POLISH ENERGY PARTNERS CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR 6 MONTHS PERIOD

ENDED JUNE 30, 2006

TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Stephen Klein – President of the Management Board

Anna Kwarcińska – Vicepresident of the Management Board

Michał Kozłowski – Member of the Management Board

Agnieszka Grzeszczak – Chief Accountant

Warsaw, August 10, 2006

Consolidated Balance Sheet

(in thousands zlotys)

CONSOLIDATED BALANCE SHEET **Assets**	Note	30.06.2006	31.12.2005 restated	30.06.2005 restated
I.Fixed Assets (long-term)		**318 642**	**294 696**	**271 960**
1. Tangible fixed assets	12,13	67 378	55 925	34 152
2. Intangible fixed assets	11	66	27	21
3. Goodwill of the subsidiaries		132	132	132
4. Investment property		-	-	-
5. Financial assets	15,16	10 749	5 637	3 358
6. Financial assets valued at equity method	15,16	735	756	744
7. Long-term receivables	14	237 999	231 587	233 533
8. Deferred tax assets	24	-		-
9. Other fixed assets		1 583	632	20
II. Current assets (short-term)		**69 830**	**84 829**	**83 029**
1.Inventory	17	1 165	1 986	1 746
2.Trade liabilities	18	8 975	17 859	8 682
3.Income tax receivables	18	269	446	172
4.Other short-term receivables	18	19 509	17 732	14 090
5.Accrued income and deferred cost	21	2 024	1 194	4 458
6.Other short-term assets	20	1 784	2 692	1 710
7.Short-term financial assets	19	1 265	1 319	1 986
8.Cash and cash equivalents	22	34 839	41 601	50 184
Total Assets		**388 472**	**379 525**	**354 989**

Consolidated Balance Sheet

(in thousands zlotys)

CONSOLIDATED BALANCE SHEET Total Equity and Liabilities	Note	30.06.2006	31.12.2005 restated	30.06.2005 restated
I. Shareholders' Equity		**99 991**	**111 621**	**109 123**
1.Share capital	23	36 511	36 369	36 230
2.Unpaid share capital		(211)	(378)	(365)
3.Surplus of sales issue above nominal value (agio)		27 838	28 321	28 321
4.Treasury shares		-	-	-
5.Reserve capital from option valuation	56	1 790	1 032	700
6.Other reserve capital		19 210	28 267	28 267
7.Profit/loss from previous years		18 493	8 669	8 669
8.Profit/loss for the period		(3 640)	9 341	7 301
9.Minority interest		-	-	-
II. Long-term liabilities	27	**237 216**	**238 417**	**223 101**
1.Bank credits and loans	26,27	233 591	232 656	218 747
2.Deferred tax liability	24	564	1 791	444
3.Provisions	25	2 567	2 521	2 669
4.Accruals and deferred income	30	-	1 021	1 099
5.Other liabilities		494	428	142
III. Short-term liabilities		**51 266**	**29 487**	**22 765**
1.Bank credits and loans	28,29	19 943	20 490	16 442
2.Trade liabilities	28	24 934	3 960	836
3.Income tax liabilities	28	-	14	-
4.Other liabilities	28	2 619	2 063	2 642
5.Provisions	25	2 686	1 602	1 952
6.Accruals and deferred income	30	1 083	1 358	893
Total Capital and Liabilities		**388 472**	**379 525**	**354 989**

(in thousands zlotys)

CONSOLIDATED PROFIT AND LOSS STATEMENT	Note	30.06.2006	30.06.2005 restated
Continued activity			
I. Sales income	33	32 127	33 550
II. Cost of goods sold	34	(16 332)	(18 769)
III. Gross profit on sales (I-II)		**15 795**	**14 781**
IV. Selling expense		-	-
V. General and administration costs	34	(6 999)	(6 843)
including management options valuation		(758)	(700)
VI. Profit on sales (III-IV-V)		**8 796**	**7 938**
VII. Other operating income	35	1 091	603
VIII. Other operating expense	36	(16 717)	(467)
IX. Operating profit (VI+VII-VIII)		**(6 830)**	**8 074**
X. Financial income	37	8 133	6 677
XI. Financial expense		(5 091)	(5 530)
XII. Profit/Loss from subordinate units		(22)	(6)
XIII. Gross profit/loss (IX+X-XI+/-XII)		**(3 810)**	**9 215**
XIV. Corporate income tax	24	(170)	1 914
XV. Net profit/loss from continued activity		**(3 640)**	**7 301**

Discontinued activity			
XVI. Profit/loss from discontinued activity		-	-
XVII. Net profit/loss		(3 640)	7 301

Distribution of profit/loss:		**(3 640)**	**7 301**
Parent company shareholders		(3 640)	7 301
Minority shareholders		-	-

Net profit/loss		(3 640)	7 301
Weighted average number of shares		18 220 127	17 932 392
Basic EPS (in zł)		**(0,20)**	**0,41**
Weighted average diluted number of shares		18 220 127	17 932 392
Diluted EPS (in zł)		**(0,20)**	**0,41**

Changes in Consolidated Shareholders' Equity

(in thousands zlotys)

Changes in Consolidated Shareholders' Equity	Share capital	Unpaid share capital	Surplus of sales issue above nominal value (agio)	Treasury shares	Reserve capital from option valuation	Other reserve capital	Profit/loss from previous years	Profit/loss for the period	TOTAL
Equity at the beginning of the period - 01.01.2006	**36 369**	**(378)**	**28 321**	**-**	**1 032**	**28 267**	**18 010**	**-**	**111 621**
Changes in capital in the period	**142**	**167**	**(483)**	**-**	**758**	**(9 057)**	**483**	**(3 640)**	**(11 630)**
a) increase	**142**	**(142)**	**-**	**-**	**758**	**-**	**-**	**-**	**758**
- net profit	-	-	-	-	-	-	-	-	-
- shares issue	142	(142)	-	-	-	-	-	-	-
- from management options valuation	-	-	-	-	758	-	-	-	758
b) decrease	**-**	**(309)**	**483**	**-**	**-**	**9 057**	**(483)**	**3 640**	**12 388**
- net loss	-	-	-	-	-	-	-	3 640	3 640
- dividend payment	-	-	-	-	-	9 057	-	-	9 057
- payment due	-	(309)	-	-	-	-	-	-	(309)
- coverage of loss	-	-	483	-	-	-	(483)	-	-
- movement to reserve capital	-	-	-	-	-	-	-	-	-
Equity at the end of the period - 30.06.2006	**36 511**	**(211)**	**27 838**	**-**	**1 790**	**19 210**	**18 493**	**(3 640)**	**99 991**

Changes in Consolidated Shareholders' Equity

(in thousands zlotys)

Changes in Consolidated Shareholders' Equity	Share capital	Unpaid share capital	Surplus of sales issue above nominal value (agio)	Treasury shares	Reserve capital from option valuation	Other reserve capital	Profit/loss from previous years	Profit/loss for the period	TOTAL
restated									
Equity at the beginning of the period - 01.01.2005	**35 865**	**-**	**36 459**	**-**	**-**	**9 392**	**19 408**	**-**	**101 124**
Zmiany kapitału w okresie	**504**	**(378)**	**(8 138)**	**-**	**1 032**	**18 875**	**(10 737)**	**9 341**	**10 499**
a) zwiększenia (z tytułu)	**504**	**(378)**	**-**	**-**	**1 032**	**18 875**	**8 138**	**9 341**	**37 512**
- net profit	-	-	-	-	-	-	-	9 341	9 341
- shares issue	504	(378)	-	-	-	-	-	-	126
- transfer of surplus from sales issue above nominal value (agio)	-	-	-	-	-	-	-	-	-
- from distribution of profit (over the minimal value required by law)	-	-	-	-	-	-	-	-	-
- from management options valuation	-	-	-	-	1 032	-	-	-	1 032
b) zmniejszenia (z tytułu)	**-**	**-**	**8 138**	**-**	**-**	**-**	**18 875**	**-**	**27 013**
- coverage of loss	-	-	8 138	-	-	-	-	-	8 138
- movement to reserve capital	-	-	-	-	-	-	18 875		18 875
Equity at the end of the period - 31.12.2005	**36 369**	**(378)**	**28 321**	**-**	**1 032**	**28 267**	**8 669**	**9 341**	**111 621**

Changes in Consolidated Shareholders’ Equity

(in thousands zlotys)

Changes in Consolidated Shareholders’ Equity	Share capital	Unpaid share capital	Surplus of sales issue above nominal value (agio)	Treasury shares	Reserve capital from option valuation	Other reserve capital	Profit/loss from previous years	Profit/loss for the period	TOTAL
restated									
Equity at the beginning of the period - 01.01.2005	**35 865**	**-**	**36 459**	**-**	**-**	**9 392**	**19 408**	**-**	**101 124**
Changes in capital in the period	**365**	**(365)**	**(8 138)**	**-**	**700**	**18 875**	**(10 737)**	**7 301**	**8 001**
a) increase	**365**	**(365)**	**-**	**-**	**700**	**18 875**	**8 138**	**7 301**	**35 014**
- net profit	-	-	-	-	-	-	-	7 301	7 301
- shares issue	365	(365)	-	-	-	-	-	-	-
- from distribution of profit (over the minimal value required by law)	-	-	-	-	-	18 875	-	-	18 875
- transfer of surplus from sales issue above nominal value (agio)	-	-	-	-	-	-	8 138	-	8 138
- from management options valuation	-	-	-	-	700	-	-	-	700
b) decrease	**-**	**-**	**8 138**	**-**	**-**	**-**	**18 875**	**-**	**27 013**
- net loss	-	-	8 138	-	-	-	-	-	8 138
- movement to reserve capital	-	-	-	-	-	-	18 875	-	18 875
Equity at the end of the period - 30.06.2005	**36 230**	**(365)**	**28 321**	**-**	**700**	**28 267**	**8 669**	**7 301**	**109 123**

Consolidated Cash Flow Statement

(in thousands zlotys)

Consolidated Cash Flows Statement	30.06.2006	30.06.2005 restated
A.Cash flow from operating activities - indirect method		
I.Gross profit/loss	**(3 810)**	**9 215**
II.Adjustments for:	**22 297**	**(6 501)**
1.Profit/ loss from associates and jointly controlled entities which are companies	22	(49)
2.Depreciation	1 438	1 504
3.Foreign exchange gains/losses	(864)	330
4.Interest and dividends received and paid	(39)	(496)
5.Result on investment activity	9	(70)
6.Corporate income tax	(894)	(1 108)
7.Change in provisions	1 193	477
8.Change in inventory	820	145
9.Change in receivables	9 595	1 321
10.Change in short term liabilities, without loans and credits	2 577	(7 005)
11.Change in deferred income and accruals	(2 013)	(2 250)
12. Other changes	10 453	700
III.Net cash flow from operating activities (I+/-II)	**18 486**	**2 714**
B.Net cash flow from investing activities		
I. Inflows due to investing activities	**12 788**	**13 256**
1. Sale of intangible and tangible fixed assets	-	1 517
2. Sale of investments in tangible fixed assets and intangible assets	-	-
3. Sale of other financial assets, including:	-	117
- sale of financial assets	-	-
- dividends and shares in profit	-	117
- repayment of granted long term loans	-	-
- interest	-	-
- other inflows from financial assets	-	-
4. Other investment inflows	12 788	11 622
II.Outflows due to investing activities	**15 464**	**3 522**
1. Purchase of intangible and tangible fixed assets	5 019	2 271
2. Investments in property and intangibles	-	-
3. Purchase of other financial assets, including:	5 393	180
- purchase of financial assets	445	180
- long-term loans granted	4 948	-
4. Dividends and other payments paid to minority shareholders,	-	-
5.Other investing outflows	5 052	1 071
III.Net cash flow from investing activities (I-II)	**(2 676)**	**9 734**

(in thousands zlotys)

C.Net cash flow from financing activities

I.Inflows from financing activities	**1 423**	**17 510**
1. Issue of shares and capital instruments	589	-
2.Loans and credits	834	17 510
3. Issue of bonds	-	-
4. Other	-	-
II.Outflows due to financing activities	**25 316**	**14 343**
1.Purchase of treasury shares	-	-
2.Dividends and others payments to shareholders	9 192	68
3.Share issue related expenditure	-	-
4.Repayments of loans and credits	11 077	8 861
5.Repayments of bonds	-	-
6.Repayments of other financial liabilities	-	-
7.Finance lease payments	149	89
8.Interest paid	4 898	5 325
9.Other	-	-
III.Net cash flow from financing activities (I-II)	**(23 893)**	**3 167**
D.Net change in cash and cash equivalents (A.III+/-B.III+/-C.III)	**(8 083)**	**15 615**
E.Balance sheet change in cash and cash equivalents, including:	**(8 047)**	**15 615**
- changes in cash and cash equivalents resulting from foreign exchange gains/losses	36	-
F.Cash and cash equivalents at the beginning of the period	**42 949**	**36 607**
G.Cash and cash equivalents at the end of the period, including :	**34 902**	**52 222**
- restricted cash and cash equivalents	62	6 318

Reconciliation of cash and cash equivalents presented in teh consolidated cash flow statement with the balance sheet items	**30.06.2006**	**30.06.2005**
7. Short-term financial assets in balance sheet	-	1 986
8.Cash and cash equivalent in balance sheet	34 839	50 184
Cash of social fund	63	52
Total	34 902	52 222
G.Cash and cash equivalents at the end of the period in the cash flow statement	34 902	52 222
Presentation of sources of external finance (cash flow statement)	**30.06.2006**	**30.06.2005**
pos. C.I.2 Incomes from loans and credits	834	17 510
pos. C.II.4 Payoff from loans and credits	(11 077)	(8 861)
Change in sources of external finance, including:	**(10 243)**	**8 649**
investment debt draw, net	(8 032)	10 446
drawing/repayment of VAT facility, net	(2 211)	(1 797)

1. General information

Polish Energy Partners S.A. (hereinafter referred to as a “Parent Company”) has been incorporated by the Notarial Deed dated July 17, 1997. The Parent Company is registered with the National Court Register held by the District Court for the city of Warsaw, XX Economic Department of the National Court Register, Entry no. KRS 0000026545. The Company has been allocated a statistical number, REGON 012693488. The seat of the Parent Company is at 169 Wiertnicza St. in Warsaw

The Company is the Parent Company of Polish Energy Partners Capital Group.

Pursuant to the National Court Register extract, the scope of the Parent Company’s business activities includes:

- Generation and distribution of electrical energy (PKD 40.10),
- Generation and distribution of heat (steam and hot water) (PKD 40.30),
- General building and land engineering (PKD 45.21),
- Construction of building installations (PKD 45.3),
- Other forms of granting loans except those activities to the performance of which the concession or permission is needed or which are restricted for the scope of activities of banks (PKD 65.22),
- Research and development works in the area of biological and technical sciences (PKD 73.10),
- Management and sale of properties at its own account (PKD 70.11),
- Contracted property management (PKD 70.32),
- Financial and accounting activities (PKD 74.12);
- Constructional, urban and technological design and architecture (PKD 74.20),
- Business and management consulting (PKD 74.14);
- Other commercial activities not classified anywhere else(PKD 74.84) ,
- Other educational activities not classified anywhere else (PKD 80.42),
- Wholesale of solid, liquid, gas fuels and related products (PKD 51.51).

The scope of business activities of subsidiaries is related to the activities of the Parent Company.

1.1 Period of operation of the Company and the entities comprising Capital Group

The Company’s and other Group entities period of operation is unlimited except for Mercury Energia - Przedsiębiorstwo Produkcyjno Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością, Spółka Komandytowa.

Period of operation of one of the entities Mercury Energia - Przedsiebiorstwo Produkcyjno Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością, Spółka komandytowa is limited till the completion of the project “Construction and operation of energy plant which is fired with coke gas supplied by Zakłady Koksownicze Wałbrzych S.A.”

(in thousands zlotys)

1.2 Indication of periods for which the consolidated financial statements are prepared

Consolidated financial statements of the Capital Group were prepared for the 6 months period ended June 30, 2006. Consolidated financial statements include the comparative financial data for the 6 months period ended June 30, 2005.

1.3 Management Board Member and Supervisory Board Members

The Management Board as of June 30, 2006 comprised of:

Stephen Klein	President of the Management Board
Anna Kwarcińska	Vicepresident of the Management Board
Michał Kozłowski	Member of the Management Board

On March 21, 2006 Ms Anna Kwarcińska was appointed to the Vicepresident of the Management Board by the Supervisory Board of the Company for next term.

Members of the Company's Management Board as at June 30, 2006 were as follows:

Zbigniew Prokopowicz	Chairman of the Supervisory Board
Michał Rusiecki	Vice-president of the Supervisory Board
Aleksander Kacprzyk	Supervisory Board Member
Andrew Cowley	Supervisory Board Member
Krzysztof Sędzikowski	Supervisory Board Member
Artur Olszewski	Supervisory Board Member

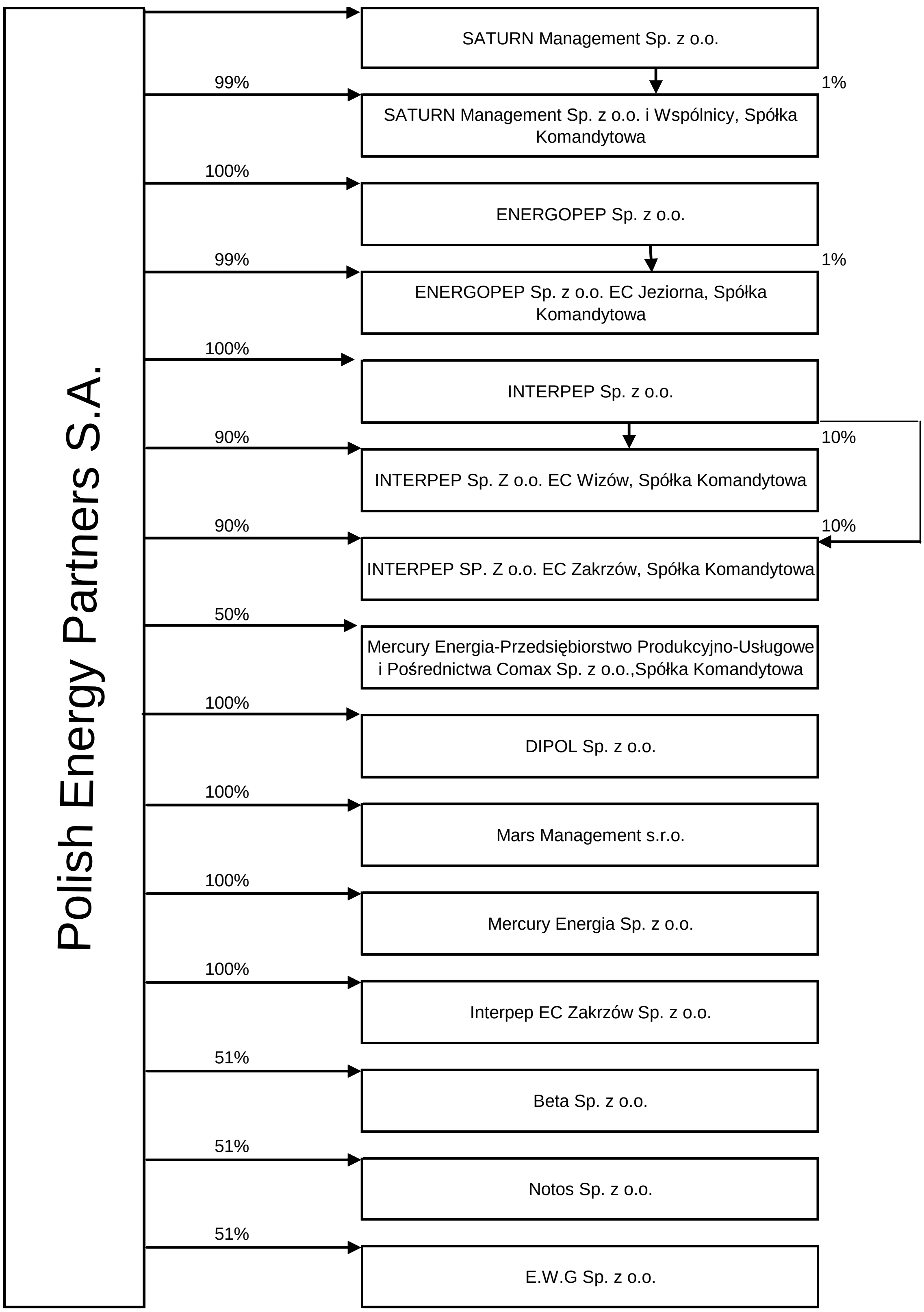
2. Going concern assumption

The financial statements of subsidiaries, associates and joint ventures included in the consolidated financial statements were prepared on the basis that these companies will be going concerns for the period of at least twelve months subsequent to June 30, 2006. As at the date of signing the consolidated financial statements, the Company's Management Board is not aware of any facts or circumstances which would indicate a threat to the Capital Group's companies going concern for at least twelve months following the balance sheet date due to an intended or compulsory withdrawal from or significant limitation in its current activities.

In the period of 6 months ended June 30, 2006 one of the subsidiaries Energopep Sp. z o.o., Warszawa ul. Wiertnicza 169 reported loss which increased the negative net assets value. As of June 30, 2006 the total capital of that company was negative and amounted to PLN 6,003 thousands. Had the profitability of that company remained negative there would be a significant risk for this company to operate as a going concern. We have received written representation from the parent company being the limited partner supporting the company in the period of at least the next 12 months. According to the Commercial Code limited partner is responsible for the liabilities of the company up to the limitation sum which is PLN 50 thousand.

In the period of 6 months ended June 30, 2006 one of the subsidiaries Interpep Sp. z o.o., EC Wizów, Spółka komandytowa reported loss which made the net asset value negative. As of June 30, 2006 the total capital of that company was negative and amounted to PLN 5,149 thousands. Had the profitability of that company remained negative there would be a significant risk for this company to operate as a going concern. We have received written representation from the parent company being the limited partner supporting the company in the period of at least the next 12 months. According to the Commercial Code limited partner is responsible for the liabilities of the company up to the limitation sum which is PLN 50 thousand.

3. Group's Structure



3.1 Subsidiaries included in the consolidated financial statements

The consolidated financial statements comprise the accounts of the Parent Company and its five controlled Subsidiaries. The detailed information regarding these entities has been presented below.

Name of the entity	Seat	Type of business activity	District Court
Polish Energy Partners S.A.	Warszawa, ul. Wiertnicza 169	Energy sector services	District Court for the city of Warsaw, XX Economic Department of the National Court Register
Saturn Management Sp. z o.o. i Wspólnicy Spółka komandytowa	Warszawa, ul. Wiertnicza 169	Energy sector services	District Court for the city of Warsaw, XX Economic Department of the National Court Register
Energopep Sp. z o.o., EC Jeziorna, Spółka komandytowa	Warszawa, ul. Wiertnicza 169	Energy sector services	District Court for the city of Warsaw, XX Economic Department of the National Court Register
Dipol Sp. z o.o.	Warszawa, ul. Wiertnicza 169	Energy sector services	District Court for the city of Szczecin, XVII Economic Department
Interpep Sp. z ograniczoną odpowiedzialnością EC Wizów Sp. Komandytowa	Warszawa, ul. Wiertnicza 169	Production of heat and electricity	District Court for the city of Warsaw, XX Economic Department of the National Court Register
Interpep Sp. z ograniczoną odpowiedzialnością EC Zakrzów Sp. Komandytowa	Warszawa, ul. Wiertnicza 169	Production of heat and electricity	District Court for the city of Warsaw, XX Economic Department of the National Court Register

Indirectly and directly the parent company owns 100% of shares in the consolidated subsidiaries.

3.2 Associates included in the consolidated financial statements

Name of the entity	Seat	Type of business activity	Percentage share In share capital
MERCURY Energia – Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa COMAX Sp. z o. o., Spółka komandytowa	Katowice, ul. Wandy 16	- generation, distribution, transmission of heat and electricity	50%

(in thousands zlotys)

3.3 Entities within the Capital Group excluded from the consolidated financial statements

Due to the fact that the stand alone and combined financial data of the companies presented below are immaterial for the true and fair presentation of the financial and material situation and financial result of the Capital Group, the below enumerated subsidiaries have not been consolidated pursuant to the provisions of International Financial Reporting Standards.

Name	Seat	Type of business activity	Percentage share in equity
Subsidiaries			
1. Interpep Sp. z o.o.	Warszawa, ul. Wiertnicza 169	- management, supervision and advisory in conducting business activities	100%
2. Energopep Sp. z o.o.	Warszawa, ul. Wiertnicza 169	- heat and electricity generation	100%
3. Saturn Management Sp. z o.o.	Warszawa, ul. Wiertnicza 169	- management, supervision and advisory in conducting business activities, - market and public opinion research	100%
4. Mars Management s.r.o.	Ostrawa	Financial, economic and organizational advisory services, wholesale activities, service and sales intermediary	100 %
5. Notos Sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Generation and distribution of electricity	51%
6. E.W.G Sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Generation and distribution of electricity	51,33 %
7. BETA Sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Generation and distribution of electricity	51,20%
8. Mercury Energia Sp. z o.o.	Warszawa, ul. Wiertnicza 169	Generation and distribution of heat, generation and distribution of electricity	100%
9. Interpep EC Zakrzów sp. z o.o.	Warszawa, ul. Wiertnicza 169	Generation and distribution of heat, generation and distribution of electricity	100%

(in thousands zlotys)

	Interpep Sp. z o.o.**	Energopep Sp. z o.o.**	Saturn Management Sp. z o.o.**
Description of activity	- management and advisory in the area of performing economic activities	- - management and advisory in the area of performing economic activities	- production of heat and generation of electrical energy
Equity	50	50	50
% shareholding	100%	100%	100%
Reason for which the entity is not consolidated	Immaterial financial data	Immaterial financial data	Immaterial financial data
Sales of products and goods	-	-	-
Financial income	-	-	-
Net profit	-	(1)	185
Total assets	49	28	323

The data relating to the Mars Management s.r.o. are not included in the above table because the company was established in September 2004 and till June 30, 2006 did not start operating.

The data relating to Notos Sp. z o.o., E.W.G Sp. z o.o., BETA Sp. z o.o., Mercury Energia Sp. z o.o., Interpep EC Zakrzów sp. z o.o. are not included in the above table because theses companies did not start operating as of June 30, 2006.

** Financial data was presented in PLN thousands and are related to the operating period ended June 30, 2006; the information was not subject to audit*

*** data as of June 30, 2006, the information was not subject to audit*

4. Comparability of the data presented

The consolidated financial statements as of June 30, 2006 and December 31, 2005 were prepared with the provisions of International Accounting Standards and International Financial Reporting Standards.

5. Approval of the financial statements

These consolidated financial statements were approved for publication by the Management Board on August 10, 2006.

6. Accounting policies applied

6.1 Changes in the accounting principles applied

In the year beginning January1, 2006 the following new standards and interpretation and amendments to the existing standards came into force:

- Amendment to IAS 19 employee benefits – this amendment introduces the possibility of allowed alternative way to recognize actuarial gains and losses in the equity. It also imposes additional requirements for some multiplant programs. Additionally this amendment imposes new disclosure requirements. As the Group is not going to change its accounting principles relating to recognition of actuarial gains and losses and does not participate in multiplant program the application of the amended IAS 19 has only changed the disclosure requirements.
- Amendments to IAS 39 option value in fair value – this amendment reduces the application of option value in fair value to fair value through profit and loss. Due to the fact that the Group categorized to the financial instruments valued in fair value through profit and loss only financial instruments held for trading the amendment of IAS 39 does not impact the presented assets and liabilities and their values.
- Amendment to IAS 39 and IFRS 4 financial guarantee agreement – the amendment introduces the obligation to recognize liability due from financial guarantees granted in fair value and then revaluation of this liability to the higher of (a) unsettled balance of received and paid commissions or (b) the amount of resources to pay the liability. This amendment does not apply to the Group accounts.
- Amendment to the IAS 39 Accounting for cash flow hedge in case of planned intercompany transactions – this amendment allows to treat the risk of foreign exchange in planned intercompany transactions as hedged item in the consolidated financial statement if (a) this transaction is done in a currency different than the functional currency of either parties of the transaction and (b) the risk of foreign exchange will impact the consolidated profit or loss. Due to the fact that the Group companies do not have transactions in foreign currency other than functional currency of either party the amendment to the IAS 39 does not apply to the Group.
- IFRS 6: exploration for and evaluation of mineral resources – this standard applies to the companies operating in exploration industry and does not apply to the Group.
- Interpretation IFRIC 4 Determining Whether an Arrangement Contains a Lease - this interpretation imposes the obligation to verify the agreements which do not have a legal form of lease, but which could result in the right to use an asset. As a result of agreement verification the Management of the Company stated that this interpretation does not apply to the Group.
- Interpretation IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds - interpretation does not apply to the Group and its transactions.

- Interpretation IFRIC 6 Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment - interpretation does not apply to the Group and its transactions.

6.2 Amendments to the existing standards and new regulation for the periods starting January 1, 2007

The following standards and interpretations were issued by the International Accounting Standards Board („IASB") or International Financial Reporting Interpretation Committee („IFRIC") but are not in force yet:

- Amendments to the IAS 1 Presentation of financial statements, disclosure of information about equity (binding from January 1, 2007)
- IFRS 7 Financial instruments, disclosure of information (binding from January 1, 2007)
- Interpretation IFRIC 7 Application of approach relying on restatement in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies (binding March 1, 2006)
- Interpretation IFRIC 8 Scope of IFRS 2 (binding May 1, 2006)
- Interpretation IFRIC 9 Assessment of embedded derivatives (binding June 1, 2006)

The Management of the Company does not expect that the application of new standard or interpretation will not have a significant impact on the accounting principles followed by the Group.

Due to IFRS 7 and amendments to IAS 1 it will be Group's obligation to include additional disclosures relating to financial instruments and equity. The Group is in the process of analyzing these requirements in order to prepare appropriate disclosures in the financial statement prepared for the year starting January 1, 2007.

(in thousands zlotys)

6.3 Fundamental Error

The type of adjustments that the Group had to include and its impact on total assets and net result is presented in the table below:

		Total Assets as of December 31, 2005	Total Assets as of June 30, 2005	Net result as of December 31, 2005	Net result as of June 30, 2005
Data presented in the published consolidated financial statements		**378 739**	**354 114**	**9 341**	**6 941**
6.3.1.	Additional liability due from BER loan	786	822	-	-
6.3.2.	Expense reimbursement	-	(594)	-	(206)
6.3.3.	Revenue accrual	-	699	-	699
6.3.4.	Deferred tax provision	-	-	-	(133)
6.3.5	Changes in social fund presentation	-	(52)	-	-
Data presented in these financial statements		**379 525**	**354 989**	**9 341**	**7 301**

6.3.2 Expense reimbursement

Pursuant to IAS 37.53 the Group recognized an asset due from the right to receive expenses reimbursement, as a result of which the impairment write downs were reversed and goodwill was written off as not meeting the definition.

6.3.3 Revenue accrual

The Group accrued revenue due from CIT reimbursement from one of its customers.

6.3.5 Changes in social fund presentation

The assets and liabilities of social fund are presented in the balance sheet net.

6.4 Format and the basis of preparing the consolidated financial statement

The consolidated financial statements were prepared in accordance with the provisions of International Accounting Standards/ International Financial Reporting Standards. The financial statements cover the period from January 1, to June 30, 2006 and the comparable periods from January 1, to December 31, 2005 and January 1, to June 30, 2005.

The consolidated financial statements were prepared based on the historic cost convention which was modified in relation to financial instruments.

The consolidated financial statements together with the comparable data for the period of 6 months ended June 30, 2005 was subject to review by certified auditor as required by law. The comparable data for the year ended December 31, 2005 was subject to audit by certified auditor.

6.5 Compliance representation

The presented consolidated financial statements were prepared with the provisions of International Financial Reporting Standards ("IFRS") and in particular with the provisions of International Accounting Standard 34 and IFRS voted by the EU. As of the date of theses financial statements, taking into consideration the process of implementation of IFRS in the EU and the scope of business of the Company there is no difference between IAS, IFRS and the interpretations related to them published in form of a decree of European Commission ("IFRS approved for application by the EC").

IFRS include standards and interpretations accepted by IFRS Council and the Interpretation Committee of the IFRS.

6.6 Significant values based on professional judgment and estimates

Some information provided in the consolidated financial statements is based on estimates and on the professional judgment of the management. These values resulting from estimates and judgment will often not coincide with real values. Among assumptions and estimates which had the most significant impact when valuing and recognizing assets and liabilities are the following:

- leases classification – Group as lessor,
- management options,
- depreciation rates,
- impairment write-downs,
- provisions for doubtful debts,
- provisions for court cases.

6.7 Functional currency and the reporting currency of the consolidated financial statements

The functional currency of the parent company and the reporting currency is Polish zloty.

6.8 The principles of consolidation

Subsidiaries are fully consolidated within the period from the taking-over of control by a parent company until such control ends. The control of the parent company is effected when the parent have directly or indirectly through its subsidiaries more than half of the votes in a given company unless it can be proved that such a number of votes does not assure control. The control is also in a situation when the company can influence the operational and financial policy of a given company.

The assets and liabilities of the Subsidiary as at the date of including it to the consolidated financial statements are valued at fair value. The difference between the fair value of such assets and liabilities and the take-over price gives rise to the establishment of the goodwill or the negative goodwill which are disclosed in a separate item of the consolidated balance sheet.

All material intercompany balances and transactions between the entities of the Group, including unrealized gains resulting form these transactions were completely eliminated in consolidation. Unrealized losses are eliminated unless it proves impairment.

Shares in associates are valued with equity method. Associates are entities which are significantly influenced by the parent company and which are neither subsidiaries of parent company nor joint ventures. The financial statements of associates are the basis for valuation of shares owned by the parent company using equity method. The financial year of associates is equal to the financial year of the parent company. Associates apply accounting policies prescribed in the Accounting Act dated September 29, 1994 with amendments (Journal of Laws No. 76, dated June 17, 2002). Before calculating the proportionate share of parent company in the financial result of such companies the financial statements of associates are restated to IFRS applied by the Group.

Proportionate share of parent company in the financial result of such companies is presented separately in the consolidated profit and loss account. Value of such company resulting from purchase of these shares is presented separately in the consolidated balance sheet.

Investments in subsidiaries, jointly controlled entities and associates excluded from consolidation are valued at historical cost adjusted for impairment.

6.9 Goodwill

Goodwill arising in a business combination is measured initially as the excess of the cost of the business combination over the acquirer's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. After initial recognition goodwill is measured at cost less accumulated impairment charges. Impairment tests are performed every year. Goodwill is not amortized.

As of the date of business combination goodwill is allocated to each cash generating unit which may benefit from combination synergy. Impairment is calculated by estimating cash generating unit recoverable amount to which allocated goodwill refers. If the recoverable amount of the cash generating unit is lower than carrying value an impairment loss is charged to profit and loss account. If goodwill is part of the cash generating unit and there is a sale of part of the cash generating unit when calculating the profit or loss of this transaction the goodwill related to the sold unit is included in its carrying value. In these circumstances the sold goodwill is calculated based on the relative value of sold unit and the remaining part of the cash generating unit.

6.10 Intangible assets

Intangible assets include assets which meet following criteria:

- Can be separated or divided from the entity and sold, transferred, licensed, rented or exchanged either individually or together with a related contract, asset or liability or
- Arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets purchased in separate transactions are initially valued in the purchase price or cost. The value of intangible assets purchased as a result of business combination is their fair value as at the date of the transaction. After initial recognition the intangible assets are presented in purchase price or cost less amortization and impairment write downs. The cost for intangible assets produced in house except for cost of research and development are not capitalized but expensed as incurred.

The Group states whether the economic useful life of the intangible assets is limited or unlimited. Intangible assets with limited economic useful life are amortized over its usage period and are tested for impairment every time any indications of such impairment appear. The period and method of amortization of intangible assets with limited economic useful life are tested for impairment at least once a year.

Expected economic useful lives are as follows:

Patents, licenses, trade marks	1 year

Computer software	2-5 years
Other intangible assets	5 years

Changes to the estimated economic useful life or the expected way of consumption of the economic benefit being the result of asset use are accounted for through proper change of the period or amortization method and are treated as changes in estimates. The amortization of intangible assets with limited economic useful life is presented in profit and loss account in the category that represents the function of given intangible asset.

Intangible assets with unspecified economic useful life and these which are not used are every year tested for impairment in relation to each asset or on the cash generating unit level. In case of other intangible assets it is assessed every year whether there are any indications of impairment. The estimated useful lives are also verified yearly and if needed, adjusted with effect from starting the just ended operating period.

6.11 Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost, or revalued amount, less accumulated depreciation and impairment write-downs. The purchase price of the right of perpetual usufruct to land is the value of the right pursuant to the decision issued by the municipality at the moment of granting such right. Land is valued at its acquisition price reduced by write-offs due to impairment.

Costs incurred on an asset already in use, such as repairs, overhauls or operating fees, are expensed as incurred. If, however, it is possible to show that such costs increase the expected future economic benefits of a given fixed asset beyond the original expected benefits they are capitalized into the value of the asset as a separate component of the asset.

Assets, except for land, are depreciated on a straight-line basis over the assets’ estimated useful lives.

Perpetual usufruct to land	20 years
Buildings, premises and other civil and water engineering structures	20 years
Plant and machinery	from 2.5 years to 20 years
Vehicles	from 2.5 years to 5 years
Other fixed assets	from 5 years to 7 years

Each class of assets is recorded separately and depreciated over its estimated useful life.

When acquired the fixed assets are classified into components with material value for which a useful life can be estimated.

If there are any indications of impairment of the asset so that the currying value of the assets can not be recovered, the Group performs an impairment test for each class of asset. If there are any indications that an impairment of asset exists and the carrying value exceeds recoverable amount then the asset or cash generating units which these assets constitute is written of the its recoverable amount. Recoverable amount is higher of net realizable value or value in use. While estimating the value in use estimated future cash flows are discounted to present value using the discount rate. The discount rate reflects market time value estimates and risk associated with the particular asset. In case of an asset that can not separately be treated as cash generating unit recoverable amount is established for the unit to which the asset is classified. The impairment write downs are expensed to profit and loss account.

A fixed asset may be derecognized from the balance sheet after selling the asset or if there are no expected probable economic benefits resulting from further use of asset. All the losses or gains resulting from such an asset removal from the balance sheet (calculated as the difference between sales proceeds and net book value of the asset) are expensed in the profit and loss account in the period in which the derecognition was done.

6.12 Assets under construction

Assets under construction are carried at the value of aggregate costs directly attributed to their acquisition or manufacture, including financial costs, reduced by write-offs due to impairment. Assets under construction also include materials for construction. Assets under construction are not depreciated until they are completed and available for use.

6.13 Shares in joint ventures

The Group has a joint venture which comprises cooperation on completing the development of wind farm projects. The necessary investment for development of wind farm projects is capitalized in the Group assets and in the assets of the joint venture partner.

6.14 Leasing

Group as the leasee

Financial lease agreements which transfer to the Group all of the risks and rewards relating to ownership of the asset are initially recognized in the balance sheet at the inception date at the lower of two values: fair value of the leased assets or present value of minimum lease payments. Lease payments are divided between financial revenues/costs and decrease of receivables/liabilities balance in a way enabling to achieve a fixed interest rate from the outstanding receivable/obligation. Financial costs are directly expensed in the profit and loss account.

Fixed assets used under the financial lease agreement are depreciated over shorter of two periods: estimated useful life or lease period.

Lease agreements in which the lessor has all of the risks and rewards relating to ownership of the asset are classified as operational lease. Lease payments resulting from operational lease are expensed in the profit and loss account using the straight line method over the lease period.

Group as the lessor

One of the Group entities is party of lease agreement which assumes lease of fixed asset and intangible assets over a specified period of time.

Pursuant to IAS 17 the above mentioned lease agreement meets the criteria of financial lease and in this way was presented in the consolidated financial statements of the Group. For tax purposes this transaction is treated as operational lease.

In case of a financial lease, where the agreement results in substantially all of the risks and rewards relating to ownership of the asset being transferred to the user of the equipment, the subject of the lease agreement is recorded in lessee's assets as fixed asset based on the current value of minimum lease payments set at the lease inception. In lessor's books the assets transferred under financial lease agreement are presented as receivables amounting to lease investment amount. Lease payments are divided between financial revenues/costs and decrease of receivables/liabilities balance in a way enabling to achieve a fixed interest rate from the outstanding receivable/obligation. Financial revenues and costs are recorded directly in the profit and loss accounts.

The lease payments resulting from agreements which do not fulfill the criteria of a financial leasing are recorded as costs or revenues in the profit and loss accounts based on a straight-line method for the lease agreement period.

6.15 Inventory

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition is accounted for based on a „weighted average" method.

Production costs and production in progress costs include direct material costs, workers cost and allocated, justified indirect production costs, established at the normal usage of production capacity.

Net realizable value is the selling price estimated at the balance sheet date net of VAT and excise taxes less rebates and discounts less estimated costs of completion and the estimated costs necessary to make the sale.

6.16 Short- and long-term receivables

Trade receivables except for receivables described in 6.13 are recognized and carried at original invoice amount less an allowance for any doubtful and uncollectible amounts.

An estimate for doubtful debts is made based on the assessment of the probability of receivables collection to reflect the realizable value of receivables. The allowance is recorded, as either operating costs or financial costs, depending on the type of receivable.

Balances of receivables which are subsequently written-off reduce the allowance created against the account.

Balances of receivables which are subsequently written-off where there was no full or partial allowance previously created are expensed as other operating costs or financial costs.

Receivables include also receivables from financial lease.

If the impact of time value of money is material the value of receivables is established at the present value using the discount rate. The discount rate reflects market time value estimates. If the applied method assumes discounting then the increase in receivables due to time is recorded as financial income.

(in thousands zlotys)

6.17 Foreign Currency Transactions

Transactions denominated in non-Polish currencies are translated into Polish equivalents at the rate of exchange on the date of the transaction.

As at the balance sheet date, monetary assets and liabilities expressed in currencies other than Polish zlotys are translated into Polish zlotys at the average exchange rate of the National Bank of Poland. Foreign currency differences resulting from the above transaction are reported in the financial income or financial costs respectively.

Non monetary assets and liabilities measured at historical cost expressed in foreign currency are recalculated at the historical exchange rate at the transaction date. Non monetary assets and liabilities measured at fair value are recalculated at the exchange rate ruling at the date of valuation.

For the purpose of valuation, the following exchange rates have been adopted:

	30.06.2006	**31.12.2005**	**30.06.2005**
USD	3,1816	3,2613	3,3461
EUR	4,0434	3,8598	4,0401
CAD	2,8637	2,8093	2,7185
CHF	2,5803	2,4788	2,6072
GBP	5,8308	5,6253	6,0251

6.18 Cash and cash equivalents

Cash in hand and at bank and short-term deposits held until maturity are carried at fair value.

The cash and cash equivalents item presented in the consolidated cash flow statement includes cash in hand, bank deposits, treasury bills and bonds investment fund units which were not treated as investment activity.

6.19 Prepaid and accrued expenses

The Company recognizes a prepayment if costs incurred relate to future reporting periods and accrues expenses as a liability for costs incurred in the current reporting period in the amount of probable liabilities due in current reporting period.

6.20 Share capital

Ordinary share capital is recorded in the amount stated in the Statutes as entered in the court register. Differences between the fair value of amounts received and the par value of shares is recorded as share premium. In the case of purchase of own shares, the amount of payment for shares is debited against the share capital and is disclosed in the balance sheet in equity. Declared but unpaid cash contributions to capital are recorded as share capital due from shareholders.

6.21 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, such that an outflow of resources embodying economic benefits is certain or highly probable to be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the Group expects that costs which were provided will be reimbursed i.e. from insurance company then this reimbursement is recognized as asset but then and only then if it is virtually certain that the reimbursement will be collected. Costs relating to s specified provision are incurred in the profit and loss account net of any reimbursements. In case the time value of money is material factor the provision is measured using the present value of future cash flows at the discount rate which reflects current market estimate of time value of money and the risk related to the specified liability. If the discount method is applied the increase in the provision as time passes will be recognized as borrowing cost.

6.22 Provisions for jubilee awards and retirement allowances

According to the company's remuneration system, employees have right to jubilee awards and retirement allowances. Jubilee awards are paid after servicing a specified amount of years. Retirement / pension allowances are paid at the time of retirement / pension. The Group creates provision for the abovementioned allowances to distribute the jubilee awards and retirement / pension allowances along the whole period of employment in the Company. According to IAS 19 jubilee awards are other long term pension obligations and retirement allowances are programs of specified allowances after servicing period. Present value of these liabilities at each balance sheet date is calculated by an independent actuary. The calculated liabilities are equal to the discounted payments which will be paid in the future taking into account rotation and relate to the period till the balance sheet date. Demographical information and rotation information are based on historical data. Actuarial gains and losses are recognized in the profit and loss account.

6.23 Loans and borrowings

All loans and borrowings are initially recognized at cost, being the value of the consideration received net of acquisition costs associated with the borrowing/loan. After initial recognition, all interest-bearing loans and borrowings, other than liabilities held for trading, are subsequently measured at amortized cost, using the effective interest rate method.

Costs related to loan acquisition, discounts and premiums received at the moment of liability settlement are taken into account when calculating the amortized cost.

Profits and losses are recorded in the profit and loss account at the moment of liability removal and when calculating the payment.

6.24 Borrowing costs

The costs of loans and credits including foreign exchange resulting from loans and credits drawn in foreign currency which can be directly attributed to purchase, construction or production of asset, pursuant to the allowed alternative in the IAS 23 is capitalized as part of the purchase price or production cost of the asset. The cost of external financing includes interest and profits or losses from foreign exchange differences up to the amount referring to the interest cost.

6.25 Deferred Tax

Deferred income tax is provided for, 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 for financial reporting purposes.

Deferred tax liabilities are recognized on all taxable temporary differences:

- With exempt when the deferred tax liability arises due to initial recognition of goodwill or the initial recognition of asset or liability is in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit, and
- In case of positive temporary differences resulting from investment in subsidiaries, associates and shares in joint ventures - except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

- With exempt when the deferred tax asset arises due the initial recognition of asset or liability is in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit, and
- In case of negative temporary differences resulting from investment in subsidiaries, associates and shares in joint ventures the deferred tax asset is recognized in the balance sheet in the amount which is probable that in foreseeable future the above mentioned differences will reverse and taxable profit will be available against which the deductible temporary differences can be utilized.

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 tax asset to be utilized.

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

The income tax relating to the items directly recorded in net assets is recorded in net assets and not in the profit and loss account.

Deferred tax assets and liabilities are presented net in the consolidated balance sheet.

6.26 Financial instruments

Financial instruments are classified into one of the following four categories:

- Held to maturity,
- Fair value through profit and loss
- Originating loans and receivables
- Available for sale.

A held- to – maturity asset is one that has a fixed maturity and fixed or determinable payments and that the entity has the positive intent and ability to hold until maturity. Held – to – maturity assets are measured at amortized cost calculated using the effective interest method.

Financial instruments acquired in order to gain on short term price changes are classified as financial instruments fair value through profit and loss. Fair value through profit and loss financial instruments are valued in fair value without any transaction costs, taking into account the market value as at the balance sheet date. Changes in these instruments are recorded in financial revenues and costs.

Originating loans and receivables are valued using amortized cost method.

All the remaining financial assets are financial assets available for sale. Financial assets available for sale are valued at fair value without any transaction costs, taking into account the market value as at the balance sheet date. If there is no active market for such instruments and no reliable available valuation using alternative methods, available for sale financial assets are valued at historical cost less impairment.

Positive and negative difference between fair value and historical costs, after deferred tax, relating to available for sale assets (if active market exists or fair value can be reliably measured) is recorded in revaluation capital. The loss in value of available for sale financial assets is recorded as financial cost in the profit and loss account.

Held – to – maturity financial assets are classified as long term assets if they maturity exceeds 12 months from balance sheet date.

Fair value through profit and loss financial assets are classifies as current assets if the management intends to close the position within 12 months from the balance sheet date.

Purchase and sale of financial assets are initially recognized as at the date of the transaction. Initial measurement includes purchase price which is fair value including transaction costs.

Financial liabilities which are not fair value through profit and loss financial instruments are valued at amortized cost using the effective interest method.

Financial instrument is derecognized from the balance sheet when the Group loses control over contractual rights comprising this instrument. Typically this happens when the instrument is sold and all the cash flows related to this instrument will now be attributed to an independent third party.

6.27 Impairment of assets

An assessment is made at each balance sheet date by the Group’s companies to determine whether there is objective evidence that an asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined. If the carrying value of an asset or cash generating unit is higher than the recoverable amount, an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. The costs of any write-downs are included in other operating expenses. If there were previous asset revaluation then the impairment loss is charged against the revaluation capital and the remaining impairment loss is charged to the profit and loss account for the current period.

6.28 Impairment of financial assets

An assessment is made at each balance sheet date by the Group’s companies to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired.

Assets recognized at amortized cost

If there are objective indications that there is a loss incurred as a result of diminution in value of loans and receivables valued at amortized cost, then the amount of revaluation due from impairment is equal to the difference between the carrying value of the financial asset and the present value of the future cash flows (excluding all future losses due from lack of collection of receivables, which have not been incurred yet) discounted with application of primary discount rate (which is interest rate

established at initial recognition). The carrying value of the asset is reduced directly or through reserve. The cost is incurred in the profit and loss account.
The Group assesses firstly whether there are objective indications of impairment of particular financial assets which individually are significant and indications of impairment which individually are not significant. If as a result of the analysis there are no objective indications of impairment of an individually assessed financial asset, irrespective of whether it is significant or not the Group includes this asset of the group of financial asset with similar credit risk and assesses jointly the impairment. Assets which are assessed individually for impairment and for which the impairment was recognized or it was assessed that the current impairment will not change are not taken into account in group test for impairment.
If in the next period the impairment write down lowered and this lowering can be objectively related to the event after the impairment was recognized than the previous impairment is reversed. The later reversal of the impairment is recognized in the profit and loss account in the scope in which as of the date of the reversal the carrying value of an asset does not exceed its amortized cost.

Financial assets recognized at cost

If there are objective indications that an impairment exists of an unquoted financial instrument which is not valued in fair value because its fair value cannot be reliably estimated or derivative instrument which is embedded and must be settled through delivery of such an unquoted financial instrument then the amount of impairment is established as the difference between carrying value of the financial asset and present value of future cash flows discounted with current market discount rate for similar financial instruments.

Financial assets available for sale

If there are objective indications that an impairment exists of an available for sale financial asset then the difference between purchase price of this asset (less principal repayment and amortization) and its present fair value less any impairment write downs of this asset previously recognized in the profit and loss account is booked from equity to the profit and loss account. It is not allowed to recognize in the profit and loss account any reversal of the impairment of equity instruments categorized as available for sale. If in the next period the fair value of a debt instrument available for sale increases and this increase can be objectively assessed with an event after the impairment was recognized in the profit and loss account then the reversal of impairment is recognized in the profit and loss account.

6.29 Share based payments

The management board member of the Group receive share based payments which means that they render services in exchange for shares or rights to obtain shares.(" Transactions settled in equity instrument").

Transactions settled in equity instrument

The cost of such equity transactions with management board members is valued at fair value at the date of granting of such rights. Fair value is estimated based on binominal model or Balck-Scholes-Merton model. When valuing the transactions settled in equity instrument there are no conditions relating to the effectiveness/ results taken into consideration apart from these which are related to the share price of the parent company ("market conditions").

The cost of transactions settled in equity instruments is recognized together with associated increase in equity in the period in which the effectiveness//results conditions were met and ending in the day in which specified employees will receive the rights (rights grant date). The cumulative cost resulting from the transactions settled in equity instrument for each balance sheet date till grant date reflects the time passage of receiving rights and the number of awards, to which rights – in the opinion of the Management as of that date, based on the possibly best estimates of the equity instrument number will be purchased.

No costs are recognized from awards to which the rights are not finally purchased, except for awards in case of which the purchase of rights depends on market conditions which are treated as purchased irrespective of meeting the market conditions, under the condition of meeting other conditions relating to effectiveness.
In case of modifications of granting the awards settled in equity instruments, in order to meet minimum requirements only costs are incurred as if in case the conditions were not modified. Moreover, the cost is recognized of each increase in transaction market value as a result of modifications, valued as of the date of modification.
In case of deletion of award settled in equity instrument it is treated in the way as if the rights were purchased in the date of deletion and all the costs due from the award not incurred yet are immediately recognized. However, in case of replacement of deleted award with new award – specified as deputy award in the day of grant, the award deleted and the new award are treated as if it is a modification of the primary award which is in the way described in the above paragraph.

As of the day of the financial statement the option on its own shares do not have significant dilution effect of the earnings per share.

6.30 Recognition of revenues

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognized net of VAT tax, excise duty and rebates. When recognizing revenues the below presented criteria also apply.

6.30.1. Sale of goods and products

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue is measured at the fair value of the consideration less VAT. Revenue from sales of electricity includes excise tax.

6.30.2. Provision of services

Proceeds from the provision of services are recognized based on the level of completion of the given service, if this may be reliably estimated. Where the effects of the transaction for the provision of services may not be reliably estimated, proceeds from the provision of services are recognized only up to the amount of costs incurred in this respect.

6.30.3. Interest

Revenue is recognized as the interest accrues (taking into account the effective yield on the asset which is the discount rate which discounts future cash flows over the estimated use of financial instruments) in relation to the net book value of given financial instrument class.

6.30.4. Dividends

Dividends due are recorded at the moment of dividend rights for the shareholders.

6.30.5. Government Grants

Government grants are recognized in fair value when there is reasonable assurance that the entity will comply with the relevant conditions and the grant will be received.

A grant that is compensation for expenses is recognized as income in the period to match the related costs that they are intended to compensate. Grant that relate to the acquisition of an asset are recognized in accrued income and are subsequently recognized in income as the asset is depreciated over the economic useful life.

6.31 Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the earnings attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding which are adjusted for the effects of all dilutive potential ordinary shares.

6.32 Contingent liabilities and assets

Contingent liabilities are obligations whose existence will be confirmed by the occurrence of uncertain future events. Contingent liabilities are not recognized in the balance sheet. However they are disclosed in the notes to the financial statements, unless the probability of an outflow is remote.

Contingent assets are not recognized in the balance sheet unless the realization is virtually certain.

(in thousands zlotys)

6.33 Emission rights

The Group provides for the emission rights in case the Group has a deficit of emission rights. In case of emission rights surplus over the actual physical emission, this surplus is recorded off balance.

7. Information on business segment and geographical segment reporting

The company performed an analysis in order to identify potential business segments. The main criterion to identify the segments is difference in risk and returns achieved by each segment. As a result of this analysis the following segments were identified: industrial energy outsourcing which consists of rendering operational services, industrial energy outsourcing which consists of heat and electricity production and wind energy segment. There are presented in the table below the basic data about the identified segments.

30.06.2006	**Continued operations**			
	Outsourcing - operating service	Other outsourcing - production of electricity and heat	Wind energy	Total
Revenues from third party sales	18 009	14 118	-	32 127
Intersegment transactions	-	-	-	
Total revenues	18 009	14 118	-	32 127
Result of segment	**14 582**	**1 907**	**391**	**16 879**
Unallocated expenses	-	-	-	(5 276)
Other operating income/expense	-	-	-	(15 657)
Operating profit	**-**	**-**	**-**	**(4 054)**
Financial income/cost	-	-	-	243
Gross profit	**-**	**-**	**-**	**(3 810)**
Income tax	-	-	-	170
Net profit	**-**	**-**	**-**	**(3 640)**
Segment assets	297 504	52 856	38 112	388 472
Unallocated assets	-	-	-	-
Total assets	**297 504**	**52 856**	**38 112**	**388 472**
Segment liabilities	243 034	30 079	14 805	287 918
Unallocated liabilities	-		-	564
Total liabilities	**243 034**	**30 079**	**14 805**	**288 482**
Purchase of intangible and tangible fixed assets, including	**122**	**2 457**	**2 440**	**5 019**
- Tangible fixed assets	122	2 414	2 440	4 976
- Inangible assets	-	43		43
Depreciation	46	1 392	-	1 438
Impairment write downs		-	-	(17 886)

The line Other operating costs there is the amount of 12,878 thousands PLN which constitutes the impairment write down of the segment „Other outsourcing activity – production of heat and electricity"), which is presented in Note 41 in detail.

(in thousands zlotys)

30.06.2005	**Continued operations**			
	Outsourcing - operating service	Other outsourcing - production of electricity and heat	Wind energy	Total
Revenues from third party sales	18 909	14 641	-	33 550
Intersegment transactions	-	-	-	
Total revenues	18 909	14 641	-	33 550
Result of segment	**14 088**	**(49)**	**(11)**	**14 028**
Unallocated expenses	-	-	-	(5 290)
Other operating income/expense	-	-	-	(152)
Operating profit	**-**	**-**	**-**	**8 586**
Financial income/cost	-	-	-	629
Gross profit	**-**	**-**	**-**	**9 215**
Income tax	-	-	-	(1 914)
Net profit	**-**	**-**	**-**	**7 301**
Segment assets	266 986	87 393	610	354 989
Unallocated assets	-	-	-	-
Total assets	**266 986**	**87 393**	**610**	**354 989**
Segment liabilities	225 013	19 848	561	245 422
Unallocated liabilities	-	-	-	444
Total liabilities	**225 013**	**19 848**	**561**	**245 866**
Purchase of intangible and tangible fixed assets, including	**(262)**	**2 334**	**199**	**2 271**
- Tangible fixed assets	(267)	2 325	-	2 058
- Inangible assets	5	9	-	14
Depreciation	71	1 433	-	1 504
Impairment write downs	-	-	-	(1 811)

The Group operates on Polish territory (100% of revenue) which regions due to their similar economic conditions and risks should be treated as homogeneous territory. Due to the above the Group des not have any geographical sectors.

8. Average exchange rate of Polish zloty in relation to EURO

In the period covered by these financial statements and consolidated comparable data the exchange rates published by NBP in relation to EURO amounted to:

	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Exchange rate as at the balance sheet date
30.06.2006	3,9033	3,7565	4,1065	4,0863
31.12.2005	4,0233	3,8223	4,2756	3,8598
30.06.2005	4,0805	3,8839	4,2756	4,0401

(in thousands zlotys)

9. Selected Financial Data of the Capital Group recalculated to EURO

CONSOLIDATED BALANCE SHEET	30.06.2006		31.12.2005		30.06.2005	
	thd. zł	thd. EURO	thd. zł	thd. EURO	thd. zł	thd. EURO
Total Assets	388 472	95 067	379 525	93 940	354 989	91 971
I.Fixed Assets (long-term)	318 642	77 978	294 696	72 943	271 960	70 460
II. Current assets (short-term)	69 830	17 089	84 829	20 997	83 029	21 511
Total Capital and Liabilities	388 472	95 067	379 525	93 940	354 989	91 971
I. Shareholders' Equity	99 991	24 470	111 621	27 628	109 123	28 272
II.Minority interest	-	-	-	-	-	-
III. Liabilities and reserves	288 482	70 597	267 904	66 311	245 866	63 699

(in thousands zlotys)

CONSOLIDATED PROFIT AND LOSS STATEMENT	30.06.2006		30.06.2005	
	thd. zł	thd. EUR	thd. zł	thd. EUR
I. Sales income	32 127	8 231	33 550	8 222
II. Cost of goods sold	(16 332)	(4 184)	(18 769)	(4 600)
III. Gross profit on sales (I-II)	15 795	4 047	14 781	3 622
IV. Selling expense	-	-	-	-
V. General and administration costs	(6 999)	(1 793)	(6 843)	(1 677)
VI. Profit on sales (III-IV-V)	8 796	2 254	7 938	1 945
VII. Other operating income	1 091	280	603	148
VIII. Other operating expense	(16 717)	(4 283)	(467)	(114)
IX. Operating profit (VI+VII-VIII)	(6 830)	(1 750)	8 074	1 979
X. Financial income	8 133	2 084	6 677	1 636
XI. Financial expense	(5 091)	(1 304)	(5 530)	(1 355)
XII. Profit/Loss from subordinate units	(22)	(6)	(6)	(1)
XIII. Gross profit/loss (IX+X-XI+/-XII)	(3 810)	(976)	9 215	2 258
XIII. Gross profit/loss (IX+X-XI+/-XII)	(3 810)	(976)	9 215	2 258
XIV. Corporate income tax	170	44	(1 914)	(469)
XV. Net profit/loss from continued activity	(3 640)	(934)	7 301	1 789

Consolidated Cash Flows Statement	30.06.2006		30.06.2005	
	thd. zł	thd. EURO	thd. zł	thd. EURO
Gross profit/loss	(3 810)	(976)	9 215	2 258
Adjustments	22 297	5 712	(6 501)	(1 593)
A.Cash flow from operating activities	18 486	4 736	2 714	665
B.Net cash flow from investing activities	(2 676)	(686)	9 734	2 385
C.Net cash flow from financing activities	(23 893)	(6 121)	3 167	776
D.Net change in cash and cash equivalents	(8 083)	(2 071)	15 615	3 827

The above presented financial data were recalculated to EURO based on the following rules:

- balance sheet items – average exchange rated published by NBP as of June 30, 2006 and December 31, 2005 and June 30, 2005 which were presented in the note 8 of this financial statement,

(in thousands zlotys)

- profit and loss items and cash flow items – average exchange rate being the arithmetic mean of average exchange rates published by NBP as of the last date of each month in the first half of 2005 and 2006 which were presented in note 8 of this financial statement

10. Earnings per share

Basic earnings per share are the profit or loss attributable to ordinary shareholders of the company for the period divided by the weighted average number of ordinary shares outstanding.

The diluted earnings per share are the profit attributable to ordinary shareholders (after adjusting for interest from redeemable preference shares convertible into ordinary shares) divided by the weighted average number of ordinary shares outstanding (adjusted for the diluting impact of options and diluting redeemable preference shares convertible into ordinary shares).

In the table below there are presented data relating to the profit and number of shares which were used to calculate basic and diluted EPS

EARNINGS PER SHARE		
	30.06.2006	**30.06.2005**
a) Net profit	(3 640)	7 301
b) Weighted average number of shares	18 220 127	17 932 392
c) Earnings per share (in zloty)	(0,20)	0,41

date	Number of shares	New issue	Number of months	Number of shares to the weighted average
2006-01-01	18 184 673		3	9 092 337
2006-03-17	18 255 581	70 908	3	9 127 791
Weighted average number of ordinary shares in the 6months period ended June 30, 2006				**18 220 127**
Dilution effect				0
Weighted diluted average number of ordinary shares in the 6months period ended June 30, 2006				**18 220 127**

In the period from the balance sheet date till the date of preparation of this consolidated financial statement there were no other transactions relating to the ordinary shares and potential ordinary shares.

(in thousands zlotys)

11. Intangible assets

reported as of 30.06.2006

Movement in intangible fixed assets	a		Total intangible fixed assets
	patents, licences, concessions and similar assets:		
		computer software	
1. Gross book value of intangible fixed assets at the beginning of the period	**624**	**285**	**624**
a) increase, inluding:	43	-	43
- purchase	43	-	43
b) decrease	-	-	-
2. Gross book value of intangible fixed assets at the end of the period	**667**	**285**	**667**
3. Accumulated amortization at the beginning of the period	**(596)**	**(279)**	**(596)**
- Amorization in the period	(6)	(3)	(6)
- decrease	-	-	-
4. Accumulated amortization at the end of the period	**(602)**	**(282)**	**(602)**
5. Impairment write-downs at the beginning of the period	**-**	**-**	**-**
6. Impairment write-downs at the end of the period	**-**	**-**	**-**
7. Net book value of intangible fixed assets at the beginning of the period	**28**	**6**	**28**
8. Net book value of intangible fixed assets at the end of the period	**65**	**3**	**65**

reported as of 30.06.2005

Movement in intangible fixed assets	a		Total intangible fixed assets
	patents, licences, concessions and similar assets:		
		computer software	
1. Gross book value of intangible fixed assets at the beginning of the period	**585**	**264**	**585**
a) increase, inluding:	14	14	14
- purchase	14	14	14
b) decrease	-	-	-
2. Gross book value of intangible fixed assets at the end of the period	**599**	**278**	**599**
3. Accumulated amortization at the beginning of the period	**(546)**	**(248)**	**(546)**
- Amorization in the period	(32)	(17)	(32)
- decrease	-	-	-
4. Accumulated amortization at the end of the period	**(578)**	**(265)**	**(578)**
5. Impairment write-downs at the beginning of the period	**-**	**-**	**-**
6. Impairment write-downs at the end of the period	**-**	**-**	**-**
7. Net book value of intangible fixed assets at the beginning of the period	**39**	**16**	**39**
8. Net book value of intangible fixed assets at the end of the period	**21**	**13**	**21**

(in thousands zlotys)

12. Tangible fixed assets

reported as of 30.06.2006

Movement in tangible fixed assets								
	- land (including usufruct)	- buildings and constructions	- plant and machinery	- vehicles	- other tangible fixed assets	- construction in progress	- prepayments for construction in progress	**Total tangible fixed assets**
1. Gross book value of tangible fixed assets at the beginning of the period	**545**	**12 575**	**32 110**	**1 296**	**614**	**9 049**	**13 779**	**69 968**
a) increase, including:	-	-	3 129	236	107	40 372	-	43 844
- purchase	-	-	35	236	107	26 593	-	26 971
- other	-	-	3 094	-	-	13 779	-	16 873
b) decrease, including:	-	-	(80)	-	(14)	(6 211)	(13 779)	(20 084)
- sale and liquidation	-	-	(80)	-	(14)	-	-	(94)
- other	-	-	-	-	-	(3 117)	(13 779)	(16 896)
- trasnfers	-	-	-	-	-	(3 094)	-	(3 094)
2. Gross book value of tangible fixed assets at the end of the period	**545**	**12 575**	**35 159**	**1 532**	**707**	**43 210**	**0**	**93 728**
3. Accumulated depreciation at the beginning of the period	**(13)**	**(3 020)**	**(8 279)**	**(498)**	**(473)**	**-**	**-**	**(12 282)**
- depreciation in the period	(1)	(361)	(905)	(137)	(27)	-	-	(1 431)
- decrease, including:	-	-	74	-	10	-	-	84
- sale and liquidation	-	-	74	-	10	-	-	84
4. Accumulated depreciation at the end of the period	**(14)**	**(3 381)**	**(9 110)**	**(635)**	**(490)**	**-**	**-**	**(13 630)**
5. Impairment write-downs at the beginning of the period	**-**	**-**	**(1 533)**	**-**	**-**	**(228)**	**-**	**(1 761)**
- increase	(35)	(3 483)	(7 441)	-	-	-	-	(10 959)
- decrease	-	-	-	-	-	-	-	-
6. Impairment write-downs at the end of the period	**(35)**	**(3 483)**	**(8 974)**	**-**	**-**	**(228)**	**-**	**(12 720)**
7. Net book value of tangible fixed assets at the beginning of the period	**532**	**9 555**	**22 298**	**798**	**141**	**8 821**	**13 779**	**55 925**
8. Net book value of tangible fixed assets at the end of the period	**496**	**5 711**	**17 075**	**897**	**217**	**42 982**	**0**	**67 378**

Due to indications of asset impairment in EC Wizów the Group preformed an impairment test for these assets. As a result of this test an impairment loss in the amount of 10,959 thousand zlotys was identified, which lowered the carrying value of assets and charged the profit and loss account. The impairment write down is presented in Note 41 in details.

(in thousands zlotys)

As of June 30, 2006 the land and buildings were pledged for bank loan repayment.

reported as of 31.12.2005

Movement in tangible fixed assets								
restated	- land (including usufruct)	- buildings and constructions	- plant and machinery	- vehicles	- other tangible fixed assets	- construction in progress	- prepayments for construction in progress	**Total tangible fixed assets**
1. Gross book value of tangible fixed assets at the beginning of the period	**49**	**12 032**	**30 875**	**798**	**566**	**2 951**	**-**	**47 271**
a) increase, including:	496	630	3 367	498	71	27 597	13 779	46 438
- purchase	496	630	1 156	498	71	27 597	13 779	44 227
- other	-	-	2 211	-	-	-	-	2 211
b) decrease, including:	-	(87)	(2 133)	-	(13)	(21 499)	-	(23 732)
- sale and liquidation	-	(87)	(2 133)	-	(3)	(2 078)	-	(4 301)
- other	-	-	-	-	(10)	(17 210)	-	(17 220)
- trasnfers	-	-	-	-	-	(2 211)	-	(2 211)
2. Gross book value of tangible fixed assets at the end of the period	**545**	**12 575**	**32 109**	**1 296**	**624**	**9 049**	**13 779**	**69 977**
3. Accumulated depreciation at the beginning of the period	**(10)**	**(2 402)**	**(8 042)**	**(328)**	**(424)**	**-**	**-**	**(11 206)**
- depreciation in the period	(3)	(697)	(1 944)	(170)	(66)	-	-	(2 880)
- decrease, including:	-	79	1 709	-	7	-	-	1 795
- sale and liquidation	-	79	1 709	-	3	-	-	1 791
- contribution in kind	-	-	-	-	-	-	-	-
- other	-	-	-	-	4	-	-	4
- trasnfers	-	-	-	-	-	-	-	-
4. Accumulated depreciation at the end of the period	**(13)**	**(3 020)**	**(8 277)**	**(498)**	**(483)**	**-**	**-**	**(12 291)**
5. Impairment write-downs at the beginning of the period	**-**	**-**	**(1 329)**	**-**	**-**	**-**	**-**	**(1 329)**
- increase	-	-	(204)	-	-	(228)	-	(432)
- decrease	-	-	-	-	-	-	-	-
6. Impairment write-downs at the end of the period	**-**	**-**	**(1 533)**	**-**	**-**	**(228)**	**-**	**(1 761)**
7. Net book value of tangible fixed assets at the beginning of the period	**39**	**9 630**	**21 504**	**470**	**142**	**2 951**	**-**	**34 736**
8. Net book value of tangible fixed assets at the end of the period	**532**	**9 555**	**22 299**	**798**	**141**	**8 821**	**13 779**	**55 925**

As of June 30, 2005 the land and buildings were pledged for bank loan repayment.

(in thousands zlotys)

13. Fixed assets – ownership structure

	30.06.2006	31.12.2005	30.06.2005
a) owned	66 486	55 428	33 690
b) used based on lease agreement	892	497	462
Total tangible fixed assets	**67 378**	**55 925**	**34 152**

14. Long term receivables

	30.06.2006	31.12.2005	30.06.2005
a) From affiliates	-	-	-
- from subsidiaries	-	-	-
- from affiliates	-	-	-
- from other related companies	-	-	-
b) From others - leasing	237 999	231 587	233 533
Long term receivables, net	**237 999**	**231 587**	**233 533**
c) provisions for doubtful debt	-	-	(2 002)
Long term receivables, gross	237 999	231 587	235 535

15. Long term financial assets

	30.06.2006	31.12.2005	30.06.2005
a) in subsidiaries	384	198	357
- shares	272	198	349
- loans graned	112	-	8
b) in associates	11 100	6 195	3 745
- shares	825	756	744
- loans graned	10 275	5 439	3 001
c) in other companies	-	-	-
- shares	-	-	-
- loans graned	-	-	-
Total long-term financial assets	**11 484**	**6 393**	**4 102**

(in thousands zlotys)

16. Long term financial assets

reported as of 30.06.2006

Shares in affiliates

	a	b	c	d	e	f	g
No.	Name of the Company with indication of legal form	Seat of the company	Description of activity	Affiliate type (subsidiary, jointly controlled entity, associate), with description of direct and indirect relations	consolidation method used (equity method or indication that the company is excluded from consolidation)	date of effective control/ jointly control/ signifcant influence	vaule of shares at historical cost
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością *)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	subsidiary	exluded from consolidation due to immaterial financial data	28.03.2002	45
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	subsidiary	exluded from consolidation due to immaterial financial data	29.07.2003	50
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	subsidiary	exluded from consolidation due to immaterial financial data	24.09.2001	45
4	Mercury Energia - Przedsiebiorstwo Produkcyjno Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością , Spółka komandytowa *)	ul. Wandy 16, 40-322 Katowice	rendering od services in the energy sector	associate	conslidated by the equity value method	23.01.2004	800
5	Mars Management, s.r.o*)	Ostrava, 28.rijna 270/854 kod 709 00	Financial, economic and organizational advisory services, wholesale activities, service and sales intermediary	subsidiary	exluded from consolidation due to immaterial financial data	20.09.2004	28
10	Interpep Sp. z o.o. EC Zakrzów Spółka Komandytowa*)	ul. Wiertnicza 169, 02-952 Warszawa	production and distribution of heat	subsidiary	full consolidation	03.02.2005	1 445
6	Notos Sp. z o.o.*)	Al.Wojska Polskiego 156 Szczecin	rendering od services in the energy sector	associate	exluded from consolidation due to immaterial financial data	20.12.2005	26
7	Mercury Energia Spółka z ograniczoną odpowiedzialnością*)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	subsidiary	exluded from consolidation due to immaterial financial data	31.05.2006	50
8	E.W.G Spółka z ograniczoną odpowiedzialnością*)	Al.Wojska Polskiego 156 Szczecin	rendering od services in the energy sector	subsidiary	exluded from consolidation due to immaterial financial data	31.05.2006	51
9	Interpep, EC Zakrzów Społka z ograniczoną odpowiedzialnością*)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	subsidiary	exluded from consolidation due to immaterial financial data	07.06.2006	50

(in thousands zlotys)

reported as of 30.06.2006

Shares in affiliates

	a	h	i	j	k	l	m						
											other equity including:		
No.	Name of the Company with indication of legal form	revaluation adjustements	book value of shares	percentage share in capital	share in votes in shreholders meeting	indication of other sources of control/jointly control/ sgnificant influence than stated in section j) or k)	total equity of the entity	Share capital	Unpaid share capital (negative amount)	Reserve capital		Profit/loss from previous years	Net profit/loss
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością *)	-	45	100	100	no data	28	50	-	-	(22)	(19)	(3)
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	-	50	100	100	no data	49	50	-	-	(1)	-	(1)
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	-	45	100	100	no data	116	50	-	-	66	-	66
4	Mercury Energia - Przedsiebiorstwo Produkcyjno Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością , Spółka komandytowa *)	-	800	50	50	no data	1 791	1 880	-	-	(89)	(99)	10
5	Mars Management, s.r.o*)	-	28	100	100	no data	28	28	**)	**)	**)	**)	**)
10	Interpep Sp. z o.o. EC Zakrzów Spółka Komandytowa*)	-	1 445	99	99	no data	1 247	1 450	-	-	(203)	-	(203)
6	Notos Sp. z o.o.*)	-	26	51	51	no data	50	50	**)	**)	**)	**)	**)
7	Mercury Energia Spółka z ograniczoną odpowiedzialnością*)	-	50	100	100	no data	50	50	-	-	-	-	-
8	E.W.G Spółka z ograniczoną odpowiedzialnością*)	-	51	51	51	no data	75	75	-	-	-	-	-
9	Interpep, EC Zakrzów Społka z ograniczoną odpowiedzialnością*)	-	50	100	100	no data	50	50	-	-	-	-	-

(in thousands zlotys)

reported as of 30.06.2006

Shares in affiliates

No.	a	n			o			p	r	s	t
	Name of the Company with indication of legal form	Liabilities and provisions of the entity, including:	long term liabilities	short term liabilities	receivables of the enitty, including:	long term liabilities	short term liabilities	total assets of the entity	sales revenue	Unpaid by the issuer share capital	dividend received or due from the entity during the last financial year
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością *)	1	-	1	-	-	-	29	-	-	-
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	-	-	-	-	-	-	49	-	-	-
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	93	-	93	7	5	2	209	-	-	118
4	Mercury Energia - Przedsiebiorstwo Produkcyjno Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością , Spółka komandytowa *)	17 235	15 119	2 115	2 325	-	2 325	19 026	45	-	-
5	Mars Management, s.r.o*)	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)
10	Interpep Sp. z o.o. EC Zakrzów Spółka Komandytowa*)	1 048	-	1 010	2 115	-	2 115	2 295	1 717	-	-
6	Notos Sp. z o.o.*)	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)
7	Mercury Energia Spółka z ograniczoną odpowiedzialnością*)	-	-	-	-	-	-	-	-	-	-
8	E.W.G Spółka z ograniczoną odpowiedzialnością*)	-	-	-	-	-	-	-	-	-	-
9	Interpep, EC Zakrzów Społka z ograniczoną odpowiedzialnością*)	-	-	-	-	-	-	-	-	-	-

*) unaudited financial statements

**) no data available

(in thousands zlotys)

reported as of 31.12.2005

Shares in affiliates

	a	b	c	d	e	f	g
No.	Name of the Company with indication of legal form	Seat of the company	Description of activity	Affiliate type (subsidiary, jointly controlled entity, associate), with description of direct and indirect relations	consolidation method used (equity method or indication that the company is excluded from consolidation)	date of effective control/ jointly control/ signifcant influence	vaule of shares at historical cost
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością *)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	subsidiary	exluded from consolidation due to immaterial financial data	28.03.2002	45
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	subsidiary	exluded from consolidation due to immaterial financial data	29.07.2003	50
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	subsidiary	exluded from consolidation due to immaterial financial data	24.09.2001	50
4	Mercury Energia - Przedsiebiorstwo Produkcyjno Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością , Spółka komandytowa *)	ul. Wandy 16, 40-322 Katowice	rendering od services in the energy sector	associate	conslidated by the equity value method	23.01.2004	800
5	Mars Management, s.r.o*)	Ostrava, 28.rijna 270/854 kod 709 00	Financial, economic and organizational advisory services, wholesale activities, service and sales intermediary	subsidiary	exluded from consolidation due to immaterial financial data	20.09.2004	28
6	Notos Sp. z o.o.*)	Al.Wojska Polskiego 156 Szczecin	rendering od services in the energy sector	associate	exluded from consolidation due to immaterial financial data	20.12.2005	25

(in thousands zlotys)

reported as of 31.12.2005

Shares in affiliates

No.	a	h	i	j	k	l	m						
	Name of the Company with indication of legal form	revaluation adjustements	book value of shares	percentage share in capital	share in votes in shreholders meeting	indication of other sources of control/jointly control/ sgnificant influence than stated in section j) or k)	total equity of the entity	Share capital	Unpaid share capital (negative amount)	Reserve capital	other equity including:	Profit/loss from previous years	Net profit/loss
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością *)	-	45	100	100	no data	28	50	-	-	(22)	(19)	(3)
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	-	50	100	100	no data	49	50	-	-	(1)	-	(1)
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	-	50	100	100	no data	116	50	-	-	66	-	66
4	Mercury Energia - Przedsiebiorstwo Produkcyjno Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością , Spółka komandytowa *)	(44)	756	50	50	no data	1 791	1 880	-	-	(89)	(99)	10
5	Mars Management, s.r.o*)	-	28	100	100	no data	28	28	**)	**)	**)	**)	**)
6	Notos Sp. z o.o.*)	-	25	100	50	no data	50	50	**)	**)	**)	**)	**)

(in thousands zlotys)

reported as of 31.12.2005

Shares in affiliates

No.	a	n			o			p	r	s	t
	Name of the Company with indication of legal form	Liabilities and provisions of the entity, including:	long term liabilities	short term liabilities	receivables of the enitty, including:	long term liabilities	short term liabilities	total assets of the entity	sales revenue	Unpaid by the issuer share capital	dividend received or due from the entity during the last financial year
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością *)	1	-	1	-	-	-	29	-	-	-
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	-	-	-	-	-	-	49	-	-	-
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	93	-	93	7	5	2	209	-	-	118
4	Mercury Energia - Przedsiebiorstwo Produkcyjno Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością , Spółka komandytowa *)	17 235	15 119	2 115	2 325	-	2 325	19 026	45	-	-
5	Mars Management, s.r.o*)	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)
6	Notos Sp. z o.o.*)	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)

*) unaudited financial statements

**) no data available

(in thousands zlotys)

17. Inventory

	30.06.2006	31.12.2005	30.06.2005
a)raw materials	6	9	2
b) goods for resale	1 139	1 945	1 699
c) inventory prepaid	21	32	45
Total inventory	**1 165**	**1 986**	**1 746**

18. Short term receivables

	30.06.2006	31.12.2005	30.06.2005
a) from affiliates	23	107	37
- trade receivables	2	17	3
- other	21	90	34
b) from other entities	28 730	35 931	22 908
- trade receivables	8 973	17 842	8 680
- tax and social security receivables	1 192	1 097	172
- other, including:	18 565	16 992	14 056
financial lease	17 055	15 566	13 636
- in court dispute	-	-	-
Total short term receivables, net	**28 753**	**36 037**	**22 945**
c) provisions for doubtful debt	5 166	509	482
Total short term receivables, gross	**33 919**	**36 546**	**23 427**

19. Short term financial assets

	30.06.2006	31.12.2005	30.06.2005
a) in subsidiaries	-	-	-
b)in associates	-	-	-
a) in other entities	1 265	1 319	1 986
- bonds	1 265	1 319	1 986
Total short-term financial assets	**1 265**	**1 319**	**1 986**

20. Other short term assets

	30.06.2006	31.12.2005	30.06.2005 przekształcone
a) accrued income	1 680	2 507	1 710
b) cost reimbursement	104	185	-
Total other short-term assets	**1 784**	**2 692**	**1 710**

(in thousands zlotys)

21. Accrued income and deferred cost

	30.06.2006	31.12.2005	30.06.2005
a) insurance	324	646	2 747
b) prepayments	3	3	4
c) projects settled in next periods	400	217	647
d) property tax and perpetual usufruct payment	688	-	660
e) other	609	328	400
Total accrued income and deferred cost	**2 024**	**1 194**	**4 458**

22. Cash and cash equivalents

	30.06.2006	31.12.2005	30.06.2005
Cash and cash equivalents	34 839	41 601	50 184
- Cash in hand and in bank	34 839	38 082	40 636
- deposits and investment funds shares	-	3 519	9 548
Total cash and cash equivalents	**34 839**	**41 601**	**50 184**

(in thousands zlotys)

23. Share capital

reported as of 30.06.2006

Share capital (structure)

Class/ issue	Type of share	Type of preferrence	Limitation of rights	number of shares	Value of the class/issue in nominal value	Type of payment	Registration date	Right to dividend (from date)
A	to the bearer*	no preferrence shares	no limitation	2 213 904	4 428	cash payment	19-07-2001***	01-01-1998 ****
B	to the bearer	no preferrence shares	no limitation	2 304 960	4 610	cash payment	19-07-2001*	01-01-1998
C	to the bearer	no preferrence shares	no limitation	515 256	1 031	cash payment	19-07-2001*	01-01-1999
D	to the bearer	no preferrence shares	no limitation	566 064	1 132	cash payment	19-07-2001*	01-01-1999
E	to the bearer	no preferrence shares	no limitation	1 338 960	2 678	cash payment	19-07-2001*	01-01-1999
F	to the bearer	no preferrence shares	no limitation	544 800	1 090	cash payment	19-07-2001*	01-01-2000
G	to the bearer	no preferrence shares	no limitation	683 376	1 367	cash payment	19-07-2001*	01-01-2001
H	to the bearer	no preferrence shares	no limitation	288 000	576	cash payment	20-08-2001	01-01-2001
I	to the bearer	no preferrence shares	no limitation	856 704	1 713	cash payment	15-04-2002	01-01-2002
J	to the bearer	no preferrence shares	no limitation	3 835 056	7 670	cash payment	09-08-2002	01-01-2002
K	to the bearer	no preferrence shares	no limitation	1 640 688	3 281	cash payment	22-08-2002	01-01-2002
L	to the bearer	no preferrence shares	no limitation	3 144 624	6 289	cash payment	22-08-2002	01-01-2002
M	registered	no preferrence shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	182 359	365	cash payment	09-06-2005	01-01-2004
N	registered	no preferrence shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	69 922	140	cash payment	26-01-2006	01-01-2005
O	registered	no preferrence shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	70 908	142	cash payment	17-03-2006	01-01-2006
Total number of shares				18 255 581				
Total share capital					36 511			
Nominal value of one share in zlotys					2	**		

* Based on the resolution of General Shareholders Meeting of Polish Energy Partners S.A. fom august 24, 2004 and based on the decision of Polish Security and Exchange Commission from December 10, 2004 shares from issues A to L became shares to the bearer.

** the split in nominal value of the shares was registered in KRS on September 2, 2004.

***Company registration date in KRS, as of that date the nominal value of one share amounted to 100 zlotys, the lowering of the nominal value of one share to 48 zlotys was registered in KRS on August 27, 2001.

**** in 1997 the Company issued 1000 shares of class A, which were entitled to dividend from 1997, the next issues which were made in 1998 entitled to dividend from 1998. On 28th of November 1998 all of the shares issued up to this date were designated as A clas

Shareholder	Pursuant to the shareholder list which have more than 5% of total voting rights		
	Seat	No of votes	Share in total voting rights on GSM
Polish Enterprise Fund L.P.	Wilmington, Delaware, Stany Zjednoczone Ameryki Północnej	2,876,626	15.75%
PZU Asset Management.	Warszawa	1,200,000	6.57%
American Life Insurance and Reinsurance Company	Warszawa	1,455,603	7.98%
Polenergy Investments B.V.	Amsterdam, Holandia	1,161,754	6.36%

(in thousands zlotys)

reported as of 31.12.2005

Share capital (structure)

Class/ issue	Type of share	Type of preferrence	Limitation of rights	number of shares	Value of the class/issue in nominal value	Type of payment	Registration date	Right to dividend (from date)
A	to the bearer*	no preferrence shares	no limitation	2 213 904	4 428	cash payment	19-07-2001***	01-01-1998 ****
B	to the bearer	no preferrence shares	no limitation	2 304 960	4 610	cash payment	19-07-2001*	01-01-1998
C	to the bearer	no preferrence shares	no limitation	515 256	1 031	cash payment	19-07-2001*	01-01-1999
D	to the bearer	no preferrence shares	no limitation	566 064	1 132	cash payment	19-07-2001*	01-01-1999
E	to the bearer	no preferrence shares	no limitation	1 338 960	2 678	cash payment	19-07-2001*	01-01-1999
F	to the bearer	no preferrence shares	no limitation	544 800	1 090	cash payment	19-07-2001*	01-01-2000
G	to the bearer	no preferrence shares	no limitation	683 376	1 367	cash payment	19-07-2001*	01-01-2001
H	to the bearer	no preferrence shares	no limitation	288 000	576	cash payment	20-08-2001	01-01-2001
I	to the bearer	no preferrence shares	no limitation	856 704	1 713	cash payment	15-04-2002	01-01-2002
J	to the bearer	no preferrence shares	no limitation	3 835 056	7 670	cash payment	09-08-2002	01-01-2002
K	to the bearer	no preferrence shares	no limitation	1 640 688	3 281	cash payment	22-08-2002	01-01-2002
L	to the bearer	no preferrence shares	no limitation	3 144 624	6 289	cash payment	22-08-2002	01-01-2002
M	registered	no preferrence shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	182 359	365	cash payment	09-06-2005	01-01-2004
N	registered	no preferrence shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	69 922	140	cash payment	-	01-01-2005
Total number of shares				18 184 673				
Total share capital					36 369			
Nominal value of one share in zlotys					2	**		

* Based on the resolution of General Shareholders Meeting of Polish Energy Partners S.A. fom august 24, 2004 and based on the decision of Polish Security and Exchange Commission from December 10, 2004 shares from issues A to L became shares to the bearer.

** the split in nominal value of the shares was registered in KRS on September 2, 2004.

***Company registration date in KRS, as of that date the nominal value of one share amounted to 100 zlotys, the lowering of the nominal value of one share to 48 zlotys was registered in KRS on August 27, 2001.

**** in 1997 the Company issued 1000 shares of class A, which were entitled to dividend from 1997, the next issues which were made in 1998 entitled to dividend from 1998. On 28th of November 1998 all of the shares issued up to this date were designated as A clas

(in thousands zlotys)

24. Deferred Tax

Income tax (current and deferred)		
Rachunek zysków i strat	**30.06.2006**	**31.12.2005**
Current income tax	1 057	860
Current income tax expense	1 057	860
Adjustements to current income tax expense referring to prior periods	-	-
Deferred tax	(1 227)	2 324
Related to provision for and reversal of temporary differences	(1 227)	2 324
Total income tax expense presented in the profit and loss account	(170)	3 184

Statement of changes in shareholders equity	30.06.2006	31.12.2005
Current income tax	-	-
Tax effect of increase in share capital	-	-
Deferred tax	-	-
Tax on profit resulting from revaluation of cash flow hedge	-	-
Tax on unrealised profit from financial instruments available for sale	-	-
Tax on settled in current financial year finanical instruments for cash flow hedge	-	-

Deferred tax				
	Consolitated balance sheet		Consolidated profit and loss account	
Deferred tax	**30.06.2006**	**31.12.2005**	**30.06.2006**	**31.12.2005**
Deferred tax liability				
fixed assets	679	598	81	459
receivables	328	892	(564)	892
cash	101	16	85	(43)
loans	148	87	61	87
lease receivalbes	48 372	46 997	1 375	(903)
liabilities	2 452	4 410	(1 958)	1 990
	-		-	-
Gross deferred tax liability	**52 080**	**53 000**	**(920)**	**2 482**

Deferred tax asset				
fixed assets	2 082	-	2 082	(139)
cash	-	187	(187)	8
receivables	501	166	335	(207)
loans	-	59	(59)	51
liabilities	552	697	(145)	697
provisions	944	1369	(425)	885
lease asstes	47 157	48 731	(1 574)	(1 137)
loss from previous periods	-	-	-	-
Deferred cost and accrued income	279		279	
Gross deferred tax asset	**51 516**	**51 209**	**307**	**158**

Deferred tax expense			(1 227)	2 324
Net deferred tax asset/liability	564	1 791		

(in thousands zlotys)

EFFECTIVE TAX RATE	**30.06.2006**	**30.06.2005** restated
Tax expense in the profit and loss account, including:	(170)	1 914
Current tax	1 057	937
Deferred tax	(1 227)	977
Gross profit/(loss)	**(3 810)**	**9 215**
Tax on gross profit/loss at current tax rate 19%(2005: 19%)	(724)	1 751
Adjustements relating to current income tax from previosu years	(71)	(191)
Non tax deductible costs, including	488	557
undocumented costs	2	15
costs not related to revenues	4	18
costs from other periods	2	119
membership fees for boluntary societies	5	4
expense for owners	153	142
interest	44	57
deficit	-	108
other	24	3
non tax deductible VAT	159	-
foreign exchange	72	76
1% share in tax profits/losses of limited partnerships	23	14
Revenues excluded from tax	5	584
grants	5	-
foreign exchange	-	67
dividend from limited liability companies	-	22
other	-	495
Tax expense	(170)	1 914

(in thousands zlotys)

25. Provisions

	30.06.2006	31.12.2005	30.06.2005
Long-term provisions			
Retirement and similar provisions	476	450	619
Other provisions - recultivation	2 091	2 071	2 050
Total long-term provisions	**2 567**	**2 521**	**2 669**
Short-term provisions			
Retirement and similar provisions	127	196	146
Other provisions	2 559	1 406	1 806
Total short-term provisions	**2 686**	**1 602**	**1 952**
Movements in other long-term and short-term provisions			
Balance at the begining of period	**4 123**	**4 143**	**4 143**
creation of provisions	1 470	561	633
release of provisions	(131)	(273)	(120)
use of provisions	(208)	(309)	(36)
movement provisions to long-term provisions	-	(83)	-
movement provisions to short-term provisions	-	84	-
Balance at the end of period	**5 253**	**4 123**	**4 621**

The balance of other short term provisions include among others provision for litigation with URE in the amount of 731 thd. Zlotys and provisions related to Wizów costs of termination of Wizów project in the amount of 1062 thd. Zlotys

26. Long term liabilities

	30.06.2006	31.12.2005 restated	30.06.2005 restated
a) from 1 to 3 years	46 741	42 776	38 943
b) from 3 to 5 years	50 940	47 097	42 853
c) over 5 years	135 910	142 783	136 951
Long-term liabilities, Total	**233 591**	**232 656**	**218 747**

(in thousands zlotys)

27. Long term liabilities from bank loans and credits

reported as of 30.06.2006

Name of the Company with indication of legal form	Seat	Loan/Credit limit as in the agreement		Amount of loan/credit to repay		Condition of interest	Effective interest rate %	Repayment date	Collateral	
		thousand PLN	currency	thousand PLN	currency					
BRE Bank S.A.	Warszawa	11 851	PLN	4 081	PLN	WIBOR 1-month plus margin	3,7	July 2009	Mortgage amounting to	600 thousand PLN
									Own bill of exchange - value: amount of debt plus interest plus other costs	-
									Registration Pledge on boilers– its value according to the base agreement equals USD 1,142.0 thousand	-
									Registration Pledge on gas turbine– its value according to the base agreement equals USD 5,300 thousand	-
									cession of receivables related to the project - from the contract up to the level of debt outstanding plus interest plus other costs and from insurance (value of the insurnce as of 30 June 2004 amounts to 16,700 thousand zlotys	-
BRE Bank S.A.	Warszawa	17 332	PLN	9 302	PLN	WIBOR 1-month plus margin dependant on Company's results	3,7	June 2012	Power of attorney to dispose of the current account and debt servicing account in BRE Bank S.A.	-
									Agreement for security assignment (applying to the Polar investment)	-
									Registration Pledge up to the amount of	35.000 thousand PLN
									Mortgage securing an existing or future claim up to the amount of PLN 17,332.0 thousand set up on the real estate belonging to Polar S.A. in Wrocław until the day of purchase of this real estate from Polar SA by the borrower	17.332 thousand PLN
PEKAO S.A.	Warszawa	4 906	PLN	4 328	PLN	WIBOR 1-month plus margin	3	August 2015	Own bill of exchange	-
									Power of attorney to dispose of the current account of the borrower and Energopep Sp. z o.o. EC Jeziorna Sp. Komandytowa	-
									cession of receivables related to the agreements for heat and electricity deliveries concluded between Energopep Sp. z o.o. EC Jeziorna Sp.Komandytowa, a Metsa Tissue S.A., Ecotex Polska Sp. z o.o., Konstans Sp. z o.o.	-
									Registration Pledge up to the amount of on assets of EC Jeziorna which are used to generate and deliveries of electricity and heat together with cession of insurance policy	1.113 thousand PLN
									Pledge up to the amount of	4.906 thousand PLN
									submission to execution and submission to execution to hand over the pledged assets	

BRE Bank S.A.	Warszawa		74.600 thd. EUR	215 880	53.391 thd. EUR	- basic rate EURIBOR 1-month plus margin		repayment in instalments, last principal is paid on 20.12.2015	Power of attorney to dispose of the current account and debt servicing account in BRE Bank S.A.	
									Agreement for bank accounts - project Saturn and Jupiter	105.000 thousand. EUR total and each of the agreements up to 105.000 thousand EUR
									Agreement for pledge over shares in the Saturn Management Sp. z o.o. together with the transfer of PEP S.A. Rights	
									Pledge on PEP S.A. rights as the limited partner of the Subsidiary and PEP S.A. rights	
									Agreement with BRE relating to the pledge over bank account together with the power of attorney for this account	
									agreement between PEP S.A. and BRE Bank S.A. realting to securing assignment - Saturn project	
									Agreement for pledge over assets incorporated in the company's enterprise - value of the pledge depends on the way of its consumption but not more than	105.000 thousand EUR
									Agreement between SM sp. kom. And BRE relating to Registration Pledge on the rights to bak account acess together with power of attorney up to the amount of:	105.000 thousand EUR
									Submission to execution to BRE Bank S.A	
									Agreement on transfer for security, covering all current and future receivables up to the amount	90.000 thousand EUR
									Guarantees assignment Agreement for transfer of rights and claims from granted by the business partner	-
									Agreement for security transfer of title to BRE Bank SA of the ownership of the tangible fixed assets purchased from Mondi Packaging Paper S.A. based on the Purchase / Sale Agreement together with all the relating rights from guarantees and warranties, including those granted by the producer.	-
									Agreement on mortgage on perpetual usufruct and onwership of the buildings for BRE Bank	-
									Mortgage for BRE and Kreditanstalt fur Wiederaufbau in the amount of amounting to EUR 45 million each.	90.000 thousand EUR
									Agreement on cession of rights from General Agreement up to the amounts resulting from debt outstanding	-
									Agreement on cession of rights from agreements with Mondi, Construction agreement and significant agreements with construction companies, insurance agreements up to the amounts resulting from debt	-
									Registration Pledge on the rights of SM Sp. z o.o. As unlimited partner of Saturn Management Sp.z o.o. I Wspólnicy, spółka komandytowa together with bank transfer - value of the pledge dependant on the way to use the pledge but no more than	105.000 thousand EUR
									guarantee of Mondi Packaging Świecie S.A. up to the amount being minimum of : amount of three months costs of debt	to December 20, 2016

(in thousands zlotys)

									- agreement on transfer for collateral of receivables from insurance agreement	
									- security transfer agreement on claims and rights from project agreements	
									- security transfer agreement on claims and rights from guarantees	
									Power of attorney to dispose of the current account,	
									Power of attorney to dispose of the current accounts	
									- agreement with Raiffeisen Bank Polska SA relating to resitration pledge on receivables due from bank account,	33.525 thousand EUR
									- agreement with Raiffeisen Bank Polska SA relating to resitration pledge on receivables due from bank account,	33.525 thousand EUR
									- Registration Pledge on assets	33.525 thousand EUR
									- submission to execution of the borrower	33.525 thousand EUR
									- two registration pledges on fixed assets of DIPOL sp. z o.o. For Raiffeisen Bank Polska SA	each in 4.269,3 thousand EUR,
									- registration pledge for Raiffeisen Bank Polska SA	8.538,7 tys EUR
									- six registration pledges for Raiffeisen Bank Polska SA	each in 4.269,3 thousand EUR,
Raiffeisen Bank Polska SA	Warszawa	21.600	EUR	-	EURO	- basic rate EURIBOR 1-month plus margin		repayment in instalments, last principal is paid on 31.12.2021	- representation of PEP SA about submission to execution	- Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until July 30, 2009
									- representation of PEP SA about submission to execution	- Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until July 30, 2009
									- registration plegde agreement on shares in DIPOL sp. z o.o. Concluded between PEP SA and Raiffeisen Bank Polska SA - value of the pledge depends on the way of use but not more than	33.525 thousand EUR
									- guarantee agreement between PEP SA and Raiffeisen Bank Polska SA.	Guarantee granted by PEP SA in the amount totalling: 1.350.000 EURO remains in force until July 31, 2007, up to 5.900.378 PLN remains in force till the day which is six months from the date of statements issued by EkoFundusz Foundation about final settlement of the grant.
Total				**233 591**						

(in thousands zlotys)

reported as of 31.12.2005

Long term liabilities from loans and credits

Name of the Company with indication of legal form	Seat	Loan/Credit limit as in the agreement		Amount of loan/credit to repay		Condition of interest	Effective interest rate %	Repayment date	Collateral	
		thousand PLN	currency	thousand PLN	currency					
BRE Bank S.A.	Warszawa	11 851	PLN	4 861	PLN	WIBOR 1-month plus margin	8,7	July 2009	Mortgage amounting to	600 thousand PLN
									Own bill of exchange - value: amount of debt plus interest plus other costs	-
									Registration Pledge on boilers– its value according to the base agreement equals USD 1,142.0 thousand	-
									Registration Pledge on gas turbine– its value according to the base agreement equals USD 5,300 thousand	-
									cession of receivables related to the project - from the contract up to the level of debt outstanding plus interest plus other costs and from insurance (value of the insurnce as of 30 June 2004 amounts to 4,200 thousand zlotys	-
BRE Bank S.A.	Warszawa	17 332	PLN	9 920	PLN	WIBOR 1-month plus margin dependant on Company's results	8,7	June 2012	Power of attorney to dispose of the current account and debt servicing account in BRE Bank S.A.	-
									Agreement for security assignment (applying to the Polar investment)	-
									Registration Pledge up to the amount of	35.000 thousand PLN
									Mortgage securing an existing or future claim up to the amount of PLN 17,332.0 thousand set up on the real estate belonging to Polar S.A. in Wrocław until the day of purchase of this real estate from Polar SA by the borrower	17.332 thousand PLN
PEKAO S.A.	Warszawa	4 906	PLN	3 953	PLN	WIBOR 1-month plus margin	6,7	August 2015	Own bill of exchange	-
									Power of attorney to dispose of the current account of the borrower and Energopep Sp. z o.o. EC Jeziorna Sp. Komandytowa	-
									cession of receivables related to the agreements for heat and electricity deliveries concluded between Energopep Sp. z o.o. EC Jeziorna Sp.Komandytowa, a Metsa Tissue S.A., Ecotex Polska Sp. z o.o., Konstans Sp. z o.o.	-
									Registration Pledge up to the amount of on assets of EC Jeziorna which are used to generate and deliveries of electricity and heat together with cession of insurance policy	1.113 thousand PLN
									Pledge up to the amount of	4.906 thousand PLN
									submission to execution and submission to execution to hand over the pledged assets	

BRE Bank S.A.	Warszawa		74.600 tys. EUR	213 922	.423 tys. EU	- basic rate EURIBOR 1-month plus margin	4,0	repayment in instalments, last principal is paid on 20.12.2015	Power of attorney to dispose of the current account and debt servicing account in BRE Bank S.A.	
									Agreement for securing assignment of all current and future claims	105.000 thousand. EUR total and each of the agreements up to 105.000 thousand EUR
									Agreement for pledge over shares in the Saturn Management Sp. z o.o. together with the transfer of PEP S.A. rights	
									Pledge on PEP S.A. rights as the limited partner of the Subsidiary and PEP S.A. rights	
									Agreement with BRE relating to the pledge over bank account together with the power of attorney for this account	
									agreement between PEP S.A. and BRE Bank S.A. realting to securing assignment - Saturn project	
									Agreement for pledge over assets incorporated in the company's enterprise - value of the pledge depends on the way of its consumption but not more than	105.000 thousand EUR
									Agreement between SM sp. kom. And BRE relating to Registration Pledge on the rights to bak account acess together with power of attorney up to the amount of:	105.000 thousand EUR
									Submission to execution to BRE Bank S.A	
									Agreement on transfer for security, covering all current and future receivables up to the amount	90.000 thousand EUR
									Guarantees assignment Agreement for transfer of rights and claims from granted by the business partner	-
									Agreement for security transfer of title to BRE Bank SA of the ownership of the tangible fixed assets purchased from Frantschach Świecie based on the Purchase / Sale Agreement together with all the relating rights from guarantees and warranties, including those granted by the producer.	-
									Agreement on mortgage on perpetual usufruct and onwership of the buildings for BRE Bank	-
									Mortgage for BRE and Kreditanstalt fur Wiederaufbau in the amount of amounting to EUR 45 million each.	90.000 thousand EUR
									Agreement on cession of rights from General Agreement up to the amounts resulting from debt outstanding	-
									Agreement on cession of rights from agreements with Mondi, Construction agreement and significant agreements with construction companies, insurance agreements up to the amounts resulting from debt outstanding	-
									Registration Pledge on the rights of SM Sp. z o.o. As unlimited partner of Saturn Management Sp.z o.o. I Wspólnicy, spółka komandytowa together with bank transfer - value of the pledge dependant on the way to use the pledge but no more than	105.000 thousand EUR
									guarantee of Mondi Packaging Świecie S.A. up to the amount being minimum of : amount of three months costs of debt	to December 20, 2016

(in thousands zlotys)

Raiffeisen Bank Polska SA	Warszawa	21 600	EUR	-	EURO	- basic rate EURIBOR 1-month plus margin	-	repayment in instalments, last principal is paid on 31.12.2021	- agreement on transfer for collateral of receivables from insurance agreement	
									Power of attorney to dispose of the current account,	
									Power of attorney to dispose of the current accounts	
									- agreement with Raiffeisen Bank Polska SA relating to resitration pledge on receivables due from bank account,	33.525 thousand EUR
									- agreement with Raiffeisen Bank Polska SA relating to resitration pledge on receivables due from bank account,	33.525 thousand EUR
									- Registration Pledge on assets	33.525 thousand EUR
									- submission to execution of the borrower	33.525 thousand EUR
									- two registration pledges on fixed assets of DIPOL sp. z o.o. For Raiffeisen Bank Polska SA	each in 4.269,3 thousand EUR,
									- resitration pledge for Raiffeisen Bank Polska SA	8.538,7 tys EUR
									- six registration pledges for Raiffeisen Bank Polska SA	each in 4.269,3 thousand EUR,
									- representation of PEP SA about submission to execution	
									- Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until August 30, 2009	
									- registration plegde agreement on shares in DIPOL sp. z o.o. Concluded between PEP SA and Raiffeisen Bank Polska SA - value of the pledge depends on the way of use but not more than	33.525 thousand EUR
									- guarantee agreement between PEP SA and Raiffeisen Bank Polska SA. Guarantee granted by PEP SA in the amount totalling: 1.350.000 EURO remains in force until July 31, 2007, up to 5.900.378 PLN remains in force till the day which is six months from the date of statements issued by EkoFundusz Foundation about final settlement of the grant.	
Total				**232 656**						

(in thousands zlotys)

28. Short term liabilities

	30.06.2006	31.12.2005 restated	30.06.2005 restated
a) loans and bank credits	19 943	20 490	16 442
b) trade payables	24 934	3 960	836
- to other entities	24 934	3 960	836
c) income tax liabilities	-	14	-
d) other liabilities	2 619	2 063	2 642
- taxes, customs and social security liabilities	2 276	1 015	2 102
- other financial liabilities	190	137	90
- payroll liabilities	51	70	71
- Special Funds	73	9	142
- other financial liabilities	29	833	237
Total short term liabilities	**47 496**	**26 527**	**19 920**

(in thousands zlotys)

29. Short term liabilities from bank loans and credits

reported as of 30.06.2006

Short term liabilities from loans and credits

Name of the Company with indication of legal form	Seat	Loan/Credit limit as in the agreement		Amount of loan/credit to repay		Condition of interest	Repayment date	Collateral
		thousand zloty	currency	housand zlo	currency			
BRE Bank S.A.	Warszawa	11 851	PLN	1 520	PLN	long term debt (amount payable within one year time)		Presented in long-term liabilities note
BRE Bank S.A.	Warszawa	17 332	PLN	1 204	PLN	long term debt (amount payable within one year time)		Presented in long-term liabilities note
PEKAO S.A.	Warszawa	4 906	PLN	400	PLN	long term debt (amount payable within one year time)		Presented in long-term liabilities note
BRE BANK	Warszawa	equal amount in PLN 453 thd. EUR	overdraft	-	-	WIBOR 1-month + bank margin	to 31.03.2007	Security assignment of rights of the borrower from the Project documentation other than Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies German Guarantee Assignment Agreement of the borrower's rights to Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies In blanco bill of exchange issued by the borrower together with the bill of exchange declaration of the borrower Power of attorney for the Bank to dispose of all of the Bank accounts of the borrower held in Bank Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until March 31, 2008

BRE BANK	Warszawa	3.500 tys. PLN	VAT	-	-	WIBOR 1-month + bank margin	to 31.03.2007	Statement of the appropriate tax office, presented on borrower's request, including an obligation to return the VAT on VAT Account, and in case of not obtaining such statement a statement of the borrower including assurance of returning VAT on VAT account or, if obtaining such statements would not be possible, an obligation of the borrower to make transfers of the amounts acquired as VAT return on VAT account, according to the bank accounts agreement
								Security assignment of rights of the borrower from the Project documentation other than Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies
								German Guarantee Assignment Agreement of the borrower's rights to Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies
								Security assigment of rights of PEP to Mondi Packaging Paper Świecie S.A. resulting from General Agreement
								Power of attorney for BRE Bank to dispose of all of the bank accounts of the borrower held in bank
								Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until March 31, 2008.

(in thousands zlotys)

BRE BANK	Warszawa	74.600 tys.EUR	investment	16 819	4.160 tys. EUR	long term debt (amount payable within one year time)		
Raiffeisen Bank Polska SA	Warszawa	3.000	PLN	-	PLN	WIBOR 1-week + bank margin	to 30.06.2007	- agreement on transfer for collateral of receivables from insurance agreement - security transfer agreement on claims and rights from project agreements - security transfer agreement on claims and rights from guarantees Power of attorney to dispose of the current account, Power of attorney to dispose of the current accounts - agreement with Raiffeisen Bank Polska SA relating to resitration pledge on receivables due from bank account, - agreement with Raiffeisen Bank Polska SA relating to resitration pledge on receivables due from bank account, - Registration Pledge on assets - submission to execution of the borrower - two registration pledges on fixed assets of DIPOL sp. z o.o. For Raiffeisen Bank Polska SA - registration pledge for Raiffeisen Bank Polska SA - six registration pledges for Raiffeisen Bank Polska SA - representation of PEP SA about submission to execution - representation of PEP SA about submission to execution - registration plegde agreement on shares in DIPOL sp. z o.o. Concluded between PEP SA and Raiffeisen Bank Polska SA - value of the pledge depends on the way of use but not more than - guarantee agreement between PEP SA and Raiffeisen Bank Polska SA.
Raiffeisen Bank Polska SA	Warszawa	17.000	PLN	-	PLN	WIBOR 1-month + bank margin	to 31.03.2007	-Instruction of the borrower submitted to the proper tax authority informing to reimburse all VAT to the VAT account, -Agreement with Raiffeisen Bank Polska SA relating to registration pledge on receivables due from bank accounts, -Power of attorney for Raiffeisen Bank Polska SA to dispose of VAT facility bank account of the borrower held in Raiffeisen Bank Polska SA, -Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until March 31, 2009.
Total				**19 943**				

(in thousands zlotys)

reported as of 31.12.2005

Short term liabilities from loans and credits

Name of the Company with indication of legal form	Seat	Loan/Credit limit as in the agreement		Amount of loan/credit to repay		Condition of interest	Repayment date	Collateral
		thousand zloty	currency	ıousand zlo	currency			
BRE Bank S.A.	Warszawa	11 851	PLN	1 450	PLN	long term debt (amount payable within one year time)		Presented in long-term liabilities note
BRE Bank S.A.	Warszawa	17 332	PLN	1 134	PLN	long term debt (amount payable within one year time)		Presented in long-term liabilities note
PEKAO S.A.	Warszawa	4 906	PLN	271	PLN	long term debt (amount payable within one year time)		Presented in long-term liabilities note
BRE BANK	Warszawa	jako równowartość kwoty 74.600 tys.EUR	investment	15.461	equal amount in PLN 4,006 thd. EUR	long term debt (amount payable within one year ti		Presented in long-term liabilities note

(in thousands zlotys)

Raiffeisen Bank Polska SA	Warszawa	3.000	PLN	-	PLN	WIBOR 1-week + bank margin	to 30.06.2007	- agreement on transfer for collateral of receivables from insurance agreement Power of attorney to dispose of the current account, Power of attorney to dispose of the current accounts - agreement with Raiffeisen Bank Polska SA relating to resitration pledge on receivables due from bank account, - agreement with Raiffeisen Bank Polska SA relating to resitration pledge on receivables due from bank account, - Registration Pledge on assets - submission to execution of the borrower - two registration pledges on fixed assets of DIPOL sp. z o.o. For Raiffeisen Bank Polska SA - registration pledge for Raiffeisen Bank Polska SA - six registration pledges for Raiffeisen Bank Polska SA - representation of PEP SA about submission to execution - representation of PEP SA about submission to execution - registration plegde agreement on shares in DIPOL sp. z o.o. Concluded between PEP SA and Raiffeisen Bank Polska SA - value of the pledge depends on the way of use but not more than - guarantee agreement between PEP SA and Raiffeisen Bank Polska SA.
Raiffeisen Bank Polska SA	Warszawa	17.000	PLN	2 174	PLN	WIBOR 1-month + bank margin	to 31.03.2007	-Instruction of the borrower submitted to the proper tax authority informing to reimburse all VAT to the VAT account, -Agreement with Raiffeisen Bank Polska SA relating to registration pledge on receivables due from bank accounts, -Power of attorney for Raiffeisen Bank Polska SA to dispose of VAT facility bank account of the borrower held in Raiffeisen Bank Polska SA, -Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until March 31, 2009.
Total				**20 490**				

(in thousands zlotys)

30. Accrued cost and deferred income

	30.06.2006	31.12.2005	30.06.2005
Long-term accruals and deferred income			
a) deferred income - grant	-	1 021	1 099
Long-term accruals and deferred income, total	**-**	**1 021**	**1 099**
Short-term accruals and deferred income			
a) futures salaries and bonuses	595	934	313
b) costs of outsourced services	149	251	462
c) other	218	95	78
d) holiday pay accrual	40	-	-
e) deferred income - grant	81	79	40
Short-term accruals and deferred income, total	**1 083**	**1 358**	**893**

31. Assets and liabilities of social fund

	30.06.2006	31.12.2005	30.06.2005
a) loans granted to employees	3	4	-
b) cash	101	47	97
c) liabilities to the fund	114	38	77
	-		
Net balance	**(9)**	**14**	**20**
fees due to the social funde in current year	100	133	120

32. Contingent liabilities

	30.06.2006	31.12.2005	30.06.2005
a) guarantees granted	21 859	21 611	10 500
b) other (due from limited liability sum in LLP):	39 310	39 310	39 210
- to subsidiaries	38 650	38 650	38 550
- to associates	660	660	660
c) court cases	-	394	-
Total contingent liabilities to affiliates	**61 169**	**61 315**	**49 710**

Guarantees granted:

PEP SA issued a guarantee for BRE BANK SA with seat in Warsaw. The guarantee issued amounts to 10.500.000 PLN and secures the liability of "Mercury Energia - Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa COMAX Spółka z ograniczoną odpowiedzialnością" Spółka komandytowa to BRE BANK SA which results from bank loan in the amount of 9.000.000 PLN. The liability of PEP SA ceases within the period of 2 years started from completion of Mercury project but not later than June 30, 2007. PEP SA did not receive any guarantee fee. PEP S.A. is a 50% shareholder in "Mercury Energia - Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa COMAX Spółka z ograniczoną odpowiedzialnością" Spółka komandytowa.

On November 23, 2005 PEP SA concluded with Raiffeisen Bank Polska with its registered office in Warsaw guarantee agreement. Pursuant to the guarantee agreement PEP granted to Raiffeisen Bank Polska guarantee which relates to the loan agreement concluded between Dipol Sp. Z o.o. as borrower and Raiffeisen Bank Polska as lender. The guarantee granted by PEP in the amount of up to 1,350,000 EURO can be exercised till July 31, 2007 and in the amount of up to 5,900,378 PLN can be exercised till the day which is six months from the date of statements issued by EkoFundusz Foundation about final settlement of the grant.

(in thousands zlotys)

PEP SA did not receive any reimbursement for the guarantee granting. PEP SA is 100% owner of Dipol Sp. Z o.o.

On May 22, 2006 PEP S.A. issued bill of exchange in blanco up to the amount of 1,865,500.00 PLN, as collateral for the grant received by Saturn Management Sp. z o.o. i Wspólnicy, Spółce komandytowej from National Fund of Environmental Protection and Maritime Economy Warsaw. The period of validity of this contingent liability resulting from issue of this bill of exchange amounts to 5 years from the date of completion of the project which was subsidized.

Moreover the collateral presented in the Note 27 constitutes contingent liabilities.

Litigation:

On October 17, 2005 the Company received a lawsuit, in which K&K Consultants Sp. z o.o. claims from the Company 394 thousand zloty plus interest as a reimbursement for termination by the Company of agreement concluded with K&K Consultants Sp. z o.o. The Company does not accept the claim of K&K Consultants Sp. z o.o. On June 21, 2006 the Regional Court in Warsaw has issued the sentence in which it cancels the claim of K&K Consultants Sp. z o.o. in total. The information possessed by the Company indicates that there was no appealing from the above sentence by K&K Consultants Sp. z o.o. so the sentence is now in force.

33. Sales revenue

	30.06.2006	**30.06.2005** restated
revenues from sales of energy	80	582
revenues from sales of heat	13 087	11 935
revenues from conculiting projects	616	1 917
revenues from sales of over standard quality and guarantee of deliveries	278	216
revenues from leasing and operating of the leased assets	17 977	18 900
sale of goods	6	-
other revenues	83	-
Total net revenues from sales of goods	**32 127**	**33 550**

(in thousands zlotys)

34. Costs by kind

	30.06.2006	30.06.2005 restated
a) depreciation	1 439	1 539
b) material and energy used	9 849	9 885
c) external services	2 709	5 463
d) taxes and fees	1 863	1 547
e) payroll, including:	7 041	6 636
management options	758	700
f) social security and payroll related charges	1 154	1 247
g) other costs by kind	282	531
Total costs by kind	**24 337**	**26 848**
Value of sold goods and materials (positive amount)	6	-
Change in value of work in progress and finished goods	(1 012)	(1 236)
Selling costs (negative amount)	-	-
General and administration costs (negative amount)	(6 999)	(6 843)
Cost of goods sold	**16 332**	**18 769**

35. Other operating income

	30.06.2006	30.06.2005
a) reversal of impairment wrtie-downs and release of provisions	2	270
- provisions for doubtful debt	-	270
- other write-offs	2	-
b) other, including:	1 089	333
-received penalties and compensation	36	259
-accelerated recognition of grant	1 020	-
-other	34	1
-profit from sales of nonfinancial fixed assets	-	73
Total other operating income	**1 091**	**603**

36. Other operating costs

	30.06.2006	30.06.2005
a) revaluation of assets, including:	15 625	13
-receivables	4 657	13
-liquidation costs	3	-
-impairment of fixed assets	10 959	-
-other revaluations	6	-
b) other, including:	1 091	454
-penalties, compensations	-	-
-donations	2	3
-costs of Warsaw Stock Exchange entry	-	445
-provisions	1 062	-
-other revaluations	27	6
Total other operating expense	**16 717**	**467**

(in thousands zlotys)

37. Financial income

	30.06.2006	30.06.2005
a) financial income from dividends and share in profit	-	118
b) due from loans granted	636	146
c) other interest - leasing	5 069	5 794
interest due from lease of assets	994	1 192
d) foreign exchange gains	2 113	188
-unrealized	2 878	(272)
-realized	(765)	460
e) decerease in provision for doubtful debt	-	18
f) gain on securities trade	29	413
g) other financial income	285	-
Financial income, total	**8 133**	**6 677**

38. Financial costs

	30.06.2006	30.06.2005 restated
a) financial costs from interest	4 919	5 126
b) foreign exchange	-	194
-unrealised	-	16
-realised	-	178
c) increase of revaluation provision	-	2
d) provisons and other costs od credits	110	145
e) other financial costs	62	63
Total financial costs	**5 091**	**5 530**

(in thousands zlotys)

39. Current income tax

	30.06.2006	30.06.2005 restated
1. Consolidated gross profit (loss)	10 557	17 055
2. Consolidation adjustements	(15 580)	(7 951)
3. Differences between gross profit and tax base for corporate income tax	-	-
a) Income	(13 473)	1 740
- revenue to be recognized in next fiscal period	2 361	501
- revaluation of cash	(7 013)	(2 010)
- unpaid interest on loans	(495)	(69)
- interest on investment	64	74
- dividends from limited liabilities companies	-	(118)
- release of provisions	(86)	(301)
- received grants	(1 046)	(39)
- repayment of principal in financial lease payment	7 654	6 052
- settlement of temporary differences from previous years	1 002	506
- foreign exchange from balance sheet valuation	(15 557)	(2 581)
- foreign exchange from loan	-	(277)
- other income	9	-
- revaluation of receivables	(366)	-
b) costs	24 433	(4 906)
- undocumented costs	12	9
- costs not related to revenues	19	97
- costs from other period	12	1 022
- payments to PFRON	38	30
- payment for non obligatory societies	25	20
- expense for owners and members of supervisory board	806	749
- accounting depreciation	1 389	1 417
- tax depreciation	(12 301)	(12 138)
- costs - liquidation costs	21	20
- costs - capital part of lease	(124)	(71)
- costs - revaluation of cash	6 078	1 319
- costs - reserves	902	254
- costs - valuation of receivables	4 615	14
- costs - revaluattion of settlements	-	(48)
- costs - salaries paid in due date	97	(28)
- costs - tax deductible from sales of heat and electricity	(1 417)	(1 414)
- costs - loans revaluation	95	677
- costs - losses	-	566
- costs - provisiosn for bonuses	(86)	-
- costs - provisiosn for fixed assets	10 959	-
- costs - revaluation of write downs	1 151	2
- costs - financial capitalized in assets leased in financial lease	207	-
- costs - other capitalized in assets leased in financial lease	(2 407)	(591)
- costs - movment of other costs in accordance with payment date	75	85
- other costs	89	37
- costs - interest paid	52	278
- costs - interest and commisions not tax deductible	177	1
- costs - balance sheet valuation of loans - foreign exchange and interest	14 250	3 140
- costs - movment of other costs in accordance with payment date	(303)	(353)
c) Other differences	-	-
4. Tax Basis before tax loss from previous years	5 937	5 938
4a.Tax loss settlement from previous years (negative number)	-	-
4b.Tax basis after tax loss	5 937	5 938
5.Income tax at current tax rate 19%	19%	19%
6.Increase, lowering, tax deductions	-	-
7.Current income tax expense in the declaration to tax authority	1 128	1 128
8.Adjustment from previous years	(71)	(191)

(in thousands zlotys)

	30.06.2006	30.06.2005 restated
Current income tax expense	1 057	937
Chnage in deferred tax balance	(1 227)	977
Income tax reported in profit and loss account	(170)	1 914

40. Cash flows – explanatory notes

Cash flows from operation activity - other adjustements

	30.06.2006	30.06.2005
management options	759	700
sale of assets under cosntruction	-	-
Impairment write down	10 959	-
bonds presented in financial assets valued at fair value through profit and loss*)	(1 265)	-
Total other adjustements	**10 453**	**700**

*) In 2005 the Group presented bonds in cash equivalents and in 2006 due to long term nature of these bonds these assets were not presented in cash equivalents

Other investment inflows

	30.06.2006	30.06.2005
Repayment of principal and interest from financial lease	12 788	11 622
Total	**12 788**	**11 622**

Other investment outflows

	30.06.2006	30.06.2005
Outflows for leased fixed assets	4 095	1 071
Outflows for wind farm projects	957	-
Total	**5 052**	**1 071**

restricted cash

	30.06.2006	30.06.2005
deposit*	-	6 266
Social fund	62	52
Total	**62**	**6 318**

* Restriction results from bank loan areement for project Saturn and consitutes collateral of equity for the project

41. Impairment

In course of first half of the 2006 the financial condition of one of the Group's customers, Wizów chemical plant S.A. („Wizów") deteriorated significantly. As a result the bad debt of Wizów significantly increased and the actions which were taken to improve the situation did not succeed. Moreover, in the mid of June 2006 Wizów stopped production. On august 4, 2006 the Group filed with the Regional Court the claim for bankruptcy of Wizów.

As a result of the above facts the Management of the Group took the decision to create revaluation provision for the assets engaged in this project (receivables and fixed assets) and to create necessary provisions for the costs of termination of the project.

The profit and loss account as a result of the revaluation provision for the assets engaged in the project and created provisions for other costs related to termination of the project was charged in the following way:

Type of revaluation or provision	Amount	Valuation	Recognition in profit and loss account
Impairment write down of fixed assets	(10,959.4)	Valuation of fixed assets in the net sales price	Other operating cost
Recognition of revenue due from grant received to finance the above fixed assets	980.4	Accelerated settlement to the revenues of grant for the turbogenerator	Other operating revenues
Provision for doubtful debt	(4,650.3)	Full provision for the gross amount of the receivables due	Other operating cost
Other provisions	(1,062.0)	Estimate based on the best knowledge of the Company includes other cost of termination of the project	Other operating cost
Deferred tax on the created revaluations and provisions	2,813.4	Deferred tax asset for temporary differences relating to the above figures	Tax
TOTAL	**12,877.9**		

42. Financial Risk Management – goals and rules

Financial instruments issued or possessed by the Group can cause – on a standalone or combined basis – one or several classes of significant risk.

The main financial instruments the Group uses comprise bank loans, financial lease contracts with buy back option, cash and short term deposits. The main goal of these instruments is to supply sufficient amounts of cash for Group operations. The Group has also other financial instruments such like trade receivables and liabilities which arise as a result of normal business operations.

The main classes of risk resulting from financial instruments include interest rate risk, currency risk and credit risk. The Management of the company verifies and reconciles the rules of each class risk management – these rules are discussed in an abbreviated form below. The Group also monitors the market price risk relating to all of its financial instruments.

42.1 Interest Rate Risk

The exposure of Group to the risk of changes in interest rates refers mainly to long term financial liabilities.

The Group manages the interest costs by using the variable interest instruments. The Group does not apply any hedging using derivative financial instruments.

42.2 Currency Risk

The currency risk refers mainly to the changes in EUR foreign exchange rate in relation to the open asset currency position in the financial lease transaction. This risk is described in detail in Note 45 relating to leases. The position is not hedged in order to eliminate the exchange rate volatility.

42.3 Credit Risk

The Group concludes contracts only with renowned companies with stable financial position. All clients who would like to have extended credit line are subject to detailed verification. Moreover due to instant monitoring of receivables balances the Group is only slightly exposed to the overdue receivables balance risk.

In relation to other financial assets of the Group, cash and cash equivalents and assets available for sale the credit risk for the Group arises when the counterparty is not able to pay its obligations and the maximum exposure to such risk is equal to the carrying value of such instruments. The Group concludes such financial instruments contracts only with renowned financial institutions.

There is no significant credit risk concentration in the Group.

43. Information on financial instruments

43.1 Presentation of financial instruments – changes in value of financial instruments by category

As of June 30, 2006 the Capital Group PEP had the following financial instruments classified into the following groups (in thousand zlotys):

(in thousands zlotys)

	Cash equivalents (bonds, treasury bills, open end funds)	Originating loans and receivables	Available for sale (shares)	Fair value through profit and loss
Opening Balance	**3 519**	**5 439**	**954**	**1 319**
Increase, including::	-	4 948	165	18
Purchase of treasury bills and bonds	-	-	-	-
Loans granted	-	4 580	-	-
Interest	-	368	-	18
Purchase of shares	-	-	165	-
Decrease, including:	3 519	-	22	72
Sale of treasury bills and bonds	3 519	-	-	-
Interest reclassification	-	-	-	-
Shares return	-	-	-	-
Revaluation	-	-	22	-
Interest received	-	-	-	72
Closing Balance	**-**	**10 387**	**1 097**	**1 265**

As of December 31, 2005 the Capital Group PEP had the following financial instruments classified into the following groups (in thousand zlotys):

	Cash equivalents (bonds, treasury bills, open end funds)	Originating loans and receivables	Available for sale (shares)	Fair value through profit and loss
Opening Balance	**17.034**	**3.036**	**1.009**	**-**
Increase, including::	25 354	2 403	25	1.319*
Purchase of treasury bills and bonds	25 259	-	-	1.319
Loans granted	-	2.280	-	-
Interest	95	123	-	-
Purchase of shares	-	-	25	-
Decrease, including:	38.869	-	80	-
Sale of treasury bills and bonds	38.869	-	-	-

(in thousands zlotys)

Interest reclassification	-	-	-	-
Shares return	-	-	80	-
Revaluation	-	-	-	-
Closing Balance	**3 519**	**5.439**	**954**	**1.319**

As of June 30, 2006 the Capital Group PEP had the following financial instruments classified into the following groups (in thousand zlotys):

	Cash equivalents (bonds, treasury bills, open end funds)	Originating loans and receivables	Available for sale (shares)
Opening Balance	**17.034**	**3.036**	**1.018**
Increase, including::	25.266	251	90
Purchase of treasury bills and bonds	25.110	-	-
Loans granted	-	-	-
Interest	156	251	-
Purchase of shares	-	-	90
Decrease, including:	30.766	286	15
Revaluation	-	172	15
Sale of treasury bills and bonds	30.766	-	-
Interest reclassification	-	114	-
Closing Balance	**11.534**	**3.001**	**1.093**

The value of available for sale financial instruments consists of shares in affiliates. These shares valued using equity method. The value of other financial instruments reflects their fair value. In case of loans granted it is practically impossible to establish their fair value as the loans were granted to associate.

The detailed description of valuation methods of financial instruments in discussed in Note 6.26 in the Notes to the Consolidated Financial Statements.

(in thousands zlotys)

44. The characteristics of financial instruments

a) Fair value through profit and loss financial assets

As of the balance sheet date the Group had the following financial assets through profit and loss:

1,248 bonds with face value of 1,248 thousand zlotys – these bonds were purchased by Saturn Management Sp. z o.o. i Wspólnicy, Spółka Komandytowa from BRE Bank on August 12, 2005 for the amount of 1,299 thousand zlotys. The maturity of these bonds is June 24, 2008.

On June 26, 2006 the Company received coupon interest from these bonds in the amount of 72 thousand zlotys.

The value of these bonds as of June 30, 2006 amounted to 1,265 thousand zlotys including unrealized gains due from fair value valuation in the amount of 2 thousand zlotys.

b) Loans granted and receivables

The parent company granted the following loans to its affiliates:

Reported as at June 30, 2006

Borrower	Date of agreement	Total limit of the loan according to the agreement (thd. zlotys)	Balance of the amount due	Balance of interest due	Date of repayment	Interest	End of grace period	Collateral
Mercury Energia-Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną Odpowiedzialnościa Spółka komandytowa	25.06.2004	2.750	2.750	519	31.10.2010	fixed, 10%	Interest due from the day of loan drawing till the day of issuing of first invoice for electricity delivered by the borrower will be capitalized	No collateral
Mercury Energia-Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną Odpowiedzialnościa Spółka komandytowa	30.09.2005	700	700	50	31.05.2011	fixed, 10%	Interest due from the day of loan drawing till the day of issuing of first invoice for electricity delivered by the borrower will be capitalized	No collateral
Mercury Energia-Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną Odpowiedzialnościa Spółka komandytowa	4.11.2005	1.000	1 000	60	31.05.2011	fixed, 10%	Interest due from the day of loan drawing till the day of issuing of first invoice for electricity delivered by the borrower will be capitalized	No collateral

(in thousands zlotys)

Mercury Energia-Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną Odpowiedzialnościa Spółka komandytowa	27.12.2005	580	580	29	31.05.2011	fixed, 10%	Interest due from the day of loan drawing till the day of issuing of first invoice for electricity delivered by the borrower will be capitalized	No collateral
Mercury Energia-Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną Odpowiedzialnościa Spółka komandytowa	11.01.2006	670	670	31	31.05.2011	fixed, 10%	Interest due from the day of loan drawing till the day of issuing of first invoice for electricity delivered by the borrower will be capitalized	No collateral
Mercury Energia-Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną Odpowiedzialnościa Spółka komandytowa	14.02.2006	600	600	22	31.05.2011	fixed, 10%	Interest due from the day of loan drawing till the day of issuing of first invoice for electricity delivered by the borrower will be capitalized	No collateral
Mercury Energia-Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną Odpowiedzialnościa Spółka komandytowa	28.02.2006	900	900	28	31.05.2011	fixed, 10%	Interest due from the day of loan drawing till the day of issuing of first invoice for electricity delivered by the borrower will be capitalized	No collateral
Mercury Energia-Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną Odpowiedzialnościa Spółka komandytowa	28.03.2006	350	350	9	31.05.2011	fixed, 10%	Interest due from the day of loan drawing till the day of issuing of first invoice for electricity delivered by the borrower will be capitalized	No collateral
Mercury Energia-Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną Odpowiedzialnościa Spółka komandytowa	06.04.2006	450	450	11	31.05.2011	fixed, 10%	Interest due from the day of loan drawing till the day of issuing of first invoice for electricity delivered by the borrower will be capitalized	No collateral

(in thousands zlotys)

Mercury Energia-Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną Odpowiedzialnościa Spółka komandytowa	20.04.2006	500	500	9	31.05.2011	fixed, 10%	Interest due from the day of loan drawing till the day of issuing of first invoice for electricity delivered by the borrower will be capitalized	No collateral
Mercury Energia-Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną Odpowiedzialnościa Spółka komandytowa	17.05.2006	500	500	5	31.05.2011	fixed, 10%	Interest due from the day of loan drawing till the day of issuing of first invoice for electricity delivered by the borrower will be capitalized	No collateral
Mercury Energia-Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną Odpowiedzialnościa Spółka komandytowa	13.06.2006	500	500	3	31.05.2011	fixed, 10%	Interest due from the day of loan drawing till the day of issuing of first invoice for electricity delivered by the borrower will be capitalized	No collateral
E.W.G Spółka z ograniczoną odpowiedzialnością	3.02.2006	70	70	2	After commence ment of operations	fixed, 8.4%	After commencement of operations	No collateral
E.W.G Spółka z ograniczoną odpowiedzialnością	28.06.2006	40	40	-	After commence ment of operations	fixed, 8.4%	After commencement of operations	No collateral
TOTAL		**9.610**	**9.610**	**778**				

(in thousands zlotys)

c) Interest on loans granted

In the 6 months period ended June 30, 2006 the Group did not realize revenue from loans granted. In the profit and loss account the interest accrued was incurred for the 6 months period ended June 30, 2006.

	Interest realized	Unrealized due within					Total interest
Half year ended June 30, 2006		**Till 3 months**	**3-12 months**	**1 – 5 years**	**> 5 years**	**Total unrealized**	
Interest on long term financial receivables from affiliates	-	-	-	-	368	368	368
Total	**-**	**-**	**-**	**-**	**368**	**368**	**368**

d) Financial assets available for sale

On May 31, 2006 the Parent Company purchased shares in Mercury Energia Spółka z ograniczoną odpowiedzialnością, Notos Sp. z ograniczoną odpowiedzialnością, Beta Spółka z ograniczoną odpowiedzialnością i E.W.G Spółka z ograniczoną odpowiedzialnością in the amount of 0.5 thousand zlotys, 25.6 thousand zlotys and 38.5 thousand zlotys respectively.

On June 7, 2006 the Parent Company purchased shares in Interpep EC Zakrzów Spółka z ograniczoną odpowiedzialnością in the amount of 50 thousand zlotys.

45. Interest Rate Risk

The carrying value of financial instruments bearing the interest rate risk is presented in the table below in the aging breakdown.

6 months period ended June 30, 2006:

Variable interest rate

	<1year	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash	34 839						34 839
Bank loans amounting 20.835 thousands zlotys	3 124	3 609	3 945	2 740	2 739	4 678	20 835
Bank loans in EURO amounting 232,699 thousands zlotys	16 819	18 798	20 263	21 848	23 564	131 407	232 699

Fixed interest rate

	<1year	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	–	–	–	–	–	–	–
Loans granted	776	–	111	–	–	9 500	10 387

(in thousands zlotys)

The interest on variable interest financial instruments is reviewed in periods shorter than one year. Other Group's financial instruments which were not presented in the above tables are not subject to interest and therefore are not subject to interest rate risk.

46. Capital Group as lessor

46.1 Reconciliation of gross investment lease as at the balance sheet date with the present value of minimum lease payments as at the balance sheet date:

in PLN Exchange rate PLN/EUR **4.0434**	as of 30.06.2006 in total	to 1 year	from 1 to 5 years	over 5 years
Gross investment lease	318 686	23 643	114 309	180 734
Net lease investment	252 330	17 058	87 611	147 661
Minimum lease payments	318 686	23 643	114 309	180 734
Unrealized financial revenues	66 356	6 585	26 698	33 073
Unguaranteed residual accruing to the lessor				
Conditional lease payments	98 835	9 716	31 205	57 914

Conditional lease payments recognized in the profit and loss account for the period January 1, 2006–June 30, 2006 amounted to 4,206 thousands zlotys.

in PLN Exchange rate PLN/EUR **3.8598**	as of 31.12.2005 in total	to 1 year	from 1 to 5 years	over 5 years
Gross investment lease	311 506	20 949	105 734	184 823
Net lease investment	247 147	15 597	79 946	151 604
Minimum lease payments	311 505	20 948	105 734	184 823
Unrealized financial revenues	64 359	5 352	25 788	33 219
Unguaranteed residual accruing to the lessor				
Conditional lease payments	85 588	7 738	26 555	51 295

Conditional lease payments recognized in the profit and loss account for the period January 1, 2005 – December 31, 2005 amounted to 9,712 thousands zlotys and for the period January 1, 2005–June 30, 2005 amounted to 5,826 thousands zlotys.

46.2 Description of risks related to the financial lease transaction:

Market Risks

a/ foreign exchange risk

The foreign exchange risk of the financial lease transaction relates only to this part of the investment which was financed through own equity of the lessor. The target financing structure is 87% loans 13% equity. The above results from the financing of lease through bank loan denominated in EURO which is the settlement currency of the transaction.

b/ fair value risk related to the interest rate

The mechanism of the lease transaction hedges the lessor against the impact of interest rate volatility.

c/ price risk

The price risk is nonexistent in this transaction.

Credit Risk

The credit risk related to this transaction is related to the credit risk of Mondi Packaging Paper Swiecie („MONDI"). MONDI is large and stable listed company so the credit risk is being evaluated at low level.

Liquidity risk (financing)

Liquidity risk related to this transaction is related to MONDI liquidity risk. MONDI is large and stable listed company so the liquidity risk is being evaluated at low level.

Cash flow risk related to the interest rate

The mechanism of the lease transaction hedges the lessor against the impact of interest rate volatility.

Description of key points in the lease agreements:

On April 29th 2002, MONDI, SM and the Issuer concluded a general agreement (amended by Annex No. 1 of December 15th 2004), governing the parties' cooperation on optimizing the operation and financial aspects of MONDI's activities, including the reduction of energy expenses. Moreover, the following specific agreements were concluded: agreement for sale and lease back of the Saturn CHP Plant by MONDI; agreement for execution of an investment and modernization programme with SM's assistance, and 20-year agreement for operation of the Saturn CHP Plant by SM. The general agreement establishes the following economic objectives:

- Financing and construction of a new CFB by SM on the premises of the Saturn CHP Plant (the CFB has been successfully constructed and handed over), as well as execution by SM of the Facility Upgrading Programme, and enhancing the Facility's operational efficiency to reduce electricity and heat expenses over the next 20 years,

- Sharing of profits and risks related to the operation and maintenance of the Facility and ensuring energy security for MONDI through failure-free and continuous generation of electricity and heat, with agreed volumes and parameters,
- Improvement of the environmental protection conditions through the use of the bio fuels produced by MONDI.

Energy Alliance

The parties' economic cooperation is based on the Energy Alliance, understood as the concept which assumes close links between the objectives and results of SM's activities as the Facility operator and the investor under the investment and modernization programme, and the objectives and results of MONDI as the energy generator who uses this energy, where one party cannot draw profits at the expense of the other party, and their cooperation must develop harmoniously regardless of the market conditions, ensuring long-term business security and economic profit.

Subject of the Agreement is lease on the land real estate situated in Świecie, comprising lots Nos. 105/62, 105/63, 105/64, 105/65, 105/68, 105/69, total area 6.8173 hectares, under the right of perpetual usufruct held by SM, all buildings and constructions constituting components of the real estate classified as fixed assets and simultaneously as separate real properties, other fixed assets and items of property specified in the appendix to the agreement ("the Facility").

In accordance with the provisions of the agreement FS will use the Facility for production of electricity and heat on its own behalf and on its own account. The agreement obligates FS to pay a lease rent to SM. The agreement was concluded for the period of 20 years commencing from the date of the agreement, and may be extended for another 5 years. Liability of the parties for non-performance or improper performance of obligations stipulated by the agreement caused by events amounting to Force Majeure has been excluded.

47. Off balance sheet items, in particular contingent liabilities, including guarantees granted by the parent company

a) Contingent liabilities are presented in Note 32

b) Tax settlements

Tax settlements and regulated areas of business activities (i.e. foreign currencies and customs issues) can be subject to control by administrative authority which is entitled to impose heave and adverse fines and sanctions. Due to lack of stable legal regulations in Poland there is a lack of integrity and high level of vagueness in the binding regulations. The differences in interpretation of tax regulations in the tax offices and companies cause conflicts and area of uncertainty. Due to the above the tax risk in Poland is significantly higher than in other countries with higher developed tax systems.

The tax settlements may be subject of control over 5 years period started from the end of year in which the tax liability was paid. As a result of such control the tax liability of the group may be increased. According to the Group as at June 30, 2006 all provisions for recognized and countable tax risks were calculated

c) Investment liabilities

As of June 30, 2006 the Group plans to incur capital expenditure in second half of 2006 for tangible fixed assets and capital investments in the amount of approximately 110 millions zloty. The funds will be spent on purchase of new machines and equipment.

48. Profit distribution

On April 27, 2006 the General Shareholders Meeting voted the resolution stating that:

- Coverage of loss incurred by the Company in 2005 from reserve capital in the amount of 417 thousand zlotys,
- Distribution of reserve capital to cover the negative difference on profit/loss from previous years which is due to restatement of financial statement as of January 1, 2005 to the IFRS voted by proper body of EU,
- Distribution of part of the reserve capital created from profits of the Company in the year 2002 and 2004 in the amount of 9,057 thousand zlotys in the form of dividend to the Company's shareholders.

49. Liabilities to State Budget or local authority budgets

The Capital Group did not report any liabilities towards State Budget or local authority budgets resulting from purchasing of buildings.

50. Information on revenue, costs and results of discontinued operations

Till June 30, 2006 the Group did not discontinue any activities and no plans exist to discontinue any significant activity in the next period.

51. Information on significant related party transactions

As of the end of June 30, 2006 the Capital Group reported sales to entities excluded from consolidation in the amount of 72 thousand zlotys.

All of the Company's transactions with related party in the specific periods are presented in the tables below:

(in thousands zlotys)

Balance as at June 30, 2006

	Saturn Management Spółka z ograniczoną odpowiedzialnością i Wspólnicy, Spółka komandytowa *	ENERGOPEP Spółka z ograniczona odpowiedzialnością EC Jeziorna Spółka komandytowa *	Dipol Sp. z o.o.*	Interpep Spółka z ograniczoną odpowiedzialnością EC Wizów Spółka Komandytowa *	Interpep Spółka z ograniczoną odpowiedzialnością EC Zakrzów Spółka Komandytowa *	**Total consolidated entities**	Saturn Management Sp. z o.o.*	ENERGOPEP Sp. z o.o.*	INTERPEP Sp. z o.o.*	Mercury Energia Przedsiębiorstwo Produkcyjno - Usługowe i Pośrednictwa Comax Sp. z o.o., Spółka komandytowa*	**Total entities excluded from consolidation**	**Total affiliates**
Purchases	26	134	-	-	-	**160**	-	-	-	-	**-**	**160**
Sale of products	517	972	25	2.217	2.164	**5.895**	-	-	-	72	**72**	**5.967**
Sale of materials and goods	-	3.999	-	-	-	**3.999**	-	-	-	-	**-**	**3.999**
Total Sales	517	4.971	25	2.217	2.164	**9.894**	-	-	-	72	**72**	**9.966**
Receivables except for loans	114	8.494	23	3.509	1.420	**13.560**	-	2	-	-	**2**	**13.562**
Liabilities except for loans	3	307		-	-	**310**	-	-	-	-	**-**	**310**
Loans granted (in balance sheet)	.	-		-	-		-	-	-	9.500	**9.500**	**9.500**
Interest due(P&L)	-	-	-	-	-	**123**	-	-	-	775	**775**	**898**
Interest received (P&L)	71	-	6	-	-	**123**	-	-	-	-	**-**	**123**
Dividends received	13.415	-	-	-	-	**13.415**	-	-	-	-	**-**	**9.376**

* financial statements unaudited

Balance as at June 30, 2005

(in thousands zlotys)

	Saturn Management Spółka z ograniczoną odpowiedzialnością i Wspólnicy , Spółka komandytowa *	ENERGOPEP Spółka z ograniczona odpowiedzialnością EC Jeziorna Spółka komandytowa *	Total consolidated entities	Saturn Management Sp. z o.o.*	ENERGOPEP Sp. z o.o.*	Dipol Sp. z o.o.*	INTERPEP Sp. z o.o.*	Mercury Energia Przedsiębiorstwo Produkcyjno - Usługowe i Pośrednictwa Comax Sp. z o.o., Spółka komandytowa*	Total entities excluded from consolidation	Total affiliates
Purchases	25	346	**371**	-	-	-	-	-	**-**	**371**
Sale of products	687	1.816	**2.503**	1	1	-	-	72	**74**	**2.577**
Sale of materials and goods	-	7.566	**7.566**	-	-	-	-	-	**-**	**7.566**
Total Sales	687	9.382	**10.069**	1	1	-	-	72	**74**	**10.143**
Receivables except for loans	204	3.195	**3.399**	-	-	-	-	15	**15**	**3.414**
Liabilities except for loans	5.933	141	**6.074**	-	-	-	-	-	**-**	**6.074**
Loans granted (in balance sheet)	14.581	-	**14.581**	-	-	173	-	2.750	**2.923**	**17.504**
Interest due(P&L)	104	-	**104**	-	-	3	-	110	**113**	**217**
Interest received (P&L)	662	-	**662**	-	-	3	-	110	**113**	**775**
Dividends received	20.044	-	**20.044**	-	-	-	-	-	**-**	**20.044**

(in thousands zlotys)

52. Information on joint ventures

On March 15, 2004 the parent company signed a joint venture agreement with Przedsiębiorstwo Projektowo-Serwisowe Elektroniki, Pomiarów w zakresie Automatyki, EPA Sp. z o.o. relating to development of wind farm projects.

On March 13, 2006 the Company concluded with EPA Sp. z o.o. an annex to an agreement of 15th March 2004 for economic cooperation with regard to development of wind farm projects. Under the Agreement, the Company and EPA jointly develop projects of wind farms and share the costs of development. The Agreement shall remain in effect by December 31, 2010 (originally, the Agreement was to be effective for three years after the date of the conclusion of the Agreement.) Under the Agreement, the Company has the pre-emptive right of purchase to all projects developed with regard to the Agreement. Moreover, pursuant to the Annex, the price of the next projects for the total nominal capacity of 150MW to be purchased by the Company has been set.

The investment expense is agreed between the partners of the joint venture in yearly periods. Up to the June 30, 2006 the parent company incurred expense of approximately PLN 1m. The parent company plans to expense for next wind farm projects the amount of approximately PLN 6.5m till December 31, 2006.

The current effect of the joint venture is the preparation for construction wind farm project of capacity of 22MW located near Puck. According to the published current reports the Group plans to complete the construction of wind farm in Puck as of December 31, 2006. Moreover, three wind farm projects with total capacity of 90 MW are in the advanced development stage. The commencement of construction is planned for 2007 and operations for 2008.

53. Employment

In the periods ended June 30, 2006 and June 30, 2005 the average employment in the Capital Group classified into groups, calculated as the average of the end of month levels, amounted to:

Number of employees	**30.06.2006**	**30.06.2005**
Blue collar employees	108	108
White collar employees	34	48
Total employment	**142**	**156**

54. Remuneration, including profit based bonuses, paid or payable to members of the management and supervisory bodies (in cash or in nature)

In the periods ended June 30, 2006 and June 30, 2005 the remuneration of the Management Board amounted to:

	30.06.2006	**30.06.2005**

Management Board		
Stephen Klein	297	194
Grzegorz Skarżyński	-	198
Anna Kwarcińska	186	158
Michał Kozłowski	168	-

In the periods ended June 30, 2006 and June 30, 2005 the Management Board Members and Supervisory Board Members of the parent company did not receive any remuneration resulting from being in the management boards of related companies.

Till June 30, 2006 the members of the Supervisory Bodies received remuneration in the amount of 178 thousand zlotys, including Mr. Zbigniew Prokopowicz 169 thousand zlotys. The resolution of GSM dated April 27, 2006 established remuneration in the amount of 3 thousand zlotys gross to Mr. Artur Olszewski and Mr. Krzysztof Sędzikowski from April 27, 2006 and June 12, 2006 respectively.

55. Loans and other similar benefits granted to members of the management and supervisory bodies their spouses, brother, sisters, heirs and other related persons

In the period ended June 30, 2006 there were no transactions with Management Board Members and Supervisory Board Members.

56. Presentation of changes in Company's shares or rights to these shares (options) held by managing and supervising persons in the period of 12 months ended June 30, 2006

During the period of first half year ended June 30, 2006 there was an option plan for the management and supervisory persons in the parent company. The option plan is described in the table below:

Option plan beneficiaries	Management and supervisory persons
Grant Date	18.03.2005
Vesting Date	30.09.2005/ 31.12.2005 and 30.09.2006/ 31.12.2006
Expiry date	01.09.2007
No of shares in the program	325 416
No of options granted	325 416
Exercise price/share	2 PLN
Type of settlement	Share emission
Conditions of exercise	- None. The loss of right to options in case of resignation or dismissal before September 30, 2006 and December 31, 2006.

The fair value of option was estimated based on the binominal model. The fair value amounts to:

Options September 30, 2005 – 5.87 PLN

(in thousands zlotys)

Options December 31, 2005 – 5.90 PLN

Options September 30, 2006 – 5.94 PLN

Options December 31, 2006 – 5.96 PLN

On 13th December 2005, Mr. Wojciech Cetnarski submitted his resignation from the Board of Directors, effective from 13th December 2005. In consequence the conditions allowing for option exercise by Mr. Wojciech Cetnarski cannot be met.

On 13th December 2005, Mr. Grzegorz Skarżyński submitted his resignation from the Board of Directors, effective from 31st December 2005. Mr. Grzegorz Skarżyński is entitled to exercise its option for 35 454 shares of the Company which is vested December 31, 2005. As a result of the resignation the conditions allowing for exercise of option for 12 515 company shares granted to Mr. Grzegorz Skarżyński on December 31, 2006 cannot be met.

On January 31, 2006 the Supervisory Board voted a resolution based on which: (i) the right for 12,515 options to the Company shares pertaining to Mr. Grzegorz Skarżyński was transferred to Mr. Stephen Klein, (ii) the right for 47,969 options to the Company shares pertaining to Mr. Wojciech Cetnarski was transferred to Mr. Stephen Klein, (iii) Mr. Stephen Klein was granted 9,516 options to the Company shares, Mr. Michał Kozłowski was granted 34,511 options and Mr. Zbigniew Prokopowicz was granted 30,000 options. The above mentioned options will be besting after December 31, 2006. The eligible persons will purchase the shares at nominal value of PLN 2. The shares will be issued by the Management based on the statutory prerogative to issue shares within the specified limit. The fair value of these options has been calculated based on the Black-Scholes-Merton model. The fair value of one option was calculated at 8.63 zlotys.

The table below presents the change of number of options granted in the period of the first half year ended June 30, 2006.

	Number of options	**Average price**
Number of options as at January 1, 2006	133 498	-
Options granted	134 511	-
Loss of right to options	12 515	
Options exercised	70 908	2 PLN
Number of options as at June 30, 2006	184 586	-

In order to meet the Company's obligations resulting from Management Option Program implemented in the Company in relation to (i) Ms. Anna Kwarcińska – Management Board Member and (ii) Mr. Grzegorz Skarżyński – ex Vice-president of the Management Board there was a private offer, which means without public offer and admission of the shares to the public trade, of 70,908 ordinary registered shares of the Company. The offer of the Company's shares was structured in the way that Ms. Anna Kwarcińska and Mr. Grzegorz Skarżyński purchased 34,454 ordinary registered shares class O each. The issue price of class O shares was 2PLN per share. Ms. Anna Kwarcińska and Mr. Grzegorz Skarżyński paid at the issue ¼ of the issue price of class O shares.

The option program for CEO - Mr. Stephen Klein

On April 21, 2005 the Supervisory Board of PEP S.A. voted the resolution regulating the condition for CEO Stephen Klein in which the Supervisory Board obliged itself to establish till December 31, 2005 detailed regulation about the Management Option for Stephen Klein. Stephen Klein will be entitled to purchase till June 30, 2008 not more than 358 00 shares of new issue at the exercise price equal to the price paid by investors in the initial public offer. The detailed conditions of the option plan were accepted by the Supervisory Board on November 3, 2005.

(in thousands zlotys)

The option program of Mr. Stephen Klein is presented below:

Option plan beneficiaries	**Mr. Stephen Klein**
Grant Date	3.11.2005
Vesting date	30.06.2006 30.06.2007 10.06.2008
Expiry date	01.07.2008
No of shares in the program	358 000
No of options granted	358 000
Exercise price/share	7,8 PLN
Type of settlement	Share emission
Conditions of exercise	Conditions relating to the June30, 2006 tranche - none. The loss of right to options in case of resignation or dismissal before June 30, 2006. Conditions relating to the June30, 2007 and June 10, 2008 tranches - the managing person is in Management Board - the managing person has received vote of acceptance from the general shareholders meeting for the proper financial year

The fair value of option was estimated based on the Black-Scholes-Merton model. The fair value amounts to:

Options June 30, 2006 – 1.27PLN

Options June 30, 2007 – 1.43PLN

Options June 10, 2008 – 1.49 PLN

The charge into the profit and loss account for the 6 months period ended June 30, 2006 resulting from the above mentioned option programs amounted to 758 thousand zlotys.

57. Information on significant prior period events recognized in current year consolidated financial statements

In the 6 months period ended June 30, 2006 there were no events relating to prior periods recognized in the current financial statements.

58. Information on post balance sheet events not reflected in the consolidated financial statements

Up to the date of preparation of these consolidated financial statements i.e. till August 10, 2006, there were no events that were not, but should have been, disclosed in the consolidated financial statements.

59. Business combinations

Till June 30, 2006 there were no business combinations within the Capital Group structure.

60. Information on CO2 emission rights for the years 2005-2007

As of January 1, 2005 the act date December 22, 2004 about CO2 and other substances emission trading (Journal of Laws 281. pos. 2784) which defines the rules for emission trading which has the goal to limit these emissions in an profitable and economically efficient way. PEP Group is subject to this act. Pursuant to the regulation of Ministry Council date December 27, 2005 about acceptance of National Allocation Plan for CO2 emissions in the year 2005-2007 and the list of installations temporarily excluded from the emission trading system in the period from January 1, 2005 to December 31, 2007 the installations belonging to PEP received the emission rights in this period. According to this allocation the yearly emission rights for CO2 in years 2005-2007 amount to 125,500 tons of CO2. Based on the preliminary audited reports claiming the emission in 2005 erupted by PEP installations the amount of CO2 emissions in 2005 were 89,221 tons. As a result of the concluded by the Group outsourcing contracts the surplus of emission rights over the factual emission in the amount of 8,730 tons will be realized by the Group customers. The 2005 surplus in the amount of 27,549 tons can re realized by the Group in subsequent years. In the years 2006-2007 the Group des not plan emissions above the limit allocated to its installations. In the period from July 1, 2006 and August 10, 2006 the Group sold some CO2 emission rights and received revenues in the amount of 547.8 thousand EURO. The revenue was not recognized in the period ended June 30, 2006.