>4. accumulated depreciation at the end of the period</b>	-	(1 352)	(33 749)	(1 331)	(697)	(156)	(37 285)
<b>5. impairment at the beginning of the period</b>	-	-	(773)	-	-	(228)	(1 001)
- additions	-	-	-	-	-	-	-
- transfers	-	-	-	-	-	-	-
<b>6. impairment at the end of the period</b>	-	-	(773)	-	-	(228)	(1 001)
<b>7. net book value at the beginning of the period</b>	<b>1 026</b>	<b>24 020</b>	<b>105 681</b>	<b>447</b>	<b>128</b>	<b>39 122</b>	<b>170 426</b>
<b>8. net book value at the end of the period</b>	<b>1 798</b>	<b>22 895</b>	<b>103 768</b>	<b>1 003</b>	<b>132</b>	<b>34 334</b>	<b>163 931</b>

As at 31 December 2009, land and buildings valuing 24 693 thousand zlotys were mortgage securing repayment of loans. During the year ended 31 December 2009, the amount of 137 thousand zlotys was capitalised as qualified borrowing costs. The carrying value of motor vehicle held under finance leases contracts at 31 December 2009 was 565 thousand zlotys.

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**11. Long-term receivables**

**LONG TERM RECEIVABLES**

	31.12.2010	31.12.2009
- receivables from third parties	296 534	333 186
- accrued income	8 376	6 654
- financial lease expenditures	1 782	2 458
- financial lease	286 376	324 074
<b>Net long-term receivables</b>	<b>296 534</b>	<b>333 186</b>
- allowances for doubtful debts	-	-
<b>Gross long-term receivables</b>	<b>296 534</b>	<b>333 186</b>

**12. Long-term financial assets**

**LONG-TERM FINANCIAL ASSETS**

	31.12.2010	31.12.2009
- unquoted equity participations or shares	812	320
<b>Total long-term financial assets</b>	<b>812</b>	<b>320</b>

**13. Long-term prepayments**

**LONG-TERM PREPAYMENTS**

	31.12.2010	31.12.2009
- other	141	212
<b>Total long-term prepayments</b>	<b>141</b>	<b>212</b>

**14. Inventories**

	31.12.2010	31.12.2009
- raw materials	1 382	5 491
- green certificates	576	402
- development of wind farms *)	29 711	25 461
- certified emission rights CO2 (Joint Implementation Mechanism)	4 273	5 078
- advance payments to suppliers	72	34
<b>Total inventories</b>	<b>36 014</b>	<b>36 466</b>

\*) The operations cycle of the development process may exceed the period of 12 months.

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None of the inventory categories was used as security for loans during the year ending 31 December 2010 and 31 December 2009. As at 31 December 2010 and 31 December 2009, there were no inventories stated at net realisable value.

### 15. Short-term receivables

	31.12.2010	31.12.2009
- trade receivables	85 140	14 537
- from related parties	1	-
- income accrued	11 089	3 280
- from third parties	74 050	11 257
- income tax receivables	25	1 183
- other receivables	63 847	52 444
- budget	8 312	5 592
- finance lease	43 852	37 756
- other	11 683	9 096
<b>Total net short-term receivables</b>	<b>149 012</b>	<b>68 164</b>
- allowance for doubtful debts	5 378	5 376
<b>Total gross short-term receivables</b>	<b>154 390</b>	<b>73 540</b>

As at December 31, 2010 the amount of 6 803 thousand zlotys in "other receivables" relates to the disposal of shares in PWS Sp. z o.o., PWT Sp. z o.o. and Beta Sp. z o.o. and amount of 1 724 thousand zlotys relates to the short term loan granted to Lewanter Sp. z o.o.

As at 31 December 2009 the amount of 8 357 thousand zlotys in "other receivables" relates to the disposal of shares in PWS Sp. z o.o., PWT Sp. z o.o. and Beta Sp. z o.o.

Transactions with related parties are presented in note 39.

Trade receivables are not interest-bearing and are usually receivable within 7 to 45 days.

As at 31 December 2010 and 31 December 2009, trade receivables amounting to 5 348 thousand zlotys were impaired, and therefore subject to allowance for doubtful debts. The movements in the allowance were as follows:

	31.12.2010	31.12.2009
<b>Opening balance</b>	<b>5 348</b>	<b>5 348</b>
Charge for the year	-	-
Utilised	-	-
Unused amounts reversed	-	-
<b>Closing balance</b>	<b>5 348</b>	<b>5 348</b>

The table below presents an analysis of trade receivables that were past due as at 31 December 2010 and 31 December 2009 but not impaired. Other receivables are not past due.

	Total	Neither past due nor impaired	Past due but not impaired				>120 days
			< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	
31.12.2010	85 140	81 857	391	604	168	67	2 053
31.12.2009	14 537	10 321	3 027	524	303	57	305

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**16. Short-term prepayments**

	31.12.2010	31.12.2009
- insurances	1 657	499
- subscriptions	18	64
- projects relating to the next period	390	421
- real estate tax and perpetual usufruct fee	-	-
- other	1 281	1 024
<b>Total short term prepayments</b>	<b>3 346</b>	<b>2 008</b>

**17. Cash and cash equivalents**

	31.12.2010	31.12.2009
Cash and cash equivalents	46 263	58 229
- cash at banks and on hand	46 263	58 229
<b>Total cash and cash equivalents</b>	<b>46 263</b>	<b>58 229</b>

Cash at bank earns interest at floating interest rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

**18. Issued capital and reserves**

**18.1 Issued capital**

**31.12.2010**

Class / issue	Type of the share	Number of shares	Nominal value of series/issue
A	bearer	2 213 904	4 428
B	bearer	2 304 960	4 610
C	bearer	515 256	1 031
D	bearer	566 064	1 132
E	bearer	1 338 960	2 678
F	bearer	544 800	1 090
G	bearer	683 376	1 367
H	bearer	288 000	576
I	bearer	856 704	1 713
J	bearer	3 835 056	7 670
K	bearer	1 640 688	3 281
L	bearer	3 144 624	6 289
M	bearer	182 359	365
N	bearer	69 922	140
O	bearer	70 908	142
P	bearer	89 500	179
R	bearer	37 560	75
S	bearer	147 026	294
U	bearer	125 300	251

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W	bearer	143 200	286
T	bearer	945 800	1 891
<b>Total number of shares</b>		19 743 967	
<b>Total share capital</b>			39 488
<b>Nominal value of one share (in zlotys)</b>			2

Shares of all series have equal rights – dividends and returns. The Group has share based payment programs under which some directors and key employees are allocated options for the company shares (Note 43).

**31.12.2009**

Class / issue	Type of the share	Number of shares	Nominal value of series/issue
A	bearer	2 213 904	4 428
B	bearer	2 304 960	4 610
C	bearer	515 256	1 031
D	bearer	566 064	1 132
E	bearer	1 338 960	2 678
F	bearer	544 800	1 090
G	bearer	683 376	1 367
H	bearer	288 000	576
I	bearer	856 704	1 713
J	bearer	3 835 056	7 670
K	bearer	1 640 688	3 281
L	bearer	3 144 624	6 289
M	bearer	182 359	365
N	bearer	69 922	140
O	bearer	70 908	142
P	bearer	89 500	179
R	bearer	37 560	75
S	bearer	147 026	294
U	bearer	125 300	251
W	bearer	143 200	286
T	bearer	461 239	922
<b>Total number of shares</b>		19 259 406	
<b>Total share capital</b>			38 519
<b>Nominal value of one share (in zlotys)</b>			2

## 18.2 Shareholders with significant shareholding

<b>SHAREHOLDERS HOLDING 5% OF TOTAL NUMBER OF SHARES AS AT 31 DECEMBER 2010</b>			
Shareholder	Number of shares	Number of votes	share %
Pioneer Pekao Investment Management S.A.	2 266 780	2 266 780	11,48%
ING OFE	1 077 259	1 077 259	5,46%
Generali OFE	2 767 436	2 767 436	14,02%
Other (free float)	13 632 492	13 632 492	69,04%
<b>Total</b>	<b>19 743 967</b>	<b>19 743 967</b>	<b>100%</b>

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### 18.3 Other reserve capital

Other reserve capital was created from the statutory deductions from profits generated in previous financial years.

### 18.4 Retained earnings and limits to its distribution

According to the Code of Commercial Partnerships and Companies, the parent company is obliged to provide the reserve capital for covering future loss. This category is supplied with at least 8% of profit for the year shown in standalone financial statement of the holding company, until this capital does not reach at least a third of share capital of holding company. The reserve and other reserve capital can be used upon the decision of the General Shareholders' Meeting; however, a reserve capital that constitutes a third of share capital can be used only to cover the loss presented in the standalone financial statement and cannot be distributed to other targets.

### 18.5 Non-controlling interests

Non-controlling interests	31.12.2010	31.12.2009
<b>Opening balance</b>	<b>1 094</b>	<b>1 036</b>
- dividends paid by subsidiaries	(81)	-
- share in subsidiaries' net profit (loss)	106	58
<b>Closing balance</b>	<b>1 119</b>	<b>1 094</b>

### 18.6 Dividends paid and proposed for payment

In the year ended 31 December 2010 and 31 December 2009, the parent company did not pay any dividends. In 2011 the parent company does not plan to pay dividend.

## 19. Income tax

### 19.1 Tax burdens

	31.12.2010	31.12.2009	Q4 2010	Q4 2009
Current income tax:	15 471	7 077	8 132	1 127
-current income tax charge	15 413	6 734	8 056	1 127
-adjustments in respect of current	58	343	76	-
Income tax of previous year				
Deferred tax:	2 574	5 184	(907)	(476)
- relating to origination and reversal of temporary differences	2 574	5 184	(907)	(476)
Income tax expense reported in the income statement	18 045	12 261	7 225	651

On 28 June 2009, the company from PEP Group was granted a permit to operate in the Wałbrzych Special Economic Zone. The activity of the company involves pellet production which started in September 2010.



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The Company received the right for corporate income tax exemption amounting to 50% of qualified costs as it fulfilled the following requirements from this tax exemption permit:

- incurring qualified costs till 31 August 2008, and
- employing 20 people till 31 August 2008.

According to IAS 12 the Group should have recognized deferred tax asset on the exemption rights granted in proportion to the investment expenditures incurred if a reasonable assurance exists that all the conditions of the exemption are met and when it is probable that the Group in an appropriate time will generate profits which will allow for utilization of the tax benefits. Had the Group presented the deferred tax asset on the future benefits from tax exemption the net profit of the Group would have increased by 7.1 million zlotys as at 31 December 2010.

### 19.2 Deferred income tax

	Consolidated balance sheet	Consolidated income statement		Goodwill	
Deferred income tax	31.12.2010	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Deferred tax liability					
Tangible assets	4 523	230	1 452	137	137
Receivables	1 805	(1 233)	(525)	-	-
Loans	179	92	(309)	-	-
Lease Receivables	66 709	(1 097)	14 974	-	-
				-	-
<b>Gross deferred tax liability</b>	<b>73 216</b>	<b>(2 008)</b>	<b>15 592</b>	<b>137</b>	<b>137</b>
Deferred tax asset					
Tangible assets	362	(81)	17	-	-
Receivables	1 877	(520)	(31)	-	-
Loans	594	594	-	-	-
Liabilities	1 199	600	(1)	-	-
Reserves	2 209	(54)	327	-	-
Lease Assets	53 194	(4 348)	9 970	-	-
Tax losses carried forward	2 606	(773)	126	-	-
<b>Gross deferred tax asset</b>	<b>62 041</b>	<b>(4 582)</b>	<b>10 408</b>	<b>-</b>	<b>-</b>
Deferred tax expense	-	2 574	5 184	137	137
Net deferred tax (asset) liability	11 175	-	-	-	-

### 19.3 Reconciliation of the effective income tax rate

#### Reconciliation of the effective income tax rate

31.12.2010      31.12.2009

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Income tax expense reported in the income statement, of which:	18 045	12 261
Current income tax	15 469	7 077
Deferred income tax	2 576	5 184
<b>Profit (loss) before tax</b>	<b>79 714</b>	<b>59 185</b>
At statutory income tax rate of 19 % (2009: 19 %)	15 146	11 245
Adjustments in respect of current income tax from previous years	58	(343)
Expenditure not allowable for income tax purposes:	2 957	673
- expenditure for the owners and members of the Management Board	957	346
- adjustments in respect of deferred income tax	1 263	280
- other expenditure not allowable for income tax purposes	737	47
<b>At the effective income tax rate of 22.6% (2009: 20.7%)</b>	<b>18 045</b>	<b>12 261</b>

## 20. Provisions

	31.12.2010	31.12.2009
<b>Long-term provisions</b>		
- pensions and other post-employment provision	314	456
- decommissioning provision	560	549
<b>Total long-term provisions</b>	<b>874</b>	<b>1 005</b>
<b>Short-term provisions</b>		
- pensions and other post-employment provision	99	45
- decommissioning provision	846	631
<b>Total short-term provisions</b>	<b>945</b>	<b>676</b>
<b>Movements in the long-term and short-term provisions</b>		
<b>Opening balance</b>	<b>1 681</b>	<b>1 759</b>
- recognised during the year	571	428
- unused amounts reversed	(424)	(340)
- utilised during the year	(9)	(166)
<b>Closing balance</b>	<b>1 819</b>	<b>1 681</b>

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## 21. Long-term interest-bearing loans and borrowings

Long-term interest-bearing loans and borrowings amounted to 370 314 thousand zlotys, of which

### 31.12.2010

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	Currency	'000	currency			
BRE Bank S.A.	Warsaw	18 365	PLN	1 132	PLN	WIBOR 1M plus margin of bank	5.34%	June 2012

#### Security:

- the Company's promissory note (blank);
- authorisation to the current account as well as the loan account with BRE Bank S.A.;
- agreement for the transfer of rights of Interpep EC Zakrzów Sp. z o.o. Sp. k. under the UDEiC agreement signed with Polar S.A. and under insurance contracts;
- agreement for the transfer of the Borrower's rights (relating to Polar investments) under contracts, policies and other agreements;
- registered pledge on a set of movables (machinery and equipment) up to the amount of 35 000 thousand zlotys;
- ceiling mortgage established on the real estate of Polar S.A. until the day of acquisition of real estate by the Borrower from Polar S.A., up to the amount of 17 332 thousand zlotys.

	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
BRE Bank S.A.	Warsaw	104 198	EUR	220 050	55 526	- basic rate EURIBOR 1M plus margin of bank	5.10%	instalments, last instalment 20.11.2017

#### Security:

- ceiling mortgage up to the amount of EUR 90 000 thousand for BRE Bank S.A., and within a portion of the ceiling mortgage up to the amount of EUR 45 000 thousand for Bank Polska Kasa Opieki S.A., established on the perpetual usufruct of land and the ownership of buildings and constructions held by the Borrower (Saturn Management Sp. z o.o. i Wspólnicy, Sp. k.), for which Mortgage Register number BY1S/00045050/5 is kept by the District Court in Świecie,
- ceiling mortgage up to the amount of EUR 7 200 thousand on the above-mentioned property of the Borrower for Bank Polska Kasa Opieki S.A.; the mortgage was established in relation to the Tytan and Modernisation Tranches as well as the additional Tytan/Modernisation Tranche;
- ceiling mortgage up to the amount of EUR 60 000 thousand on the above-mentioned property of Borrower for the European Bank for Reconstruction and Development; the mortgage was established in relation to the Tytan and Modernisation Tranches as well as the additional Tytan/Modernisation Tranche;
- ceiling mortgage up to the amount of EUR 16 500 thousand for BRE Bank S.A; the mortgage was established in relation to the Jupiter Tranche,
- agreement for collateral transfer of fixed assets held by the Borrower for BRE Bank S.A.,

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- registered pledge between PEP S.A. and BRE Bank S.A. on rights arising from the Bank account Agreement up to the amount of EUR 105 000 thousand;
- registered pledge between PEP S.A. and BRE Bank S.A. on rights arising from the Bank Account Agreement up to the amount of EUR 67 200 thousand;
- registered pledge between the Borrower and BRE Bank S.A. on rights arising from the Bank Account Agreement up to the amount of EUR 105 000 thousand;
- registered pledge between the Borrower and BRE Bank S.A. on rights arising from the Bank Account Agreement up to the amount of EUR 216 400 thousand;
- registered pledge on PEP S.A.'s rights as a limited partner in Saturn Management Sp. z o.o. i Wspólnicy, Sp. K. including transfer of rights, up to the amount of EUR 105 000 thousand,
- registered pledge on PEP S.A.'s rights as a limited partner in Saturn Management Sp. z o.o. i Wspólnicy, Sp. K. including transfer of rights – up to the amount of EUR 67 200 thousand,
- registered pledge on Saturn Management Sp. z o.o. rights as a general partner including transfer of rights – up to the amount of EUR 105 000 thousand,
- registered pledge on Saturn Management Sp. z o.o. rights as a general partner in Saturn Management Sp. z o.o. i Wspólnicy, Sp. K. including transfer of rights – up to the amount of EUR 67 200 thousand,
- registered pledge on shares in Saturn Management Sp. z o.o. between PEP S.A. and BRE Bank S.A. including the transfer of PEP S.A.'s rights – up to the amount of EUR 105 000 thousand,
- registered pledge on shares in Saturn Management Sp. z o.o. between PEP S.A. and BRE Bank S.A. including the transfer of PEP S.A.'s rights - up to the amount of EUR 67 200 thousand,
- registered pledge on the Borrower's movables for BRE Bank S.A., up to the amount of EUR 105 000 thousand,
- registered pledge on the Borrower's movables for BRE Bank S.A., up to the amount of 67 EUR 200 thousand,
- agreement for the transfer of rights under the Agreement with Mondi Świecie S.A, the Construction Contract and Contracts with Significant Contractors as well as rights under the Insurance Contracts, up to the maximum amount of liabilities due to banks under the Loan Agreement,
- agreement between PEP S.A. and BRE Bank S.A. for collateral transfer of all current and future receivables from Mondi Świecie S.A., up to the maximum amount of EUR 90 000 thousand,
- Project Support Agreement between BRE Bank S.A., Partners (Saturn Management Sp. z o.o., PEP S.A.) and the Borrower,
- Subordination Agreement between BRE Bank S.A., Partners (Saturn Management Sp. z o.o., PEP S.A.) and the Borrower,
- agreement for the transfer of the Borrower's rights under the performance bond and the warranty arising from the terms of the Construction Contract to BRE Bank S.A.
- guarantee for the repayment of the Borrower's liabilities to BRE Bank S.A. by Mondi Świecie S.A., up to an amount being the lower of the following amounts: the equivalent of 3 months' borrowing costs and the amount of 3 000 thousand zlotys, by 20 December 2016;
- authorisation for BRE Bank S.A. to the Borrower's bank accounts with BRE Bank S.A.;
- Borrower's commitment under the loan agreement to create and maintain the so-called Debt Service Reserve within a bank account with Bank PEKAO S.A.; this reserve was created at an amount of EUR 5 250 thousand from the funds provided by the first drawing under the Tytan tranche, and the obligation to retain the reserve as well as the reserve's amount depends on the ratio of net debt to EBITDA achieved by Mondi Świecie; the maximum amount of the reserve may reach the level of EUR 7 300 thousand;
- Borrower's declarations of submission to enforcement under the loan agreement with subsequent amendments

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Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
Raiffeisen Bank Polska S.A.	Warsaw	21 600	EUR	61 349	15 480	- basic rate EURIBOR 1M plus margin of bank	4.40%	monthly payments, last instalment 3 1.12.2021

**Security:**

- ceiling mortgage on property covered by the mortgage register number 26887, kept by the District Court in Wejherowo, Mortgage Register Department in Puck, for Raiffeisen Bank Polska S.A. up to the amount of EUR 8 538.8 thousand;
- ceiling mortgages, each up to the amount of EUR 4 269.4 thousand, for Raiffeisen Bank Polska S.A., on properties covered by mortgage registers Nos: 7828, 256, 4142, 1324, 5631, 36968, kept by the District Court in Wejherowo, Mortgage Register Department in Puck;
- collective ceiling mortgage for Raiffeisen Bank Polska S.A., up to the amount of EUR 8 538.8 thousand, on the properties of DIPOL Sp. z o.o. covered by mortgages Nos. 40971 and 40201, kept by the District Court in Wejherowo, Mortgage Register Department in Puck;
- Dipol sp. z o.o.'s declaration of submission to enforcement up to EUR 33 525 thousand, valid until 31 December 2023;
- registered pledge on DIPOL Sp. z o.o.'s assets up to the amount of EUR 33 525 thousand;
- registered pledge on the shares held by PEP S.A. in Dipol Sp. z o.o., between PEP S.A. as the pledger and Raiffeisen Bank Polska S.A. as the pledgee, up to the amount of EUR 33 525 thousand;
- registered pledge on the receivables under the Borrower's bank accounts kept by Raiffeisen Bank Polska S.A., together with authorisations to these accounts for the bank, up to the amount of EUR 33 525 thousand;
- agreement for the transfer of the Borrower's receivables under insurance contracts for the bank;
- agreement for the transfer of the Borrower's receivables under project agreements for the bank;
- guarantee agreement signed by PEP S.A. with the Bank, in which PEP S.A. guarantees the supply of deficit funds – up to EUR 1 350 thousand, the supply of funds to cover any deficit in the specific reserve account – up to 5 900 thousand zlotys as well as a refund of the grant provided to the Borrower by the EcoFund if such refund is required;
- frozen money in the specific reserve account kept by the bank, equal to the minimum of three loan instalments together with interest for three interest periods.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
BRE BANK S.A.	Warsaw	9 000	PLN	3 514	PLN	WIBOR 1M plus margin of bank	5.55%	monthly payments, last instalment 26.02.2015

**Security:**

- ordinary mortgage on the Borrower's property located in Wałbrzych, in the amount of 9 000 thousand zlotys, as a security for loan repayment, and ceiling mortgage in the amount of 1 500 thousand zlotys as a security for the repayment of loan interest.

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- agreement for establishing a registered pledge on PEP S.A.'s rights in the Borrower together with an authorisation for the bank up to the amount of 10 500 thousand zlotys;
- agreement for establishing a registered pledge on the rights of PP-U and P Comax Sp. z o.o in the Borrower together with an authorisation for the bank up to the amount of 10 500 thousand zlotys;
- agreement for establishing a registered pledge on the rights of Mercury Energia Sp. z o.o in the Borrower together with an authorisation for the bank up to the amount of 10 500 thousand zlotys;
- agreement for establishing a registered pledge on the Borrower's enterprise up to the amount of 13 500 thousand zlotys;
- transfer of the receivables and rights under insurance contracts and project documents, including all present and future agreements signed by the Borrower;
- authorisation to all of the Borrower's bank accounts held with the bank;
- Project support agreement between BRE Bank S.A., the Partners (PP-UiP Comax sp. z o.o., PEP S.A.) and the Borrower - Mercury Energia Sp. z o.o. i Wspólnicy Sp. k.;
- Borrower's declaration of submission to enforcement up to the amount of 13 500 thousand zlotys, valid until 31 December 2018.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
Raiffeisen Bank Polska S.A.	Warsaw	4 500	PLN	3 865	PLN	- basic rate WIBOR 1M plus margin of bank	7.04%	instalments, last instalment 31.12.2019

**Security:**

- registered pledge on PEP S.A.'s shares in the Borrower;
- registered pledge on the Borrower's assets located in Sępólno Krajeńskie, up to the amount of 14 250 thousand zlotys;
- conditional agreement for the transfer of rights and assumption of the Borrower's liabilities under the property rental agreement by the bank;
- transfer of the receivables under the Property and Work Insurance Contract;
- transfer of the Borrower's receivables under the agreement for the sale of pellet by the Borrower to DALKIA ŁÓDŹ S.A.;
- PEP S.A.'s guarantee for the repayment of all of the Borrower's liabilities under the loan agreement;
- authorisation granted by the Borrower to Raiffeisen Bank Polska S.A. to the Borrower's bank accounts held with the Bank;
- declaration of submission to enforcement up to 14 250 thousand zlotys, valid until 31 December 2022.

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Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
WFOŚiGW	Warsaw	3 000	PLN	1 920	PLN	0.7 rediscount rate determined by RPP	2.67%	monthly payments, last instalment 30.11.2015

**Security:**

- guarantee for the repayment of loan up to the amount of 3 600 thousand zlotys, issued by BRE Bank S.A. at the request of Polish Energy Partners S.A.; the debt under the issued guarantee is decreasing along with loan repayments made according to the agreement.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
BRE Bank S.A.	Warsaw	11 810	PLN	7 699	PLN	WIBOR 1M plus margin of bank	7.99%	monthly payments, last instalment 20.12.2018

**Security:**

- ceiling mortgage for the bank with first priority, up to the maximum amount of security equal to 23 620 thousand zlotys, on the Borrower's real property in Zabkowice Śląskie, for which mortgage register No. 64864 is kept by the District Court in Zabkowice Śląskie;
- registered pledge with first priority of satisfaction on shares in the Borrower's share capital with a total nominal value of 50 thousand zlotys, up to the maximum amount of security equal to 38 820 thousand zlotys as well as financial pledge on such shares up to the maximum amount of security equal to 23 620 thousand zlotys, together with a voluntary submission to enforcement by PEP as a partner from all of its shares in the Borrower up to the maximum amount of 38 820 thousand zlotys;
- registered pledge with first priority of satisfaction on the Borrower's movables - including any and all movables and inventories, on intellectual property rights, rights arising from signed insurance contracts and policies as well as from the Borrower's bank accounts kept by the Bank, up to the maximum amount of security equal to 38 820 thousand zlotys, and financial pledge on the Borrower's cash and cash equivalents up to the maximum amount of security equal to 23 620 thousand zlotys, together with the Borrower's voluntary submission to enforcement under the aforementioned registered and financial pledges of movables up to the maximum amount equal to 38 820 thousand zlotys;
- transfer of receivables under the existing documents of the project for which the Borrower was granted a loan by the bank i.e. the agreement for the sale of products as well as future project agreements i.e. agreements for the sale of products, production line agreements, insurance contracts and performance bonds;
- the subordination of the debts under the loans granted to the Borrower by PEP S.A. in relation to its debts towards the Bank under the loan granted by the Bank;
- loan repayment guarantee granted by PEP S.A. up to the amount of 24 262 thousand zlotys along with a declaration of submission to enforcement up to the maximum amount equal to the value of the guarantee;
- Borrower's declaration of submission to enforcement up to the maximum amount of 23 620 thousand zlotys.

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Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
CONSORTIUM OF BANKS	Warsaw	168 493	PLN	42 569	PLN	WIBOR 3M plus margin of the bank	7.85%	quarterly payments till 31.12.2026

**Security:**

- registered pledge Polish Energy Partners S.A. (PEP) shares in AMON as a security of long-term-loan repayment granted to AMON by Raiffeisen Bank Polska S.A. (RBP), DNB NORD POLSKA S.A. (DNB NORD), PKO BP S.A. (PKO), BANK ZACHODNI WBK S.A. (BZ WBK) up to the maximum security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on PEP shares in AMON as a security of long-term-loan repayment granted to AMON by RBP to the maximum security amounting to 82,993 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of long-term-loan repayment granted to AMON by PKO to the maximum security amounting to 71,815.8 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of long-term-loan repayment granted to AMON by BZ WBK to the maximum security amounting to 58,758.4 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of long-term-loan repayment granted to AMON by DNB NORD to the maximum security amounting to 39,172.3 thousand zlotys;
- registered pledge as a security of long-term-loan repayment granted to TALIA by RBP, DNB NORD, PKO, BZ WBK to the maximum security amounting to 312,739.5 thousand zlotys RBP is an administrator of a pledge;
- financial pledge on PEP shares in TALIA as a security of long-term-loan repayment granted to AMON by RBP to the maximum security amounting to 82,993 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of long-term-loan repayment granted to AMON by DNB NORD to the maximum security amounting to 39,172.3 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of long-term-loan repayment granted to AMON by BZ WBK to the maximum security amounting to 58,758.4 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of long-term-loan repayment granted to AMON by PKO to the maximum security amounting to 71,815.8 thousand zlotys;
- registered pledge with first priority of satisfaction on Borrower's movables and rights of AMON to secure long-term loan repayment granted to AMON by RBP, DNB NORD, PKO, BZ WBK up to the highest amount of security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge;
- registered pledge with first priority of satisfaction on Borrower's movables and rights of TALIA to secure long-term loan repayment granted to AMON by RBP, DNB NORD, PKO, BZ WBK up to the highest amount of security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge
- registered pledge with first priority of satisfaction on cash of AMON to secure long-term loan repayment granted to AMON by RBP, DNB NORD, PKO, BZ WBK, held in accounts in those banks, up to the highest amount of security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to AMON by RBP to the maximum security amounting to 82,993 thousand zlotys;



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- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to AMON by BZ WBK to the maximum security amounting to 58,758.4 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to AMON by DNB NORD to the maximum security amounting to 39,172.3 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to AMON by PKO to the maximum security amounting to 71,815.8 thousand zlotys;
- registered pledge with first priority of satisfaction on cash of TALIA to secure long-term loan repayment granted to AMON by RBP, DNB NORD, PKO, BZ WBK, held in accounts in those banks, up to the highest amount of security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to AMON by RBP to the maximum security amounting to 82,993 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to AMON by PKO to the maximum security amounting to 71,815.8 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to AMON by DNB NORD to the maximum security amounting to 39,172.3 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to AMON by BZ WBK to the maximum security amounting to 58,758.4 thousand zlotys;
- transfer of rights and obligations from existing and future property lease agreements concluded by AMON essential for project execution to secure long-term loan repayment granted to AMON by RBP, PKO, BZ WBK, DNB NORD, the transfer was made with a suspension clause of occurrence of breach of covenants (list of possible covenants is included in the loan agreement); RBP is a beneficiary of transfer of rights and obligation as an agent of collaterals
- transfer of rights from turbine and service agreement concluded with VESTAS POLAND Sp. z o.o. (VESTAS) by AMON as a security of long-term-loan repayment granted to AMON by RBP; PKO, BZ WBK, DNB NORD; the transfer was made with a suspension clause of occurrence of breach of covenants
- transfer of rights from current and future project agreements concluded by AMON as a security of long-term-loan repayment granted to AMON by RBP; PKO, BZ WBK, DNB NORD in proportion to their share in loan granted; the transfer was made with a suspension clause of occurrence of breach of covenants
- transfer of rights from current and future project agreements concluded by TALIA as a security of long-term-loan repayment granted to AMON by RBP; PKO, BZ WBK, DNB NORD in proportion to their share in loan granted; the transfer was made with a suspension clause of occurrence of breach of covenants
- guarantee of TALIA to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of long-term-loan granted to AMON by RBP amounting to 102,695.4 thousand zlotys;
- guarantee of TALIA to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of long-term-loan granted to AMON by PKO amounting to 88,864.8 thousand zlotys;
- guarantee of TALIA to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of long-term-loan granted to AMON by BZ WBK amounting to 72,707.6 thousand zlotys;
- guarantee of TALIA to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of long-term-loan granted to AMON by DNB NORD amounting to 48,471.7 thousand zlotys;

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- PEP support agreement for the project budget overrun implemented by AMON, the amount will not be higher than 10% of project costs;
- Borrower's declaration of submission to enforcement in relation to long-term-loan repayment granted to AMON by RBP up to maximum amount of 82,993 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to long-term-loan repayment granted to AMON by PKO up to maximum amount of 71,815.8 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to long-term-loan repayment granted to AMON by BZ WBK up to maximum amount of 58,758.4 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to long-term-loan repayment granted to AMON by DNB NORD up to maximum amount of 39,172.3 thousand zlotys: the declaration is valid till 31 December 2029;
- subordination of PEP receivables from AMON to receivables of RBP, PKO, BZ WBK, DNB NORD from AMON long-term loan.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
CONSORTIUM OF BANKS	Warsaw	40 000	PLN	0	PLN	WIBOR 3M plus margin of the bank	n/d	one off repayment 30.06.2012

- registered pledge Polish Energy Partners S.A. (PEP) shares in AMON as a security of bridge loan granted to AMON by Raiffeisen Bank Polska S.A. (RBP), DNB NORD POLSKA S.A. (DNB NORD), PKO BP S.A. (PKO), BANK ZACHODNI WBK S.A. (BZ WBK) up to the maximum security amounting to 312,739,5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on PEP shares in AMON as a security of bridge loan granted to AMON by RBP to the maximum security amounting to 19,702.4 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of bridge loan granted to AMON by PKO to the maximum security amounting to 17,049 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of bridge loan granted to AMON by BZ WBK to the maximum security amounting to 13,949.2 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of bridge loan granted to AMON by DNB NORD to the maximum security amounting to 9,299.4 thousand zlotys;
- registered pledge as a security of bridge loan repayment granted to TALIA by RBP, DNB NORD, PKO, BZ WBK to the maximum security amounting to 312,739.5 thousand zlotys RBP is an administrator of a pledge;
- financial pledge on PEP shares in TALIA as a security of bridge loan repayment granted to AMON by RBP to the maximum security amounting to 19,702.4 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of bridge loan repayment granted to AMON by DNB NORD to the maximum security amounting to 9,299.4 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of bridge loan repayment granted to AMON by BZ WBK to the maximum security amounting to 13,949.2 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of bridge loan repayment granted to AMON by PKO to the maximum security amounting to 17,049 thousand zlotys;

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- registered pledge with first priority of satisfaction on cash of AMON to secure bridge loan repayment granted to AMON by RBP, DNB NORD, PKO, BZ WBK up to the highest amount of security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge;
- registered pledge with first priority of satisfaction on cash of TALIA to secure bridge loan repayment granted to AMON by RBP, DNB NORD, PKO, BZ WBK up to the highest amount of security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge;
- registered pledge with first priority of satisfaction on cash of AMON to secure bridge loan repayment granted to AMON by RBP, DNB NORD, PKO, BZ WBK, held in accounts in those banks, up to the maximum amount of security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to AMON by RPB to the maximum security amounting to 19,702.4 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to AMON by BZ WBK to the maximum security amounting to 13,949.2 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to AMON by DNB NORD to the maximum security amounting to 9,299.4 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to AMON by PKO to the maximum security amounting to 17,049 thousand zlotys;
- registered pledge with first priority of satisfaction on cash of TALIA to secure bridge loan repayment granted to TALIA by RBP, DNB NORD, PKO, BZ WBK, held in accounts in those banks, up to the maximum amount of security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to TALIA by RPB to the maximum security amounting to 19,702.4 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to TALIA by PKO to the maximum security amounting to 17,049 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to TALIA by DNB NORD to the maximum security amounting to 9,299.4 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to TALIA by BZ WBK to the maximum security amounting to 13,949.2 thousand zlotys;
- transfer of rights and obligations from existing and future property lease agreements concluded by AMON essential for project execution to secure bridge loan repayment granted to AMON by RBP, PKO, BZ WBK, DNB NORD, the transfer was made with a suspension clause of occurrence of breach of covenants (list of possible covenants is included in the loan agreement); RBP is a beneficiary of transfer of rights and obligation as an agent of collaterals;
- transfer of rights from turbine and service agreement concluded with VESTAS by AMON as a security of bridge loan repayment granted to AMON by RBP; PKO, BZ WBK, DNB NORD; the transfer was made with a suspension clause of occurrence of breach of covenants
- transfer of rights from current and future project agreements concluded by AMON as a security of bridge loan repayment granted to AMON by RBP; PKO, BZ WBK, DNB NORD in proportion to their share in loan granted; the transfer was made with a suspension clause of occurrence of breach of covenants
- transfer of rights from current and future project agreements concluded by TALIA as a security of bridge loan repayment granted to AMON by RBP; PKO, BZ WBK, DNB NORD in proportion to their share in loan granted; the transfer was made with a suspension clause of occurrence of breach of covenants

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- guarantee of TALIA to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to AMON by RBP amounting to 102,695.4 thousand zlotys;
- guarantee of TALIA to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to AMON by PKO amounting to 88,864.8 thousand zlotys;
- guarantee of TALIA to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to AMON by BZ WBK amounting to 72,707.6 thousand zlotys;
- guarantee of TALIA to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to AMON by DNB NORD amounting to 48,471.7 thousand zlotys;
- guarantee of PEP to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to AMON by RBP amounting to 14,448.4 thousand zlotys;
- guarantee of PEP to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to AMON by PKO amounting to 12,502.6 thousand zlotys;
- guarantee of PEP to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to AMON by DNB NORD amounting to 6,819.6 thousand zlotys;
- guarantee of PEP to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to AMON by BZ WBK amounting to 10,229.4 thousand zlotys;
- PEP support agreement for the project budget overrun implemented by AMON, the amount will not be higher than 10% of project costs;
- Borrower's declaration of submission to enforcement in relation to bridge loan repayment granted to AMON by RBP up to maximum amount of 19,702.4 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to bridge loan repayment granted to AMON by PKO up to maximum amount of 17,049 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to bridge loan repayment granted to AMON by BZ WBK up to maximum amount of 13,949.2 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to bridge loan repayment granted to AMON by DNB NORD up to maximum amount of 9,299.4 thousand zlotys: the declaration is valid till 31 December 2029;
- subordination of PEP receivables from AMON to receivables of RBP, PKO, BZ WBK, DNB NORD from AMON bridge loan.

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Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
CONSORTIUM OF BANKS	Warsaw	111 627	PLN	27 233	PLN	WIBOR 3M plus margin of the bank	7.85%	Quarterly payments till 31.03.2027

- registered pledge Polish Energy Partners S.A. (PEP) shares in TALIA as a security of long-term-loan repayment granted to TALIA by Raiffeisen Bank Polska S.A. (RBP), DNB NORD POLSKA S.A. (DNB NORD), PKO BP S.A. (PKO), BANK ZACHODNI WBK S.A. (BZ WBK) up to the maximum security amounting to 227,440.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on PEP shares in TALIA as a security of long-term-loan repayment granted to TALIA by RBP to the maximum security amounting to 54,983 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of long-term-loan repayment granted to TALIA by PKO to the maximum security amounting to 47,578.1 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of long-term-loan repayment granted to TALIA by BZ WBK to the maximum security amounting to 38,927.6 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of long-term-loan repayment granted to TALIA by DNB NORD to the maximum security amounting to 25,951.7 thousand zlotys;
- registered pledge as a security of long-term-loan repayment granted to AMON by RBP, DNB NORD, PKO, BZ WBK to the maximum security amounting to 227,440.5 thousand zlotys RBP is an administrator of a pledge;
- financial pledge on PEP shares in AMON as a security of long-term-loan repayment granted to TALIA by RBP to the maximum security amounting to 54,983 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of long-term-loan repayment granted to TALIA by DNB NORD to the maximum security amounting to 25,951.7 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of long-term-loan repayment granted to TALIA by BZ WBK to the maximum security amounting to 38,927.6 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of long-term-loan repayment granted to TALIA by PKO to the maximum security amounting to 47,578.1 thousand zlotys;
- registered pledge with first priority of satisfaction on Borrower's movables and rights of TALIA to secure long-term loan repayment granted to TALIA by RBP, DNB NORD, PKO, BZ WBK up to the highest amount of security amounting to 227,440.5 thousand zlotys, RBP is an administrator of a pledge;
- registered pledge with first priority of satisfaction on Borrower's movables and rights of AMON to secure long-term loan repayment granted to TALIA by RBP, DNB NORD, PKO, BZ WBK up to the highest amount of security amounting to 227,440.5 thousand zlotys, RBP is an administrator of a pledge
- registered pledge with first priority of satisfaction on cash of TALIA to secure long-term loan repayment granted to TALIA by RBP, DNB NORD, PKO, BZ WBK, held in accounts in those banks, up to the highest amount of security amounting to 227,440.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to TALIA by RBP to the maximum security amounting to 54,983 thousand zlotys;

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- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to TALIA by BZ WBK to the maximum security amounting to 38,927.6 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to TALIA by DNB NORD to the maximum security amounting to 25,952.7 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to TALIA by PKO to the maximum security amounting to 47,578.1 thousand zlotys;
- registered pledge with first priority of satisfaction on cash of AMON to secure long-term loan repayment granted to TALIA by RBP, DNB NORD, PKO, BZ WBK, held in accounts in those banks, up to the highest amount of security amounting to 227,440.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to TALIA by RBP to the maximum security amounting to 54,983 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to TALIA by PKO to the maximum security amounting to 47,578.1 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to TALIA by DNB NORD to the maximum security amounting to 25,951.7 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of long-term-loan repayment granted to TALIA by BZ WBK to the maximum security amounting to 38,927.6 thousand zlotys;
- transfer of rights and obligations from existing and future property lease agreements concluded by TALIA essential for project execution to secure long-term loan repayment granted to TALIA by RBP, PKO, BZ WBK, DNB NORD, the transfer was made with a suspension clause of occurrence of breach of covenants (list of possible covenants is included in the loan agreement); RBP is a beneficiary of transfer of rights and obligation as an agent of collaterals
- transfer of rights from turbine and service agreement concluded with VESTAS POLAND Sp. z o.o. (VESTAS) by TALIA as a security of long-term loan repayment granted to TALIA by RBP; PKO, BZ WBK, DNB NORD; the transfer was made with a suspension clause of occurrence of breach of covenants
- transfer of rights from current and future project agreements concluded by TALIA as a security of long-term-loan repayment granted to TALIA by RBP; PKO, BZ WBK, DNB NORD in proportion to their share in loan granted; the transfer was made with a suspension clause of occurrence of breach of covenants
- transfer of rights from current and future project agreements concluded by AMON as a security of long-term-loan repayment granted to TALIA by RBP; PKO, BZ WBK, DNB NORD in proportion to their share in loan granted; the transfer was made with a suspension clause of occurrence of breach of covenants
- guarantee of AMON to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of long-term-loan granted to TALIA by RBP amounting to 74,685.5 thousand zlotys;
- guarantee of AMON to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of long-term-loan granted to TALIA by PKO amounting to 64,627.1 thousand zlotys;
- guarantee of AMON to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of long-term-loan granted to TALIA by BZ WBK amounting to 52,876.7 thousand zlotys;
- guarantee of AMON to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of long-term-loan granted to TALIA by DNB NORD amounting to 35,251.2 thousand zlotys;

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- PEP support agreement for the project budget overrun implemented by TALIA, the amount will not be higher than 10% of project costs;
- Borrower's declaration of submission to enforcement in relation to long-term-loan repayment granted to TALIA by RBP up to maximum amount of 54,983 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to long-term-loan repayment granted to TALIA by PKO up to maximum amount of 47,578.1 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to long-term-loan repayment granted to TALIA by BZ WBK up to maximum amount of 38,927.6 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to long-term-loan repayment granted to TALIA by DNB NORD up to maximum amount of 25,951.7 thousand zlotys: the declaration is valid till 31 December 2029;
- subordination of PEP receivables from TALIA to receivables of RBP, PKO, BZ WBK, DNB NORD from TALIA long-term loan.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
CONSORTIUM OF BANKS	Warsaw	40 000	PLN	983	PLN	WIBOR 3M plus margin of the bank	8.65%	one off repayment 30.06.2012

- registered pledge Polish Energy Partners S.A. (PEP) shares in TALIA as a security of bridge loan granted to TALIA by Raiffeisen Bank Polska S.A. (RBP), DNB NORD POLSKA S.A. (DNB NORD), PKO BP S.A. (PKO), BANK ZACHODNI WBK S.A. (BZ WBK) up to the maximum security amounting to 227,440.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on PEP shares in TALIA as a security of bridge loan granted to TALIA by RBP to the maximum security amounting to 19,702.4 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of bridge loan granted to TALIA by PKO to the maximum security amounting to 17,049 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of bridge loan granted to TALIA by BZ WBK to the maximum security amounting to 13,949.2 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of bridge loan granted to TALIA by DNB NORD to the maximum security amounting to 9,299.4 thousand zlotys;
- registered pledge on PEP shares in AMON as a security of bridge loan repayment granted to TALIA by RBP, DNB NORD, PKO, BZ WBK to the maximum security amounting to 227,440.5 thousand zlotys RBP is an administrator of a pledge;
- financial pledge on PEP shares in AMON as a security of bridge loan repayment granted to TALIA by RBP to the maximum security amounting to 19,702.4 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of bridge loan repayment granted to TALIA by DNB NORD to the maximum security amounting to 9,299.4 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of bridge loan repayment granted to TALIA by BZ WBK to the maximum security amounting to 13,949.2 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of bridge loan repayment granted to TALIA by BZ WBK to the maximum security amounting to 17,049 thousand zlotys;
- registered pledge with first priority of satisfaction on Borrower's movables and rights of AMON to secure bridge loan repayment granted to TALIA by RBP, DNB NORD, PKO, BZ WBK up to

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the highest amount of security amounting to 227,440.5 thousand zlotys, RBP is an administrator of a pledge;

- registered pledge with first priority of satisfaction on Borrower's movables and rights of TALIA to secure bridge loan repayment granted to TALIA by RBP, DNB NORD, PKO, BZ WBK up to the highest amount of security amounting to 227,440.5 thousand zlotys, RBP is an administrator of a pledge
- registered pledge with first priority of satisfaction on cash of TALIA to secure bridge loan repayment granted to TALIA by RBP, DNB NORD, PKO, BZ WBK up to the highest amount of security amounting to 227,440.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to TALIA by RPB to the maximum security amounting to 19,702.4 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to TALIA by BZ WBK to the maximum security amounting to 13,949.2 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to TALIA by DNB NORD to the maximum security amounting to 9,299.4 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to TALIA by PKO to the maximum security amounting to 17,049 thousand zlotys;
- registered pledge with first priority of satisfaction on cash of AMON to secure bridge loan repayment granted to TALIA by RBP, DNB NORD, PKO, BZ WBK, held in accounts in those banks, up to the maximum amount of security amounting to 227,440.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to TALIA by RPB to the maximum security amounting to 19,702.4 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to TALIA by PKO to the maximum security amounting to 17,049 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to TALIA by DNB NORD to the maximum security amounting to 9,299.4 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of bridge loan repayment granted to TALIA by BZ WBK to the maximum security amounting to 13,949.2 thousand zlotys;
- transfer of rights and obligations from existing and future property lease agreements concluded by TALIA essential for project execution to secure bridge loan repayment granted to TALIA by RBP, PKO, BZ WBK, DNB NORD, the transfer was made with a suspension clause of occurrence of breach of covenants (list of possible covenants is included in the loan agreement); RBP is a beneficiary of transfer of rights and obligation as an agent of collaterals
- transfer of rights from turbine and service agreement concluded with VESTAS by TALIA as a security of bridge loan repayment granted to TALIA by RBP; PKO, BZ WBK, DNB NORD; the transfer was made with a suspension clause of occurrence of breach of covenants
- transfer of rights from current and future project agreements concluded by AMON as a security of bridge loan repayment granted to TALIA by RBP; PKO, BZ WBK, DNB NORD in proportion to their share in loan granted; the transfer was made with a suspension clause of occurrence of breach of covenants
- transfer of rights from current and future project agreements concluded by TALIA as a security of bridge loan repayment granted to TALIA by RBP; PKO, BZ WBK, DNB NORD in proportion to their share in loan granted; the transfer was made with a suspension clause of occurrence of breach of covenants
- guarantee of AMON to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to TALIA by RBP amounting to 74,685.5 thousand zlotys;



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- guarantee of AMON to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to TALIA by PKO amounting to 64,627.1 thousand zlotys;
- guarantee of AMON to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to TALIA by BZ WBK amounting to 52,876.6 thousand zlotys;
- guarantee of AMON to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to TALIA by DNB NORD amounting to 35,251.2 thousand zlotys;
- guarantee of PEP to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to TALIA by RBP amounting to 14,448.4 thousand zlotys;
- guarantee of PEP to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to TALIA by PKO amounting to 12,502.6 thousand zlotys;
- guarantee of PEP to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to TALIA by DNB NORD amounting to 6,819.6 thousand zlotys;
- guarantee of PEP to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) of bridge loan granted to TALIA by BZ WBK amounting to 10,229.4 thousand zlotys;
- PEP support agreement for the project budget overrun implemented by TALIA, the amount will not be higher than 10% of project costs;
- Borrower's declaration of submission to enforcement in relation to bridge loan repayment granted to TALIA by RBP up to maximum amount of 19,702.4 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to bridge loan repayment granted to TALIA by PKO up to maximum amount of 17,049 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to bridge loan repayment granted to TALIA by BZ WBK up to maximum amount of 13,949.2 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to bridge loan repayment granted to TALIA by DNB NORD up to maximum amount of 9,299.4 thousand zlotys: the declaration is valid till 31 December 2029;
- subordination of PEP receivables from TALIA to receivables of RBP, PKO, BZ WBK, DNB NORD from TALIA bridge loan.

### **31.12.2009**

Long-term interest bearing loans and borrowings amounted to 339,501 thousand zlotys, of which:

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	Currency	'000	currency			
BRE Bank S.A.	Warsaw	18 365	PLN	3 732	PLN	WIBOR 1M plus margin of bank	5.67%	June 2012

### **Security:**

- the Company's promissory note (blank);
- Authorisation to the current account as well as the loan account with BRE Bank S.A.;

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- agreement for the transfer of rights of Interpep EC Zakrzów Sp. z o.o. Sp. k. under the UDEiC agreement signed with Polar S.A. and under insurance contracts;
- agreement for the transfer of the Borrower's rights (relating to Polar investments) under contracts, policies and other agreements;
- registered pledge on a set of movables (machinery and equipment) up to the amount of 35 000 thousand zlotys;
- ceiling mortgage established on the real estate of Polar S.A. until the day of acquisition of real estate by the Borrower from Polar S.A., up to the amount of 17 332 thousand zlotys.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
PEKAO S.A.	Warsaw	4 906	PLN	2 473	PLN	WIBOR 1M plus margin of bank	5.84%	August 2015

**Security:**

- Borrower's promissory note (blank);
- authorisation to the current account of the Borrower and the account of Energopep Sp. z o.o. EC Jeziorna Sp. K.;
- transfer of debts under the agreements for the supply of electricity and heat concluded between Energopep Sp. z o.o. EC Jeziorna Sp. K. and: Metsa Tissue S.A., Ecotex Polska Sp. z o.o., Konstans Sp. z o.o.;
- agreement for the transfer of rights under the insurance contract for the total amount of 60 000 thousand zlotys,
- agreement for the transfer of receivables of Polish Energy Partners S.A. from Energopep Sp. z o.o. EC Jeziorna Sp. K under the lease agreement, amounting to 13 552 thousand zlotys,
- registered pledge on the Borrower's movables used for production and supply of electricity and heat by Jeziorna CHP, with a value of 1 006 thousand zlotys,
- ordinary contractual mortgage on the Borrower's real estate in Konstancin Jeziorna, which consists of the land under perpetual usufruct and industrial buildings of Jeziorna CHP, in the amount of 4 906 thousand zlotys,
- PEP S.A.'s declaration of submission to enforcement valid until 16 August 2015 and declaration of submission to enforcement with respect to the issuance of assets pledged as collateral.

	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
BRE Bank S.A.	Warsaw	108 200	EUR	252 881	61 555	- basic rate EURIBOR 1M plus margin of bank	5.67%	instalments, last instalment 20.11.2017

**Security:**

- ceiling mortgage up to the amount of EUR 90 000 thousand for BRE Bank S.A., and within a portion of the ceiling mortgage up to the amount of EUR 45 000 thousand for Bank Polska Kasa Opieki S.A., established on the perpetual usufruct of land and the ownership of buildings and constructions held by the Borrower (Saturn Management Sp. z o.o. i Wspólnicy, Sp. k.), for which Mortgage Register number BY1S/00045050/5 is kept by the District Court in Świecie,
- ceiling mortgage up to the amount of EUR 7 200 thousand on the above-mentioned property of the Borrower for Bank Polska Kasa Opieki S.A.; the mortgage was established in relation to the Tytan and Modernisation Tranches as well as the additional Tytan/Modernisation Tranche;

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- ceiling mortgage up to the amount of EUR 60 000 thousand on the above-mentioned property of Borrower for the European Bank for Reconstruction and Development; the mortgage was established in relation to the Tytan and Modernisation Tranches as well as the additional Tytan/Modernisation Tranche;
- ceiling mortgage up to the amount of EUR 16 500 thousand for BRE Bank S.A.; the mortgage was established in relation to the Jupiter Tranche,
- agreement for collateral transfer of fixed assets held by the Borrower for BRE Bank S.A.,
- registered pledge between PEP S.A. and BRE Bank S.A. on rights arising from the Bank Account Agreement up to the amount of EUR 105 000 thousand;
- registered pledge between PEP S.A. and BRE Bank S.A. on rights arising from the Bank Account Agreement up to the amount of EUR 67 200 thousand;
- registered pledge between the Borrower and BRE Bank S.A. on rights arising from the Bank Account Agreement up to the amount of EUR 105 000 thousand;
- registered pledge between the Borrower and BRE Bank S.A. on rights arising from the Bank Account Agreement up to the amount of EUR 216 400 thousand;
- registered pledge on PEP S.A.'s rights as a limited partner in Saturn Management Sp. z o.o. i Wspólnicy, Sp. K. including transfer of rights, up to the amount of EUR 105 000 thousand,
- registered pledge on PEP S.A.'s rights as a limited partner in Saturn Management Sp. z o.o. i Wspólnicy, Sp. K. including transfer of rights – up to the amount of EUR 67 200 thousand,
- registered pledge on Saturn Management Sp. z o.o.'s rights as a general partner including transfer of rights – up to the amount of EUR 105 000 thousand,
- registered pledge on Saturn Management Sp. z o.o.'s rights as a general partner in Saturn Management Sp. z o.o. i Wspólnicy, Sp. K. including transfer of rights – up to the amount of EUR 67 200 thousand,
- registered pledge on shares in Saturn Management Sp. z o.o. between PEP S.A. and BRE Bank S.A. including the transfer of PEP S.A.'s rights – up to the amount of EUR 105 000 thousand,
- registered pledge on shares in Saturn Management Sp. z o.o. between PEP S.A. and BRE Bank S.A. including the transfer of PEP S.A.'s rights - up to the amount of EUR 67 200 thousand,
- registered pledge on the Borrower's movables for BRE Bank S.A., up to the amount of EUR 105 000 thousand,
- registered pledge on the Borrower's movables for BRE Bank S.A., up to the amount of 67 EUR 200 thousand,
- agreement for the transfer of rights under the Agreement with Mondi Świecie S.A, the Construction Contract and Contracts with Significant Contractors as well as rights under the Insurance Contracts, up to the maximum amount of liabilities due to banks under the Loan Agreement,
- agreement between PEP S.A. and BRE Bank S.A. for collateral transfer of all current and future receivables from Mondi Świecie S.A., up to the maximum amount of EUR 90 000 thousand,
- Project Support Agreement between BRE Bank S.A., Partners (Saturn Management Sp. z o.o., PEP S.A.) and the Borrower,
- Subordination Agreement between BRE Bank S.A., Partners (Saturn Management Sp. z o.o., PEP S.A.) and the Borrower,
- agreement for the transfer of the Borrower's rights under the performance bond and the warranty arising from the terms of the Construction Contract to BRE Bank S.A.
- Guarantee for the repayment of the Borrower's liabilities to BRE Bank S.A. by Mondi Świecie S.A., up to an amount being the lower of the following amounts: the equivalent of 3 months' borrowing costs and the amount of 3 000 thousand zlotys, by 20 December 2016;
- authorisation for BRE Bank S.A. to the Borrower's bank accounts with BRE Bank S.A.;
- Borrower's commitment under the loan agreement to create and maintain the so-called Debt Service Reserve within a bank account with Bank PEKAO S.A.; this reserve was created at an amount of EUR 5 250 thousand from the funds provided by the first drawing under the Tytan tranche, and the obligation to retain the reserve as well as the reserve's amount depends on the ratio of net debt to EBITDA achieved by Mondi Świecie; the maximum amount of the reserve may reach the level of EUR 7 300 thousand;

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- Borrower's declarations of submission to enforcement under the loan agreement with subsequent amendments.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
WFOŚiGW	Warsaw	3 000	PLN	1 380	PLN	0,7 rediscount rate determined by RPP	3.76%	monthly payments, last instalment 30.11.2015

**Security:**

- guarantee for the repayment of loan up to the amount of 3,600 thousand zlotys, issued by BRE Bank S.A. at the request of Polish Energy Partners S.A.; the debt under the issued guarantee is decreasing along with loan repayments made according to the agreement.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
Raiffeisen Bank Polska S.A.	Warsaw	21 600	EUR	69 313	16 872	- basic rate EURIBOR 1M plus margin of bank	4.16%	monthly payments, last instalment 3 1.12.2021

**Security:**

- ceiling mortgage on property covered by the mortgage register number 26887, kept by the District Court in Wejherowo, Mortgage Register Department in Puck, for Raiffeisen Bank Polska S.A. up to the amount of EUR 8 538.8 thousand;
- ceiling mortgages, each up to the amount of EUR 4 269.4 thousand, for Raiffeisen Bank Polska S.A., on properties covered by mortgage registers Nos: 7828, 256, 4142, 1324, 5631, 36968, kept by the District Court in Wejherowo, Mortgage Register Department in Puck;
- collective ceiling mortgage for Raiffeisen Bank Polska S.A., up to the amount of EUR 8 538.8 thousand, on the properties of DIPOL Sp. z o.o. covered by mortgages Nos. 40971 and 40201, kept by the District Court in Wejherowo, Mortgage Register Department in Puck;
- Dipol sp. z o.o.'s declaration of submission to enforcement up to EUR 33 525 thousand, valid until 31 December 2023;
- registered pledge on DIPOL Sp. z o.o.'s assets up to the amount of EUR 33 525 thousand;
- registered pledge on the shares held by PEP S.A. in Dipol Sp. z o.o., between PEP S.A. as the pledger and Raiffeisen Bank Polska S.A. as the pledgee, up to the amount of EUR 33 525 thousand;
- registered pledge on the receivables under the Borrower's bank accounts kept by Raiffeisen Bank Polska S.A., together with authorisations to these accounts for the bank, up to the amount of EUR 33 525 thousand;
- agreement for the transfer of the Borrower's receivables under insurance contracts for the bank;
- agreement for the transfer of the Borrower's receivables under project agreements for the bank;
- guarantee agreement signed by PEP S.A. with the Bank, in which PEP S.A. guarantees the supply of deficit funds – up to EUR 1 350 thousand, the supply of funds to cover any deficit in

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the specific reserve account – up to 5,900 thousand zlotys as well as a refund of the grant provided to the Borrower by the EcoFund if such refund is required;

- frozen money in the specific reserve account kept by the bank, equal to the minimum of three loan instalments together with interest for three interest periods.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
BRE BANK S.A.	Warsaw	9 000	PLN	4 623	PLN	WIBOR 1M plus margin of bank	6.03%	monthly payments, last instalment 26.02.2015

**Security:**

- ordinary mortgage on the Borrower's property located in Wałbrzych, in the amount of 9,000 thousand zlotys, as a security for loan repayment, and ceiling mortgage in the amount of 1 500 thousand zlotys as a security for the repayment of loan interest.
- agreement for establishing a registered pledge on PEP S.A.'s rights in the Borrower together with an authorisation for the bank up to the amount of 10,500 thousand zlotys;
- agreement for establishing a registered pledge on the rights of PP-U and P Comax Sp. z o.o in the Borrower together with an authorisation for the bank up to the amount of 10,500 thousand zlotys;
- agreement for establishing a registered pledge on the rights of Mercury Energia Sp. z o.o in the Borrower together with an authorisation for the bank up to the amount of 10,500 thousand zlotys;
- agreement for establishing a registered pledge on the Borrower's enterprise up to the amount of 13,500 thousand zlotys;
- transfer of the receivables and rights under insurance contracts and project documents, including all present and future agreements signed by the Borrower;
- authorisation to all of the Borrower's bank accounts held with the bank;
- project support agreement between BRE Bank S.A., the Partners (PP-UiP Comax sp. z o.o., PEP S.A.) and the Borrower - Mercury Energia Sp. z o.o. i Wspólnicy Sp. k.;
- agreement for a guarantee by a limited partner (PEP S.A.), up to the amount of 6,000 thousand zlotys, valid until 30 June 2010, together with PEP S.A.'s declaration of submission to enforcement up to 10,500 thousand zlotys, valid until 31 July 2010; the guarantee may be extended to include subsequent periods;
- Borrower's declaration of submission to enforcement up to the amount of 13,500 thousand, valid until 31 December 2018.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
Raiffeisen Bank Polska S.A.	Warsaw	4 500	PLN	4 164	PLN	- basic rate WIBOR 1M plus margin of bank	7.37%	instalments, last instalment 31.12.2019

**Security:**

- registered pledge on PEP S.A.'s shares in the Borrower;

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- registered pledge on the Borrower's assets located in Sępólno Krajeńskie, up to the amount of 14,250 thousand zlotys;
- conditional agreement for the transfer of rights and assumption of the Borrower's liabilities under the property rental agreement by the bank;
- transfer of the receivables under the Property and Work Insurance Contract;
- transfer of the Borrower's receivables under the agreement for the sale of pellet by the Borrower to DALKIA ŁÓDŹ S.A.;
- PEP S.A.'s guarantee for the repayment of all of the Borrower's liabilities under the loan agreement;
- authorisation granted by the Borrower to Raiffeisen Bank Polska S.A. to the Borrower's bank accounts held with the Bank;
- declaration of submission to enforcement up to 14,250 thousand zlotys, valid until 31 December 2022.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
BRE Bank S.A.	Warsaw	11 810	PLN	-	PLN	WIBOR 1M plus margin of bank	n/a	monthly payments, last instalment 2 0.12.2018

**Security:**

- ceiling mortgage for the bank with first priority, up to the maximum amount of security equal to 23,620 thousand zlotys, on the Borrower's real property in Zabkowie Śląskie, for which mortgage register No. 64864 is kept by the District Court in Zabkowie Śląskie;
- registered pledge with first priority of satisfaction on shares in the Borrower's share capital with a total nominal value of 50 thousand zlotys, up to the maximum amount of security equal to 38,820 thousand zlotys as well as financial pledge on such shares up to the maximum amount of security equal to 23,620 thousand zlotys, together with a voluntary submission to enforcement by PEP as a partner from all of its shares in the Borrower up to the maximum amount of 38,820 thousand zlotys;
- registered pledge with first priority of satisfaction on the Borrower's movables - including any and all movables and inventories, on intellectual property rights, rights arising from signed insurance contracts and policies as well as from the Borrower's bank accounts kept by the Bank, up to the maximum amount of security equal to 38 820 thousand zlotys, and financial pledge on the Borrower's cash and cash equivalents up to the maximum amount of security equal to 23,620 thousand zlotys, together with the Borrower's voluntary submission to enforcement under the aforementioned registered and financial pledges of movables up to the maximum amount equal to 38,820 thousand zlotys;
- transfer of receivables under the existing documents of the project for which the Borrower was granted a loan by the bank i.e. the agreement for the sale of products as well as future project agreements i.e. agreements for the sale of products, production line agreements, insurance contracts and performance bonds;
- the subordination of the debts under the loans granted to the Borrower by PEP S.A. in relation to its debts towards the Bank under the loan granted by the Bank;
- loan repayment guarantee granted by PEP S.A. up to the amount of 24,262 thousand zlotys along with a declaration of submission to enforcement up to the maximum amount equal to the value of the guarantee;
- Borrower's declaration of submission to enforcement up to the maximum amount of 23,620 thousand zlotys.

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(in thousand zlotys)

## 22. Short-term liabilities

	31.12.2010	31.12.2009
- interest-bearing loans and borrowings	62 049	46 979
- trade payables	21 702	13 931
- to third parties	21 702	13 931
- income tax liability	10 025	1 418
- other liabilities	14 267	2 053
- budget	10 700	1 547
- other financial liabilities	113	144
- remuneration payable to employees	178	150
- special funds	13	-
- other	3 263	212
<b>Total short-term liabilities</b>	<b>108 043</b>	<b>64 381</b>

Amount of 3,125 thousand zlotys in item Other Liabilities relates to the valuation of forward transactions.

Short-term liabilities relating to sale of goods and services are not interest-bearing, and are usually settled within 14 days.

Other short-term liabilities are not interest-bearing.

## 23. Short-term interest-bearing loans

### 31.12.2010

Short term interest-bearing loans and borrowings amounted to 62,049 thousand zlotys, of which:

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
BRE Bank S.A.	Warsaw	18 365	PLN	2 600	PLN	long-term credit due in 12 month payment	

#### **Security:**

Are presented in Note – Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
PEKAO S.A.	Warsaw	4 906	PLN	2 473	PLN	long-term credit paid before due date in January 2011	

#### **Security:**

Credit repaid in full in January 2011.

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Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
BRE BANK	Warsaw	104 198	EUR	40 412	10 204	long-term credit due in 12 month payment	

**Security:**

Are presented in Note Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
Raiffeisen Bank Polska SA	Warsaw	21 600	EUR	4 974	1 256	long-term credit due in 12 month payment	

**Security:**

Are presented in Note Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
BRE BANK SA	Warsaw	9 000	PLN	1 110	PLN	long-term credit due in 12 month payment	

**Security:**

Are presented in Note Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
Raiffeisen Bank Polska SA	Warszawa	4 500	PLN	299	PLN	long-term credit due in 12 month payment	

**Security:**

Are presented in Note Long-term interest-bearing loans and borrowings



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(in thousand zlotys)

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
Raiffeisen Bank Polska SA	Warsaw	5 000	PLN	1 640	PLN	WIBOR on deposits 1M + margin of bank	22.02.2011

**Security:**

- registered pledge on PEP S.A.'s shares in the Borrower;
- registered pledge on the Borrower's assets located in Sępólno Krajeńskie, up to the amount of 14,250 thousand zlotys;
- conditional agreement for the transfer of rights and assumption of the Borrower's liabilities under the property rental agreement by the bank;
- transfer of the receivables under the Property and Work Insurance Contract;
- transfer of the Borrower's receivables under the agreement for the sale of pellet by the Borrower to DALKIA ŁÓDŹ S.A.;
- PEP S.A.'s guarantee for the repayment of all of the Borrower's liabilities under the loan agreement;
- authorisation granted by the Borrower to Raiffeisen Bank Polska S.A. to the Borrower's bank accounts held with the Bank;
- declaration of submission to enforcement up to 14,250 thousand zlotys, valid until 31 December 2022.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
WFOŚiGW	Warsaw	3 000	PLN	485	PLN	0,7 rediscount rate determined by RPP	quarterly payments, last instalment 30.11.2015

**Security:**

Are presented in Note – Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
BRE BANK	Warsaw	11 810	PLN	485	PLN	long term loan to be repaid in 12 months	

**Security:**

Are presented in Note – Long-term interest-bearing loans and borrowings

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(in thousand zlotys)

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
BRE BANK	Warsaw	1 100	PLN	-	PLN	revolving credit to finance VAT WIBOR 1M + margin of bank	until 20.03.2012

**Security:**

- ceiling mortgage for the bank with first priority, up to the maximum amount of security equal to 2,200 thousand zlotys, on the Borrower's real property in Zabkowice Śląskie, for which mortgage register No. 64864 is kept by the District Court in Zabkowice Śląskie;
- registered pledge with first priority of satisfaction on shares in the Borrower's share capital with a total nominal value of 50 thousand zlotys, up to the maximum amount of security equal to 38,820 thousand zlotys as well as financial pledge on such shares up to the maximum amount of security equal to 2,200 thousand zlotys, together with a voluntary submission to enforcement by PEP as a partner from all of its shares in the Borrower up to the maximum amount of 38,820 thousand zlotys;
- registered pledge with first priority of satisfaction on the Borrower's movables - including any and all movables and inventories, on intellectual property rights, rights arising from signed insurance contracts and policies as well as from the Borrower's bank accounts kept by the Bank, up to the maximum amount of security equal to 38,820 thousand zlotys, and financial pledge on the Borrower's cash and cash equivalents up to the maximum amount of security equal to 2,200 thousand zlotys, together with the Borrower's voluntary submission to enforcement under the aforementioned registered and financial pledges of movables up to the maximum amount equal to 38,820 thousand zlotys;
- transfer of receivables under the existing documents of the project for which the Borrower was granted a loan by the bank i.e. the agreement for the sale of products as well as future project agreements i.e. agreements for the sale of products, production line agreements, insurance contracts and performance bonds;
- the subordination of the debts under the loans granted to the Borrower by PEP S.A. in relation to its debts towards the Bank under the loan granted by the Bank;
- loan repayment guarantee granted by PEP S.A. up to the amount of 24,262 thousand zlotys along with a declaration of submission to enforcement up to the maximum amount equal to the value of the guarantee;
- Borrower's declaration of submission to enforcement up to the maximum amount of 23,620 thousand zlotys.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
BRE BANK	Warsaw	6 500	PLN	-	PLN	revolving credit to finance VAT WIBOR 1M + margin of bank	20.12.2012

**Security:**

- ceiling mortgage for the bank with first priority, up to the maximum amount of security equal to 13,000 thousand zlotys, on the Borrower's real property in Zabkowice Śląskie, for which mortgage register No. 64864 is kept by the District Court in Zabkowice Śląskie;

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- registered pledge with first priority of satisfaction on shares in the Borrower's share capital with a total nominal value of 50 thousand zlotys, up to the maximum amount of security equal to 38,820 thousand zlotys as well as financial pledge on such shares up to the maximum amount of security equal to 13,000 thousand zlotys, together with a voluntary submission to enforcement by PEP as a partner from all of its shares in the Borrower up to the maximum amount of 38,820 thousand zlotys;
- registered pledge with first priority of satisfaction on the Borrower's movables - including any and all movables and inventories, on intellectual property rights, rights arising from signed insurance contracts and policies as well as from the Borrower's bank accounts kept by the Bank, up to the maximum amount of security equal to 38,820 thousand zlotys, and financial pledge on the Borrower's cash and cash equivalents up to the maximum amount of security equal to 13,000 thousand zlotys, together with the Borrower's voluntary submission to enforcement under the aforementioned registered and financial pledges of movables up to the maximum amount equal to 38,820 thousand zlotys;
- transfer of receivables under the existing documents of the project for which the Borrower was granted a loan by the bank i.e. the agreement for the sale of products as well as future project agreements i.e. agreements for the sale of products, production line agreements, insurance contracts and performance bonds;
- the subordination of the debts under the loans granted to the Borrower by PEP S.A. in relation to its debts towards the Bank under the loan granted by the Bank;
- loan repayment guarantee granted by PEP S.A. up to the amount of 24,262 thousand zlotys along with a declaration of submission to enforcement up to the maximum amount equal to the value of the guarantee;
- Borrower's declaration of submission to enforcement up to the maximum amount of 23,620 thousand zlotys.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		000	currency	000	currency		
CONSORTIUM OF BANKS	Warszawa	15 000	PLN	3 323	PLN	VAT revolving loan WIBOR 1M + bank margin	till 30.06.2012

- registered pledge Polish Energy Partners S.A. (PEP) shares in AMON as a security of all letters of credit opened for AMON by Raiffeisen Bank Polska S.A. (RBP), DNB NORD POLSKA S.A. (DNB NORD), PKO BP S.A. (PKO), BANK ZACHODNI WBK S.A. (BZ WBK) up to the maximum security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on PEP shares in AMON as a security of all letters of credit opened for AMON by RBP to the maximum security amounting to 62,244.7 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of all letters of credit opened for to AMON by PKO to the maximum security amounting to 53,861.9 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of all letters of credit opened for AMON by BZ WBK to the maximum security amounting to 44,068.8 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of all letters of credit opened for AMON by DNB NORD to the maximum security amounting to 29,379.2 thousand zlotys;
- registered pledge on PEP shares in TALIA as a security of all letters of credit opened for AMON by RBP, DNB NORD, PKO, BZ WBK to the maximum security amounting to 312,739.5 thousand zlotys; RBP is an administrator of a pledge;
- financial pledge on PEP shares in TALIA as a security of all letters of credit opened for AMON by RBP to the maximum security amounting to 62,244.7 thousand zlotys;

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- financial pledge on PEP shares in TALIA as a security of all letters of credit opened for AMON by DNB NORD to the maximum security amounting to 29,379.2 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of all letters of credit opened for AMON by BZ WBK to the maximum security amounting to 44,068.8 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of all letters of credit opened for AMON by PKO to the maximum security amounting to 53,861.9 thousand zlotys;
- registered pledge with first priority of satisfaction on Borrower's movables and rights of AMON to secure all letters of credit opened for AMON by RBP, DNB NORD, PKO, BZ WBK up to the highest amount of security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge;
- registered pledge with first priority of satisfaction on Borrower's movables and rights of TALIA to secure all letters of credit opened for AMON by RBP, DNB NORD, PKO, BZ WBK up to the highest amount of security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge;
- registered pledge with first priority of satisfaction on cash of AMON to secure all letters of credit opened for AMON by RBP, DNB NORD, PKO, BZ WBK, held in accounts in those banks, up to the highest amount of security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of all letters of credit opened for AMON by RBP to the maximum security amounting to 62,244.7 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of all letters of credit opened for AMON by BZ WBK to the maximum security amounting to 44,068.8 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of all letters of credit opened for AMON by DNB NORD to the maximum security amounting to 29,379.2 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of all letters of credit opened for AMON by PKO to the maximum security amounting to 53,861.9 thousand zlotys;
- registered pledge with first priority of satisfaction on cash of TALIA to secure all letters of credit opened for AMON by RBP, DNB NORD, PKO, BZ WBK, held in accounts in those banks, up to the highest amount of security amounting to 312,739.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK to secure all letters of credit opened for AMON by RBP to the maximum security amounting to 62,244.7 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK to secure all letters of credit opened for AMON by PKO to the maximum security amounting to 53,861.9 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK to secure all letters of credit opened for AMON by DNB NORD to the maximum security amounting to 29,379.2 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK to secure all letters of credit opened for AMON by BZ WBK to the maximum security amounting to 44,068.8 thousand zlotys;
- transfer of rights and obligations from existing and future property lease agreements concluded by AMON essential for project execution to secure AMON to secure all letters of credit opened for AMON by RBP, PKO, BZ WBK, DNB NORD, the transfer was made with a suspension clause of occurrence of breach of covenants (list of possible covenants is included in the loan agreement); RBP is a beneficiary of transfer of rights and obligation as an agent of collaterals
- transfer of rights from turbine and service agreement concluded with VESTAS POLAND Sp. z o.o. (VESTAS) by AMON to secure all letters of credit opened for AMON by RBP; PKO, BZ WBK, DNB NORD; the transfer was made with a suspension clause of occurrence of breach of covenants

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- transfer of rights from current and future project agreements concluded by AMON to secure all letters of credit opened for AMON by RBP; PKO, BZ WBK, DNB NORD in proportion to their share in loan granted; the transfer was made with a suspension clause of occurrence of breach of covenants
- transfer of rights from current and future project agreements concluded by TALIA to secure all letters of credit opened for AMON by RBP; PKO, BZ WBK, DNB NORD in proportion to their share in loan granted; the transfer was made with a suspension clause of occurrence of breach of covenants
- guarantee of TALIA to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) from all letters of credit opened for AMON by RBP amounting to 102,695.4 thousand zlotys;
- guarantee of TALIA to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) from all letters of credit opened for AMON by PKO amounting to 88,864,8 thousand zlotys;
- guarantee of TALIA to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) from all letters of credit opened for AMON by BZ WBK amounting to 72,707.6 thousand zlotys;
- guarantee of TALIA to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) from all letters of credit opened for AMON by DNB NORD amounting to 48,471.7 thousand zlotys;
- PEP support agreement for the project budget overrun implemented by AMON, the amount will not be higher than 10% of project costs:
- Borrower's declaration of submission to enforcement in relation of from all letters of credit opened for AMON by RBP up to maximum amount of 62,244.7 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation from all letters of credit opened for AMON by PKO up to maximum amount of 53,861.9 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to from all letters of credit opened for AMON by BZ WBK up to maximum amount of 44,068.8 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation from all letters of credit opened for AMON by DNB NORD up to maximum amount of 29,379.2 thousand zlotys: the declaration is valid till 31 December 2029;
- subordination of PEP receivables from AMON to receivables of RBP, PKO, BZ WBK, DNB NORD from AMON from all letters of credit opened for AMON.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		000	currency	000	Currency		
CONSORTIUM OF BANKS	Warszawa	12 000	PLN	2 427	PLN	VAT revolving loan WIBOR 1M + bank margin	till 30.06.2012

- registered pledge Polish Energy Partners S.A. (PEP) shares in TALIA as a security of all letters of credit opened for TALIA by Raiffeisen Bank Polska S.A. (RBP), DNB NORD POLSKA S.A. (DNB NORD), PKO BP S.A. (PKO), BANK ZACHODNI WBK S.A. (BZ WBK) up to the maximum security amounting to 227 440.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on PEP shares in TALIA as a security of all letters of credit opened for V by RBP to the maximum security amounting to 41,237.3 thousand zlotys;

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- financial pledge on PEP shares in TALIA as a security of all letters of credit opened for TALIA by PKO to the maximum security amounting to 35,683.6 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of all letters of credit opened for TALIA by BZ WBK to the maximum security amounting to 29,195.7 thousand zlotys;
- financial pledge on PEP shares in TALIA as a security of all letters of credit opened for V by DNB NORD to the maximum security amounting to 19,463.8 thousand zlotys;
- registered pledge on PEP shares in AMON as a security of all letters of credit opened for TALIA by RBP, DNB NORD, PKO, BZ WBK to the maximum security amounting to 227,440.5 RBP is an administrator of a pledge;
- financial pledge on PEP shares in AMON as a security of all letters of credit opened for TALIA by RBP to the maximum security amounting to 41 237.3 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of all letters of credit opened for TALIA by DNB NORD to the maximum security amounting to 19 463.8 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of all letters of credit opened for TALIA by BZ WBK to the maximum security amounting to 29 195.7 thousand zlotys;
- financial pledge on PEP shares in AMON as a security of all letters of credit opened for TALIA by PKO to the maximum security amounting to 35 683.6 thousand zlotys;
- registered pledge with first priority of satisfaction on Borrower's movables and rights of TALIA to secure all letters of credit opened for TALIA by RBP, DNB NORD, PKO, BZ WBK up to the highest amount of security amounting to 227,440.5 thousand zlotys, RBP is an administrator of a pledge
- registered pledge with first priority of satisfaction on Borrower's movables and rights of AMON to secure all letters of credit opened for TALIA by RBP, DNB NORD, PKO, BZ WBK up to the highest amount of security amounting to 227,440.5 thousand zlotys, RBP is an administrator of a pledge
- registered pledge with first priority of satisfaction on cash of TALIA to secure all letters of credit opened for TALIA by RBP, DNB NORD, PKO, BZ WBK, held in accounts in those banks, up to the highest amount of security amounting to 227.440,5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of all letters of credit opened for TALIA by RBP to the maximum security amounting to 41.237,3 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of all letters of credit opened for TALIA by BZ WBK to the maximum security amounting to 29.195,7 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of all letters of credit opened for TALIA by DNB NORD to the maximum security amounting to 19.463,8 thousand zlotys;
- financial pledge on cash of TALIA held in accounts in RBP, DNB NORD, PKO, BZ WBK as a security of all letters of credit opened for TALIA by PKO to the maximum security amounting to 35.683,6 thousand zlotys;
- registered pledge with first priority of satisfaction on cash of AMON to secure all letters of credit opened for TALIA by RBP, DNB NORD, PKO, BZ WBK, held in accounts in those banks, up to the highest amount of security amounting to 227,440.5 thousand zlotys, RBP is an administrator of a pledge;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK to secure all letters of credit opened for TALIA by RBP to the maximum security amounting to 41,237.3 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK to secure all letters of credit opened for TALIA by PKO to the maximum security amounting to 35,683.6 thousand zlotys;
- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK to secure all letters of credit opened for TALIA by DNB NORD to the maximum security amounting to 19,463.8 thousand zlotys;

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- financial pledge on cash of AMON held in accounts in RBP, DNB NORD, PKO, BZ WBK to secure all letters of credit opened for TALIA by BZ WBK to the maximum security amounting to 29,379.2 thousand zlotys;
- transfer of rights and obligations from existing and future property lease agreements concluded by TALIA essential for project execution to secure TALIA to secure all letters of credit opened for TALIA by RBP, PKO, BZ WBK, DNB NORD, the transfer was made with a suspension clause of occurrence of breach of covenants (list of possible covenants is included in the loan agreement); RBP is a beneficiary of transfer of rights and obligation as an agent of collaterals;
- transfer of rights from turbine and service agreement concluded with VESTAS POLAND Sp. z o.o. (VESTAS) by TALIA to secure all letters of credit opened for TALIA by RBP; PKO, BZ WBK, DNB NORD; the transfer was made with a suspension clause of occurrence of breach of covenants;
- transfer of rights from current and future project agreements concluded by TALIA to secure all letters of credit opened for AMON by RBP; PKO, BZ WBK, DNB NORD in proportion to their share in loan granted; the transfer was made with a suspension clause of occurrence of breach of covenants;
- transfer of rights from current and future project agreements concluded by AMON to secure all letters of credit opened for AMON by RBP; PKO, BZ WBK, DNB NORD in proportion to their share in loan granted; the transfer was made with a suspension clause of occurrence of breach of covenants
- guarantee of AMON to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) from all letters of credit opened for TALIA by RBP amounting to 74,685.5 thousand zlotys;
- guarantee of AMON to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) from all letters of credit opened for TALIA by PKO amounting to 64,627.1 thousand zlotys;
- guarantee of AMON to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) from all letters of credit opened for TALIA by BZ WBK amounting to 35,251.2 thousand zlotys;
- guarantee of AMON to repay all cash liabilities (100% principal amount and 100% interest on the principal amount) from all letters of credit opened for TALIA by DNB NORD amounting to 48,471.7 thousand zlotys;
- PEP support agreement for the project budget overrun implemented by TALIA, the amount will not be higher than 10% of project costs:
- Borrower's declaration of submission to enforcement in relation of from all letters of credit opened for TALIA by RBP up to maximum amount of 41,237.3 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation from all letters of credit opened for TALIA by PKO up to maximum amount of 35,683.6 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation to from all letters of credit opened for TALIA by BZ WBK up to maximum amount of 29,195.7 thousand zlotys: the declaration is valid till 31 December 2029;
- Borrower's declaration of submission to enforcement in relation from all letters of credit opened for TALIA by DNB NORD up to maximum amount of 19,463.8 thousand zlotys: the declaration is valid till 31 December 2029;
- subordination of PEP receivables from TALIA to receivables of RBP, PKO, BZ WBK, DNB NORD from TALIA from all letters of credit opened for TALIA.

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**31.12.2009**

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
BRE Bank S.A.	Warsaw	18 365	PLN	1 839	PLN	long-term credit due in 12 month payment	

**Security:**

Are presented in Note – Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
PEKAO S.A.	Warsaw	4 906	PLN	530	PLN	long-term credit due in 12 month payment	

**Security:**

Are presented in Note – Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
BRE BANK	Warsaw	108 200	EUR	33 956	8 256	long-term credit due in 12 month payment	

**Security:**

Are presented in Note – Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
Raiffeisen Bank Polska SA	Warsaw	21 600	EUR	4 936	1 201	long-term credit due in 12 month payment	

**Security:**

Are presented in Note – Long-term interest-bearing loans and borrowings



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Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
BRE BANK SA	Warsaw	9 000	PLN	1 110	PLN	long-term credit due in 12 month payment	

**Security:**

Are presented in Note – Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
Raiffeisen Bank Polska SA	Warszawa	4 500	PLN	273	PLN	long-term credit due in 12 month payment	

**Security:**

Are presented in Note – Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
Raiffeisen Bank Polska SA	Warsaw	4 000	PLN	3 855	PLN	WIBOR on deposits 1M + margin of bank	28.02.2010

**Security:**

- registered pledge on PEP S.A.'s shares in the Borrower;
- registered pledge on the Borrower's assets located in Sępólno Krajeńskie, up to the amount of 14,250 thousand zlotys;
- conditional agreement for the transfer of rights and assumption of the Borrower's liabilities under the property rental agreement by the bank;
- transfer of the receivables under the Property and Work Insurance Contract;
- transfer of the Borrower's receivables under the agreement for the sale of pellet by the Borrower to DALKIA ŁÓDŹ S.A.;
- PEP S.A.'s guarantee for the repayment of all of the Borrower's liabilities under the loan agreement;
- authorisation granted by the Borrower to Raiffeisen Bank Polska S.A. to the Borrower's bank accounts held with the Bank;
- declaration of submission to enforcement up to 14,250 thousand zlotys, valid until 31 December 2022.

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Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
WFOŚiGW	Warsaw	3 000	PLN	480	PLN	0,7 rediscount rate determined by RPP	quarterly payments, last instalment 30.11.2015

**Security:**

Are presented in Note – Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
BRE BANK	Warsaw	1 100	PLN	-	PLN	revolving credit to finance VAT WIBOR 1M + margin of bank	until 20.03.2012

**Security:**

- ceiling mortgage for the bank with first priority, up to the maximum amount of security equal to 2,200 thousand zlotys, on the Borrower's real property in Ząbkowice Śląskie, for which mortgage register No. 64864 is kept by the District Court in Ząbkowice Śląskie;
- registered pledge with first priority of satisfaction on shares in the Borrower's share capital with a total nominal value of 50 thousand zlotys, up to the maximum amount of security equal to 38,820 thousand zlotys as well as financial pledge on such shares up to the maximum amount of security equal to 2,200 thousand zlotys, together with a voluntary submission to enforcement by PEP as a partner from all of its shares in the Borrower up to the maximum amount of 38,820 thousand zlotys;
- registered pledge with first priority of satisfaction on the Borrower's movables - including any and all movables and inventories, on intellectual property rights, rights arising from signed insurance contracts and policies as well as from the Borrower's bank accounts kept by the Bank, up to the maximum amount of security equal to 38,820 thousand zlotys, and financial pledge on the Borrower's cash and cash equivalents up to the maximum amount of security equal to 2,200 thousand zlotys, together with the Borrower's voluntary submission to enforcement under the aforementioned registered and financial pledges of movables up to the maximum amount equal to 38,820 thousand zlotys;
- transfer of receivables under the existing documents of the project for which the Borrower was granted a loan by the bank i.e. the agreement for the sale of products as well as future project agreements i.e. agreements for the sale of products, production line agreements, insurance contracts and performance bonds;
- the subordination of the debts under the loans granted to the Borrower by PEP S.A. in relation to its debts towards the Bank under the loan granted by the Bank;
- loan repayment guarantee granted by PEP S.A. up to the amount of 24,262 thousand zlotys along with a declaration of submission to enforcement up to the maximum amount equal to the value of the guarantee;
- Borrower's declaration of submission to enforcement up to the maximum amount of 23,620 thousand zlotys.

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 (in thousand zlotys)

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
BRE BANK	Warsaw	6 500	PLN	-	PLN	revolving credit to finance VAT WIBOR 1M + margin of bank	20.12.2012

**Security:**

- ceiling mortgage for the bank with first priority, up to the maximum amount of security equal to 13,000 thousand zlotys, on the Borrower's real property in Ząbkowice Śląskie, for which mortgage register No. 64864 is kept by the District Court in Ząbkowice Śląskie;
- registered pledge with first priority of satisfaction on shares in the Borrower's share capital with a total nominal value of 50 thousand zlotys, up to the maximum amount of security equal to 38,820 thousand zlotys as well as financial pledge on such shares up to the maximum amount of security equal to 13,000 thousand zlotys, together with a voluntary submission to enforcement by PEP as a partner from all of its shares in the Borrower up to the maximum amount of 38,820 thousand zlotys;
- registered pledge with first priority of satisfaction on the Borrower's movables - including any and all movables and inventories, on intellectual property rights, rights arising from signed insurance contracts and policies as well as from the Borrower's bank accounts kept by the Bank, up to the maximum amount of security equal to 38,820 thousand zlotys, and financial pledge on the Borrower's cash and cash equivalents up to the maximum amount of security equal to 13,000 thousand zlotys, together with the Borrower's voluntary submission to enforcement under the aforementioned registered and financial pledges of movables up to the maximum amount equal to 38,820 thousand zlotys;
- transfer of receivables under the existing documents of the project for which the Borrower was granted a loan by the bank i.e. the agreement for the sale of products as well as future project agreements i.e. agreements for the sale of products, production line agreements, insurance contracts and performance bonds;
- the subordination of the debts under the loans granted to the Borrower by PEP S.A. in relation to its debts towards the Bank under the loan granted by the Bank;
- loan repayment guarantee granted by PEP S.A. up to the amount of 24,262 thousand zlotys along with a declaration of submission to enforcement up to the maximum amount equal to the value of the guarantee;
- Borrower's declaration of submission to enforcement up to the maximum amount of 23,620 thousand zlotys.

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**24. Accruals and deferred income**

	31.12.2010	31.12.2009
<b>Long-term accruals and deferred income</b>		
- deferred income – government grants	4 425	4 720
<b>Total long-term accruals and deferred income</b>	<b>4 425</b>	<b>4 720</b>

<b>Short-term long-term accruals and deferred income</b>		
- costs of future wages and salaries	2 254	1 319
- costs of external services	5 960	1 279
- unused holiday leave	89	117
- deferred income – government grants	295	295
- not-invoiced construction in progress	-	4 512
- accruals for repairs	1 905	1 905
- other	265	444
<b>Total short-term long-term accruals and deferred income</b>	<b>10 768</b>	<b>9 871</b>

**25. Contingent liabilities**

	31.12.2010	31.12.2009
- under the limited liability amount	39 310	39 310
- on behalf of related parties	39 310	39 310
<b>Total contingent liabilities</b>	<b>39 310</b>	<b>39 310</b>

**25.1 Granted guarantees**

As at 31 December 2010, the Group did not grant any external guarantees.

**27.2 Tax settlement**

Tax settlements and other areas of activity being subject to regulations (for example customs matters or foreign exchange) can be an object of inspections of administrative bodies, which are authorised to impose high penalties and sanction. The lack of stabilised regulations in Poland causes appearing the vagueness and inconsistencies in a binding law. Often appearing differences in opinions as for legal interpretation of tax regulations both inside state agencies, as well as state agencies and enterprises, cause appearing areas of uncertainty and conflicts. These phenomena causes, that the tax risk in Poland is considerably higher than existing usually in countries with the more advanced tax system.

Tax settlements can be an object of the control for the period of five years, starting from the end of the year, in which the payment of the tax took place. As a result of conducted inspections current tax settlements of companies of the Group can be increased by additional tax liabilities. According to the Group provisions were created to the identified and countable tax risk as at 31 December 2010.

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### 27.3 Capital commitments

As at 31 December 2010, the Group plans to incur capital expenditures on property, plant and equipment in 2010 in the total amount of approximately 560 million zlotys by the end of 2011. These amounts will be expensed for the development of wind farms and purchase of new machinery and equipment in the projects implemented by the Group, in particular for the construction of Łukaszów and Modlikowice, Wojcieszyn and Gawłowice wind farms and construction of one new pellet plant in the eastern part of Poland in the vicinity of Zamość. In addition, the Group plans to incur in 2011 expenditures for the construction of a biomass-fired power plant.

### 26. Sales revenues

	31.12.2010	31.12.2009	Q4 2010	Q4 2009
- net revenue from sales of electricity	19 304	15 456	5 704	5 185
- net revenue from sales of heat	17 221	18 462	4 844	5 441
- net revenue from consulting and advisory projects	530	784	312	371
- net revenue from wind farms development	60 364	10 207	42 558	-
- net revenue from sales of top quality goods and services and guaranteed supplies	243	1 199	64	110
- net revenue from re-invoices and reimbursement of costs	13	-	6	-
- revenue from leases of own property and operation services	57 015	46 462	11 268	10 515
- revenue from sales of goods for resale	133	-	133	-
- net revenue from sales of straw	29	384	-	314
- net revenue from sales of CO2 emission allowances	382	1 339	125	-
- net revenue from sales of pellets	13 959	2 725	4 682	1 593
- net revenues from rent	12	-	2	-
- other revenue	211	175	69	15
<b>Total net sales revenue</b>	<b>169 416</b>	<b>97 193</b>	<b>69 767</b>	<b>23 544</b>

	31.12.2010	31.12.2009	Q4 2010	Q4 2009
net revenue from green certificated certified emission rights (Joint Implementation Mechanism)	4 310	6 648	1 347	1 637
	2 240	2 300	663	540
<b>Total net sales revenue</b>	<b>6 550</b>	<b>8 948</b>	<b>2 010</b>	<b>2 177</b>

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**27. Costs by type**

	31.12.2010	31.12.2009	Q4 2010	Q4 2009
Depreciation	10 945	9 881	2 864	2 631
Materials and energy	19 340	18 419	6 095	6 772
External services	26 868	12 015	14 127	2 137
Taxes and charges	3 696	3 259	350	405
Wages and salaries, of which:	20 184	15 253	4 980	4 047
share-based payments	5 021	1 800	1 255	450
Social security contributions and other employee benefits	2 656	2 344	649	551
Other	1 611	688	1 143	281
<b>Total costs by type</b>	<b>85 300</b>	<b>61 859</b>	<b>30 208</b>	<b>16 824</b>
Cost of goods sold (positive value)	7 173	1 629	2 469	920
Change in the stock of finished goods	(99)	2 469	284	2 694
Administrative expenses (negative value)	(19 046)	(14 385)	(4 997)	(3 942)
<b>Cost of sales</b>	<b>73 328</b>	<b>51 572</b>	<b>27 964</b>	<b>16 496</b>

**28. Other operating income**

	31.12.2010	31.12.2009	Q4 2010	Q4 2009
- release of provision, of which:	-	204	-	-
- decommissioning	-	50	-	-
- restructuring	-	154	-	-
- other, of which	1 291	904	750	176
- compensations and extra charges	820	22	625	12
- subsidies	295	387	73	86
- gain on sale of non-financial assets	1	323	-	41
- re-invoices	-	21	-	21
- other	175	151	52	16
<b>Total other operating income</b>	<b>1 291</b>	<b>1 108</b>	<b>750</b>	<b>176</b>

**29. Other operating costs**

	31.12.2010	31.12.2009	Q4 2010	Q4 2009
- impairment write-downs of assets, of which:	4 332	383	4 332	-
- receivables	-	6	-	-
- inventory	4 332	377	4 332	-
- other, of which:	1 580	472	1 122	343
- fines, penalties, compensations	-	356	-	267
- transferred compensations	8	12	(11)	12
- donations	208	15	134	10
- loss of the sale of non-financial assets	414	31	414	31
- other	950	58	585	23
<b>Total other operating costs</b>	<b>5 912</b>	<b>855</b>	<b>5 454</b>	<b>343</b>

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In Q4 of 2010 the Group wrote down the wind development costs amounting to 3,882 thousand zlotys due to small probability of realization of those projects.

### 30. Finance income

	31.12.2010	31.12.2009	Q4 2010	Q4 2009
- dividends and share in profits	22	-	-	-
- bank interest earned	1 238	1 422	403	367
- interest - finance leases, of which:	18 796	12 058	4 754	4 464
- interest from lease of assets	3 898	2 219	999	536
- foreign exchange differences, including:	3 799	1 733	453	(1 708)
- unrealised	2 711	2 645	471	(2 513)
- realised	1 088	(912)	(18)	805
- sale of investments in subsidiaries	-	3 294	-	-
- sale of investments in associates	-	15 931	-	-
- other	169	10	57	-
<b>Total finance income</b>	<b>24 024</b>	<b>34 448</b>	<b>5 667</b>	<b>3 123</b>

Sale of investments in associates relates to sale of shares in the following companies: PWS Sp. z o.o., PWT Sp. z o.o. and Beta Sp. z o.o.

### 31. Finance costs

	31.12.2010	31.12.2009	Q4 2010	Q4 2009
- bank interest expensed	19 289	14 357	4 857	5 027
- foreign exchange differences, including:	2 075	253	275	(977)
- unrealised	3 333	-	724	(930)
- realised	(1 258)	253	(449)	(47)
- commissions and other payments	1 582	1 018	402	410
- other	335	72	272	25
<b>Total finance costs</b>	<b>23 281</b>	<b>15 700</b>	<b>5 806</b>	<b>4 485</b>

### 32. Adjusted EBITDA

	31.12.2010	31.12.2009	Q4 2010	Q4 2009
Profit (loss) from operating activities	78 971	40 437	34 112	5 116
Depreciation	10 945	9 881	2 864	2 631
<b>EBITDA</b>	<b>89 916</b>	<b>50 318</b>	<b>36 976</b>	<b>7 747</b>
Interest from the lease of own property	3 898	2 219	999	536
Share in the profits of wind farms, of which:	-	19 225	-	-
Sale of investments in subsidiaries	-	3 294	-	-
Sale of investments in associates	-	15 931	-	-
<b>Adjusted EBITDA</b>	<b>93 814</b>	<b>71 762</b>	<b>37 975</b>	<b>8 283</b>

Basic measure of profit of the Group is EBITDA. The Group defines EBITDA as profit from operating activity adjusted for depreciation. EBITDA measure is not defined by IFRS and can be calculated differently by other entities.

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### 33. Cash Flows

#### Cash flows from operating activities- other adjustments

	31.12.2010	31.12.2009
- share based payments	5 021	1 800
<b>Total other corrections</b>	<b>5 021</b>	<b>1 800</b>

#### Cash flows from investing activities - other investing inflows

	31.12.2010	31.12.2009
- proceeds from finance lease	53 475	39 692
<b>Total</b>	<b>53 475</b>	<b>39 692</b>

#### Cash flows from investing activities - other investing outflows

	31.12.2010	31.12.2009
- expenditures relating to finance lease	15 147	87 105
<b>Total</b>	<b>15 147</b>	<b>87 105</b>

#### Cash of restricted use

	31.12.2010	31.12.2009
- cash restricted for loan repayments	2 054	23 729
<b>Total</b>	<b>2 054</b>	<b>23 729</b>

#### Reconciliation of differences between the balance sheet and the cash flow statement changes in specific items

<b>Inventory:</b>	31.12.2010	31.12.2009
- Balance sheet change in inventories	452	(6 531)
- Transfer of development inventory to construction in process	-	(4 703)
- Transfer of financial assets to inventory	-	(1 064)
- Opening balance of inventory in acquired subsidiaries	-	772
<b>Movement in inventories in the statement of cash flow</b>	<b>452</b>	<b>(11 526)</b>

<b>Receivables:</b>	31.12.2010	31.12.2009
- Balance sheet change in net long-term and short-term receivables	(45 354)	(84 017)
- Change in lease receivables	(31 602)	80 682
- Change in investing receivables	3 859	(1 721)
- Opening balance of receivables in acquired subsidiaries	-	143
<b>Movements in receivables in the statement of cash flow</b>	<b>(73 097)</b>	<b>(4 913)</b>

<b>Liabilities:</b>	31.12.2010	31.12.2009
- Balance sheet change in short-term liabilities, except for loans and borrowings	20 064	(5 540)
- Change in finance lease	206	1 373
- Change in investing liabilities	(10 433)	6 467
- Opening balance of liabilities in subsidiaries in acquired subsidiaries	-	(380)
- Other	(3 129)	-
<b>Movements in the statement of cash flow</b>	<b>6 708</b>	<b>1 920</b>



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<b>Accruals::</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
- Balance sheet change in accruals	(666)	6 538
- Accrued lease interest	1 995	300
- Loan commissions	(10 140)	-
- Transfer of development expenditures to intangible assets	-	(424)
- Uninvoiced construction in progress	4 511	(4 516)
<b>Movements in accruals in the statement of cash flow</b>	<b>(4 299)</b>	<b>1 898</b>

### 34. Purposes and principles of managing the financial risk

Except for derivatives, financial the Group's principal financial instruments comprise bank loans, finance leases and hire purchase contracts, cash and short-term bank deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The Group enters also in forward contracts in order to manage the foreign exchange currency risk arising during operations of the Group and resulting from the financing sources used.

The policy of the Group which is applied now and was applied over the whole period covered by these financial statements is not to trade financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Director's Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

#### 34.1 Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations and loans granted.

The Group's policy is to manage its interest cost using variable rate. However, the Group does not apply hedges of derivative financial instruments.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) for 12 months. There is no impact on the Group's equity has not been presented.

<i>Period ended 31 December 2010</i>	<i>Increase/ decrease in basis points</i>	<i>Effect on profit before tax in the next 12 months in thousand zlotys</i>
WIBOR 1M	1%	-266
EURIBOR 1M	1%	-669
WIBOR 1M	1%	266
EURIBOR 1M	1%	669

<i>Period ended 31 December 2009</i>	<i>Increase/ decrease in basis points</i>	<i>Effect on profit before tax in the next 12 months in thousand zlotys</i>
WIBOR 1M	1%	-250
EURIBOR 1M	1%	-812
WIBOR 1M	-1%	250
EURIBOR 1M	-1%	812

### 34.2 Foreign currency risk

The foreign currency risk in the Group relates to fluctuation of euro exchange rate exposure arising from the open passive currency position on finance lease transaction, accrued revenue from reduced emission CO<sub>2</sub> to Netherlands European Carbon Facility, bank deposits, investment liabilities and investment bank loans. As at 31 December 2009 this position amounts to 2.6 million EUR and is not hedged.

The Group attempts to negotiate the conditions of the hedging derivatives in such a way that they reflect the conditions of the position hedged and thus provide maximum effective hedge, further described in note 36.

The following table demonstrates the sensitivity to a reasonably possible change in euro exchange rate, with all other variables held constant, of the Group's profit before tax (in the relation to the change of fair value of monetary assets and liabilities). There is no impact on the Group's equity.

	<i>Increase/ decrease in currency rat</i>	<i>Effect on profit in the period till the next valuation of assets and liabilities</i>
31 December 2010 - EUR	+ 0,01 PLN/EUR	-27
	- 0,01 PLN/EUR	27
31 December 2009 - EUR	+ 0,01 PLN/EUR	17
	- 0,01 PLN/EUR	-17

For the year ended 31 December 2010, the Group recognised 622 thousand zlotys of finance income on unrealised exchange differences.

In the period of 31 December 2010 – 31 March 2011 fluctuations of zlotys in relation to the euro can have significant effect on the size of unrealised foreign exchange differences. The result on unrealised foreign exchange differences as at 31 March 2011 will depend mainly on the relation of the rate from 31 March 2011 to the rate from 31 December 2010, while appropriate appreciation/depreciation of zlotys in relation to euro will have the positive/negative influence on the net profit in the amount of about 27 thousand zlotys to every grosz of the difference in the relation to the rate from the date of 31 December 2010 (3.9603 PLN/Euro).

### 34.3 Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group.

### 34.4 Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

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The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of various sources of financing, such as bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts.

The table below summarises the maturity profile of the Group's financial liabilities December 2010 and 31 December 2009 based on contractual undiscounted payments.

31.12.2010	Less than 3 months	3 -12 months	1-5 years	over 5 years	Total
Interest bearing loans and borrowings	17 827	63 915	361 741	73 118	516 601
Other liabilities	11 247	3 190	250	-	14 687
Trade payables	21 702	-	-	-	21 702

In item "Other liabilities" amount of 3 190 thousand zlotys relate to the forward contract liability.

31.12.2009	Less than 3 months	3 -12 months	1-5 years	over 5 years	Total
Interest bearing loans and borrowings	14174	50 713	282 135	112 643	459 665
Other liabilities	1 951	102	341	-	2 394
Trade payables	13 931	-	-	-	13 931

### 35. Financial instruments

#### 35.1 Fair value of financial instrument categories

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments, divided into individual classes and categories of assets and liabilities.

	Category in line with MSR 39	Carrying value		Fair value	
		31.12.20 10	31.12.20 09	31.12.20 10	31.12.20 09
<b>Financial assets</b>					
Available-for-sale financial assets (long-term)	AFS	812	320	-*)	-*)
Trade and other receivables	LaR	85 140	14 537	-*)	-*)
Lease receivables		330 228	361 830	-*)	-*)
Cash and cash equivalents	LaR	46 263	58 229	46 263	58 229
<b>Financial liabilities</b>					
Loans and borrowings, of which:	FLaAC	432 363	386 480	431 691	386 480
-long-term with floating interest rate	FLaAC	430 051	382 625	430 051	382 625
- bank overdraft	FLaAC	1 640	3 855	1 640	3 855
- other short term	FLaAC	672	-	-	-
Finance lease liabilities and hire purchase contracts		420	341	-*)	-*)
Forward contracts liabilities	FLaAC	3 129	-	-*)	-*)
Trade and other payables	FLaAC	21 702	13 931	-*)	-*)

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Used abbreviations:

HtM – Financial assets held to maturity,  
 FVtPoL – Financial assets/ financial liabilities at fair value through profit or  
 loss,  
 LaR – Loans and receivables,  
 AFS – Available-for-sale assets,  
 FLaAC – Other financial liabilities at amortised cost.

\*) it is practically not possible to measure fair value of shares of companies not quoted on the active market

The fair values of assets and liabilities presented above do not differ substantially from their carrying values.

### 35.2 Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk, divided by individual ageing categories.

**31.12.2010**

INTEREST RATE RISK							
	<1year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Floating interest rate							
Bank loan in PLN	16 178	9 362	15 405	17 285	17 564	27 379	103 173
Bank loan in EUR	45 386	48 903	52 476	56 271	60 166	63 583	326 785
Loan NFGWiOŚ	485	480	480	480	480	-	2 405
Fixed interest rate	<1year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash assets	46 263	-	-	-	-	-	46 263

**31.12.2009**

INTEREST RATE RISK							
	<1year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Floating interest rate							
Bank loan in PLN	7 608	4 539	3 104	1 867	1 906	3 576	22 600
Bank loan in EUR	38 891	47 138	51 856	55 646	59 663	107 891	361 085
Loan NFGWiOŚ	480	480	480	480	480	395	2 795
Fixed interest rate	<1year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash assets	58 229	-	-	-	-	-	58 229

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

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### 36. Hedges

As at 31 December 2010, the Group had following derivatives as hedging instruments for cash flows hedge accounting:

Due date	Amount purchased in the forward contract	Price
30 September 2011	40 864	4,1058
30 November 2011	3 715	4,126
30 December 2011	3 715	4,129
<b>TOTAL:</b>	<b>48 294</b>	

The aim of entering into hedging transaction is to limit the foreign exchange rate fluctuations on the amount of highly probable payments from the investment agreement.

The purpose of hedge accounting is to eliminate the discrepancy between moments of recognition of the impact on profit (loss) hedging instrument and hedged position.

During 2010, the Group realized forward contract amounting to EUR 1 665 thousand.

As at 31 December 2010, the Group recognized 3 126 thousand zlotys of negative capital as a result of those contracts. The result will be posted to construction in progress and depreciated over the useful life of a fixed asset which is approximately 20 years.

As at 31 December 2009, the Group did not have any hedge contract.

### 37. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

	31.12.2010	31.12.2009
Interest bearing loans and borrowings	432 363	386 480
Finance lease receivables	(330 228)	(361 830)
Trade and other payables	35 969	15 984
Less cash and short term deposits	(46 263)	(58 229)
<b>Net debts</b>	<b>91 841</b>	<b>(17 595)</b>
Equity	304 316	235 341
<b>Total capital</b>	<b>304 316</b>	<b>235 341</b>
<b>Capital and net debt</b>	<b>396 157</b>	<b>217 746</b>
Gearing ratio	23%	-8%

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**38. Capital Group as lessor**

**38.1 Reconciliation between the gross investment in the lease at the balance sheet date, and the present value of minimum lease payments receivable at the balance sheet date**

PLN/EUR 3,9603	31.12.2010	< 1 year	1 -5 years	over 5 years
Gross investment in the lease	439 966	55 494	258 902	125 570
Net investment in the lease	330 228	43 852	212 978	73 398
Value of minimal lease payments	409 911	52 842	248 294	108 775
Unearned finance income	109 737	11 641	45 924	52 172

Contingent lease payments recognised in the income statement for the period 01.01.2010-31.12.2010 amounted to 14 994 thousand zlotys.

PLN/EUR 4,1082	31.12.2009	< 1 year	1 -5 years	over 5 years
Gross investment in the lease	469 328	49 046	253 671	166 611
Net investment in the lease	361 830	37 756	210 243	113 831
Value of minimal lease payments	469 328	49 046	253 671	166 611
Unearned finance income	107 498	11 290	43 428	52 780

Contingent lease payments recognised in the income statement for the period 01.01.2010-31.12.2010 amounted to 9 858 thousand zlotys.

**38.2 The description of risks related to finance lease transactions**

**Market risks**

*a/ currency risk*

The currency risk in finance lease transaction only relates to this portion of the value of the transaction which is financed by the lessor's own funds. The target financing structure for lease transactions is 87% for loans and 13 % for own funds. This results from the fact of financing lease transactions with a loan denominated in the same currency (EUR) which is the currency of the lease transaction.

*b/ fair value risk related to interest rate risk*

The mechanism of a lease transaction safeguards the lessor against the effect of changes of interest rates. Part of the transaction is financed by a loan based on Euribor and the cost of interest on this loan is transferred to the lessee. In the case of the portion financed by own funds, a real rate of return on the capital invested is guaranteed. Therefore, changes of the inflation rate which are one of the main factors causing a change in the level of interest rates do not affect the value of this transaction.

*c/ price risk*

The price risk does not appear in this transaction.

### **Credit risk**

The credit risk associated with this transaction relates to the credit risk of Mondi Świecie S.A.. Since it is a large and stable listed company, the credit risk is assessed as low.

### **Liquidity (financing) risk**

The liquidity risk associated with this transaction relates to the liquidity risk of Mondi Świecie S.A. Since it is a large and stable listed company, the liquidity risk is assessed as low.

### **Cash flow risk connected with the interest rate**

The mechanism of a lease transaction safeguards the lessor against the effect of changes of interest rates. Part of the transaction is financed by a loan based on Euribor and the cost of interest on this loan is transferred to the lessee. In the case of the portion financed by own funds, a real rate of return on the capital invested is guaranteed. Therefore, changes of the inflation rate which are one of the main factors causing a change in the level of interest rates do not affect the value of this transaction.

### **Description of major provisions of lease agreements:**

On 29 April 2002, Mondi Świecie S.A. (formerly: Mondi Packaging Paper Świecie), Saturn Management Sp. z o.o. i Wspólnicy Spółka Komandytowa ("SM") and the Company signed a general agreement which was amended by Annex 1 dated 15 December 2004. This agreement sets out the rules for cooperation of the parties with a view to optimisation of Mondi Świecie S.A.'s operating and financial activity, including reduction of energy costs. Specific agreements were also signed for the sale of Saturn CHP by Mondi Świecie S.A. and its subsequent lease from the buyer, implementation of an investment and modernisation program with the support of SM and the outsourcing of the operation of Saturn CHP to SM for a period of 20 years.

The general agreement sets out the business objectives to be achieved by the parties, including:

- the financing and construction by SM of a new CFB fluidised bed combustor on the premises of the Saturn CHP Facility (this boiler has been successfully constructed and delivered) as well as implementation by SM of a modernisation program with respect to the Facility, implementation of improvements to enhance performance of the Facility so as to ensure reduction of costs of electricity and heat within a period of 20 years,
- allocation of the risks and rewards of operation and maintenance of the Facility and ensuring energy security for Mondi Świecie S.A. through steadfast and uninterrupted generation of electricity and heat in the agreed amounts and with the agreed parameters,
- improvement of environmental protection at the Facility by making use of biofuels created in the course of production carried out by Mondi Świecie S.A.

General Agreement dated 29 April 2002 between PEP, SM and Mondi Świecie S.A. includes provisions regarding the so-called Call Option on the basis of which Mondi Świecie S.A. can call PEP to sell all its rights and obligations as a limited partner and purchase 100% of its rights in SM. The sale would be concluded at the price defined by SM according to the formula specified in General agreement. According to the Current Report of Mondi Świecie S.A. nr 3/2011 dated 4 February 2011, Mondi has an intention to exercise the option, however, it has doubts as to whether the option is still binding, especially as a result of ambiguities in provisions relating to price settlement. As a consequence Mondi Świecie S.A. informed that it applied to the Court of Arbitration at the Polish Chamber of Commerce to confirm whether the Call Option "has not expired and is binding for PEP". According with the public announcement of PEP position, Call Option is not exercisable thus PEP has a full and unthreatened control over SM. Until the date of submitting this report (10 February 2011), PEP has not received the Mondi Świecie S.A. claim. It has to be stressed that the outcome of the arbitration proceeding will not entail the straightforward option execution. In order to execute the

option, Mondi Świecie S.A. has to follow procedure described in General Agreement, in particular definition of option price by SM. It has to be pointed out that the financing banks have to agree for acquisition of SM rights by Mondi Świecie S.A.

### **Energy Alliance**

Economic cooperation between SM and Mondi Świecie S.A. is based on energy alliance which assumes close linking of the objectives and performance of SM as the Facility's operator to the objectives and performance of Mondi as the investor using the generated energy.

Under this concept, one party may not achieve benefits at the cost of the other party, and their cooperation must be harmonious under both favourable and unfavourable market conditions, to ensure a long-term security of operations and mutual economic benefits to both parties.

The object of the lease agreement is lease of land located in Świecie, consisting of plots nos. 105/62, 105/63, 105/64, 105/65, 105/68, 105/69, with a total area of 6.8173 ha, held under perpetual usufruct by SM, together with the buildings and structures situated thereon as well as other property, plant and equipment and other assets as indicated in the appendix to the lease agreement ("Facility").

Under the lease agreement, Mondi Świecie S.A. will be using the Facility to generate electricity and heat in its own name and on its own account. Mondi Świecie S.A. undertakes to pay SM rentals under the lease agreement. The agreement was concluded for a term of 20 years and it can be prolonged for another 5 years. The agreement excludes the parties' responsibility for non-performance or undue performance of the agreement due to force majeure.

### **39 Related party disclosures**

As at 31 December 2010 and 31 December 2009 no associated companies were included in a Group. Transactions with Management and Supervisory Board Members are presented in Notes 41, 42, 43.

### **40 Employment structure**

For the year ended 31 December of 2010 and 31 December 2009 the average employment in the Group is divided by occupational groups, listed as the average employment for the end of each month is as follows:

	31.12.2010	31.12.2009
Management Board	3	3
Administration level	71	75
Operational level	165	135
<b>Total employment</b>	<b>239</b>	<b>213</b>

### **41 Total value of remuneration and awards (in money and in kind), paid or payable to members of executive and supervisory bodies of the parent company**

In the year ended 31 December 2010 and 31 December 2009, remuneration of members of the parent company's Board of Directors was as follows:



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	31.12.2010	31.12.2009
Zbigniew Prokopowicz	840	840
Anna Kwarcinska	450	408
Michał Kozłowski	450	408

In the year ended 31 December 2010 and 31 December 2009, members of the Company's Board of Directors and Supervisory Board did not receive remuneration for holding their positions in the governing bodies of the subsidiaries, jointly-controlled entities or associates.

In the year ended 31 December 2010 and 31 December 2009, members of the parent company's supervisory bodies received remuneration as stated in the table below:

	31.12. 2010	31.12.2009
Stephen Klein	115	140
Krzysztof Kaczmarczyk	36	36
Artur Olszewski	36	36
Krzysztof Sędziowski	36	36
Wojciech Sierka	-	15
Marek Gabryjelski	36	21
Krzysztof Sobolewski	36	36

#### 42 Transactions with members of the Group's Board of directors and Supervisory Board, their spouses, siblings, ascendants, descendants or other related individuals

In the year ended 31 December 2010, there were no transactions with members of the Board of Directors or Supervisory Board.

#### 43 Changes in shares and options held in the Company by members of its executive and supervisory bodies, according to information available as at 31 December 2010

As at 31 December 2010, members of the issuer's executive and supervisory bodies held the following stakes in the parent company:

Shares	As at 31 December 2009	Additions under incentive schemes	Additions due to acquisition	Disposals	As at 31 December 2010
<b>Management Board</b>	<b>142 934</b>	<b>414 395</b>	-	<b>(557 329)</b>	-
Zbigniew Prokopowicz	142 934	102 467	-	(245 401)	-
Anna Kwarcinska	-	155 964	-	(155 964)	-
Michał Kozłowski	-	155 964	-	(155 964)	-
<b>Supervisory Board</b>	<b>11 562</b>	<b>10 181</b>	<b>5 000</b>	<b>(26 000)</b>	<b>743</b>
Stephen Klein	9 562	10 181	-	(19 000)	743
Artur Olszewski	2 000	-	5 000	(7 000)	-
Krzysztof Sędziowski	-	-	-	-	-

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Wojciech Sierka	-	-	-	-	-
Krzysztof Sobolewski	-	-	-	-	-
Krzysztof Kaczmarczyk	-	-	-	-	-
Marek Gabryjelski	-	-	-	-	-
<b>Total</b>	<b>154 496</b>	<b>424 576</b>	<b>5 000</b>	<b>(583 329)</b>	<b>743</b>

As at 31 December 2010, the members of executive and supervisory bodies were not entitled to take up shares of the Company under the stock option program.

As at 31 December 2010, the Company was running a stock option program for the Board of Directors, Supervisory Board member and key staff.

### 3rd stock option scheme

On March 25, 2010 the General Meeting of Shareholders adopted a resolution on the issue of Series 3 subscription warrants and a conditional increase of the share capital by the issuance of X-class shares excluding the pre-emptive rights of the existing shareholders in order to allow stock option scheme participants to take up those shares. The detailed rules of the Option Plan were specified by the Supervisory Board based on the authorisation granted by the Shareholders Meeting.

Beneficiaries	Management Board and the Company's key staff												
Grant date	25.03.2010												
Vesting date	01.01.2011 01.01.2012 01.01.2013 01.01.2014												
Expiry date	30.09.2016												
Number of options in the scheme	770.380												
Number of options granted	770.380												
Option exercise– share acquisition price PLN/share	PLN 31,21												
Method of settlement	Issue of shares preceded with issue of subscription warrants												
Exercising terms and conditions	<p>Option scheme features 16 tranches:</p> <p>Tranches 1,5, 9, 13 – vesting date from 01.01.2011</p> <p>Tranches 2, 6, 10, 14 – vesting date from 01.01.2012</p> <p>Tranches 3, 7 ,11, 15 – vesting date from 01.01.2013</p> <p>Tranches 4, 8 ,12, 16 – vesting date from 01.01.2014</p> <p>Acquisition of Subscription Warrants is subject to the following necessary conditions:</p> <p>Vesting conditions for tranches 1,2,3 and 4 is obtaining EPS and Installed Power Capacity at the levels specified below:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Tranche</th> <th>Year</th> <th>EPS (zlotys)</th> <th>Installed Power Capacity (MW)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>2010</td> <td>2,89</td> <td>22</td> </tr> <tr> <td>2</td> <td>2011</td> <td>3,11</td> <td>68</td> </tr> </tbody> </table>	Tranche	Year	EPS (zlotys)	Installed Power Capacity (MW)	1	2010	2,89	22	2	2011	3,11	68
Tranche	Year	EPS (zlotys)	Installed Power Capacity (MW)										
1	2010	2,89	22										
2	2011	3,11	68										

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	3	2012	3,27	141
	4	2013	3,62	219

Vesting conditions for tranches 5,6,7 and 8 is obtaining Adjusted EBITDA per share and Installed Power at the levels specified below:

Tranche	Year	EBIDTA/share (zlotys)	Installed Power Capacity (MW)
5	2010	4,64	22
6	2011	5,87	68
7	2012	7,96	141
8	2013	10,58	219

Rights to tranches 9, 10, 11 and 12 will be obtained if the ratio of the Company's price for the period of 6 months of the year preceding the vesting year and the price for the period of 6 months preceding the vesting year by two years is higher than the ratio of WIG index for the same periods multiplied by 1.05.

Rights to tranches 13, 14, 15 and 16 will be obtained if the Company installs power capacity of 22MW in 2010, 68 MW in 2011, 141 MW in 2012 and 219 MW in 2013.

In the case of non-fulfilment of vesting conditions in a given year, the option scheme provides for the possibility of obtaining the rights to those options upon the fulfilment of additional conditions in subsequent years. The detailed terms and conditions of option program are available at [www.pepsa.com.pl](http://www.pepsa.com.pl).

If any entity calls for at least 100% of the shares of the Company, the acquisition of rights will be accelerated for options where the vesting conditions have been met even if the Company's financial statements have not been commented on by the Supervisory Board or approved by the General Meeting of Shareholders.

Furthermore, if as a result of the call an entity which operates as an energy generator, either directly or through its related entities, acquires at least an 80% stake in the Company and the entities that reported to the Company about holding, in any form, more than 5% of the Company's shares sell, as a result of the Call, at least 70% of the total stake held by such entities, then the call for all options will be accelerated, but the number of options will be reduced by 0.85% for each full month after the end of the call to the end of the year for which the options were due.

The expense recognised in profit or loss under the stock option schemes for the year ended 31 December 2010 amounted to 5,021 thousand zlotys (2009: 1 800 thousand zlotys).

#### 44 Remuneration of auditor or auditor company

The table below presents the audit company's fees, paid or payable for the year ended 31 December 2010 and 31 December 2009 by category of services:

Category of services	31.12.2010	31.12.2009
Statutory audit of consolidated financial statements	310	310
Other services	106	33

\* relates to Ernst & Young Audit sp. z o.o

#### **45 Greenhouse gas emissions**

The Act of 22 December 2004 on Trading in Greenhouse Gas and Other Emission Allowances became effective as of 1 January 2005 (Journal of Laws No. 281 item 2784). This law sets out the basis for functioning of the system of trading in greenhouse gas and other emission allowances the aim of which is to reduce these emissions in a profitable and economically effective manner. The Group is subject to the provisions of this Act.

In accordance with the Regulation of the Council of Ministers of 1 July 2008 on the adoption of the National Plan for Allocation of CO<sub>2</sub> allowances for the period of 2008-2012 in the community system of trading in emission allowances (published in Journal of Laws No. 202 item 1248 of 14 November 2008), the installations held by the Group were allocated CO<sub>2</sub> emission allowances for this period. According to this allocation, the annual number of the CO<sub>2</sub> allowances for the Group's installations during the years 2008-2012 is 106 328 tonnes.

Based on the preliminary reports on the 2009 actual level of CO<sub>2</sub> emission by the installations held by the Group, the estimated CO<sub>2</sub> emission in 2009 amounted to 78 012 tonnes. At the same time, under the outsourcing contracts concluded by the Group, the surplus of the emission allowances granted over the actual emission in 2008, amounting to 22 009 tonnes, will be used by the Group's customers and amounting to 6 307 tonnes will be used by the Group.

In the period of 2010-2012, the Group does not plan CO<sub>2</sub> emission in excess of the emission allowances granted to the Group.

#### **46 Events after the balance sheet date**

On 4 February 2011 Mondi Świecie S.A. in its current Report No. 3/2011 informed of having taken a decision to exercise the Call Option (purchase) of all rights of obligations of PEP as a limited partner of SM and acquire 100% of rights in SM Sp. z o.o. provided, without limitation, that *"as a result of the settlement in claim proceeding of Mondi against PEP, the Court of Arbitration at the Polish Chamber of Commerce confirms that the presented to the Company sale offer of 100% of rights in Saturn Management Sp. z o.o. with its seat in Warsaw and all rights and obligations of PEP as a limited partner of SM following Voluntary Call Option provisions set out in General Agreement has not expired and is binding for PEP pursuant to the terms specified in the claim including sale price definition formula set out in the General Agreement."*

PEP is of the opinion that the position of Mondi is not only deficient in terms of its legal (substantive) basis but it is also defective from the formal perspective. The assessment made by PEP is based on the legal opinions of renown authorities in the field. PEP will present arguments in proceedings before the Arbitration Tribunal to demonstrate that the claims of Mondi are groundless.

Notwithstanding the type of transaction, there is no reason for the potential transfer of the legal title to EC Saturn to Mondi to be based on any price other than the actual value of EC Saturn. The price indicated by Mondi in its Current Report No. 3/2011 is in gross disproportion to the actual value of the enterprise.

The aforementioned lawsuit filed by Mondi should not have any impact on the day-to-day cooperation between PEP and Mondi in the Saturn Project. The foregoing results from the fact that the General Agreement of 29 April 2002 and the remaining agreements for the Saturn Project remain in full force and effect and are performed by the parties.

In the opinion of PEP, there is no operating justification for Mondi to take the aforementioned actions, namely, for Mondi to buy out EC Saturn. The quality of work performed by SM and PEP, as well as Mondi's profits from the power alliance are very high and not undermined by Mondi.

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Until the date of submitting this report (10 February 2011), PEP has not received the Mondi Świecie S.A. claim.