Polish Energy Partners Capital Group

CONSOLIDATED FINANCIAL STATEMENTS BASED ON INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2009

WITH THE INDEPENDENT AUDITOR'S REPORT

Zbigniew Prokopowicz – President	*Anna Kwarcińska –Vice-president*
Michał Kozłowski – Vice-president	*Agnieszka Grzeszczak – Chief Accountant*

Warsaw, 10 February 2010

(in thousand zlotys)

Consolidated Balance Sheet
as at 31 December 2009

Assets	Notes	31.12.2009	31.12.2008
I. Non-current assets (long-term)		**497 661**	**460 039**
1. Property, plant and equipment	10	163 931	170 425
2. Intangible assets	8	1 087	299
3. Goodwill	9	834	569
4. Financial assets	13	320	740
5. Financial assets accounted for using equity method	12	-	30 307
6. Long-term receivables	11	330 728	256 321
7. Deferred tax asset	21	549	611
8. Prepayments	14	212	590
9. Other non-financial assets	15	-	177
II. Current assets (short-term)		**167 325**	**104 181**
1.Inventories	16	36 466	29 935
2.Trade receivables	17	14 537	15 843
3.Income tax receivables	17	1 183	876
4.Other short-term receivables	17	54 902	43 986
5.Prepaymets	18	2 008	1 984
6.Cash and cash equivalents	19	58 229	11 557
Total assets		**664 986**	**564 220**

(in thousand zlotys)

Equity and liabilities	Notes	31.12.2009	31.12.2008
I. Equity		**235 341**	**181 354**
1. Issued capital	20	38 519	37 596
2. Share premium		34 252	29 912
3. Share based payments	44	9 844	8 044
4.Other capital reserves	20	80 486	43 744
5.Accumulated profits (losses) from previous years	20	24 280	27 702
6.Net profit (loss) for the period		46 866	33 320
7.Non-controlling interests	20	1 094	1 036
II. Non-current liabilities		**354 717**	**302 335**
1.Interest-bearing loans and borrowings	23	339 501	292 066
2.Deferred tax liability	21	9 150	4 031
3.Provisions	22	1 005	1 020
4.Accruals and deferred income	26	4 720	5 016
5.Other liabilities		341	202
III. Current liabilities		**74 928**	**80 531**
1.Interest-bearing loans and borrowings	24,25	46 979	52 440
2.Trade payables	24	13 931	19 668
3.Income tax payable	24	1 418	2 298
4.Other liabilities	24	2 053	1 995
5.Provisions	22	676	739
6.Accruals and deferred income	26	9 871	3 391
Total equity and liabilities		**664 986**	**564 220**

(in thousand zlotys)

Consolidated income statement

for the year ended 31 December 2009

	Notes	31.12.2009	31.12.2008	Q4 2009	Q4 2008
CONTINUING OPERATIONS					
I. Sale of goods and rendering of services	28	97 193	82 325	23 544	19 494
II. Income from certified rights	28	8 948	13 819	2 177	4 830
Revenue		**106 141**	**96 144**	**25 721**	**24 324**
Cost of sales	29	(51 572)	(46 677)	(16 496)	(12 714)
Gross profit (loss)		**54 569**	**49 467**	**9 225**	**11 610**
Other operating income	30	1 108	5 648	176	2 852
Selling and distribution expenses	29	-	-	-	-
Administrative expenses	29	(14 385)	(14 698)	(3 942)	(3 945)
of which share-based payments	44	(1 800)	(2 732)	(450)	(683)
Other operating expenses	31	(855)	(1 352)	(343)	(9)
Finance income	32	34 448	27 888	3 123	8 462
Finance costs	33	(15 700)	(29 620)	(4 485)	(14 959)
Share of profit of associate		-	(21)	-	(4)
Profit (loss) before tax		**59 185**	**37 312**	**3 754**	**4 007**
Income tax expense	21	12 261	3 803	651	1 295
Net profit (loss) for the year from continuing operations		**46 924**	**33 509**	**3 103**	**2 712**
Discontinued operations					
Profit (loss) for the period from discontinued operations		-	-	-	-
Net profit (loss) for the year		**46 924**	**33 509**	**3 103**	**2 712**

Attributable to:		46 924	33 509	3 103	2 712
Equity holders of the parent		46 866	33 320	3 043	2 654
Non-controlling interests		58	189	60	58

Earnings per share					
basic, profit for the year attributable to ordinary equity holders of the parent	7	2,48	1,78	0,16	0,14
basic, profit from continuing operations attributable to ordinary equity holders of the parent	7	2,48	1,78	0,16	0,14
diluted, profit for the year attributable to ordinary equity holders of the parent	7	2,48	1,78	0,16	0,14
diluted, profit from continuing operations attributable to ordinary equity holders of the parent	7	2,48	1,78	0,16	0,14

	31.12.2009	31.12.2008	Q4 2009	Q4 2008
Net profit (loss) attributable to equity holders of the parent	46 866	33 320	3 043	2 654
Unrealised foreign exchange differences	2 645	(3 349)	(1 583)	(5 195)
Income tax effect	(503)	636	301	987
Net profit (loss) attributable to equity holders of the parent adjusted by foreign exchange differences	**44 724**	**36 033**	**4 325**	**6 862**

(in thousand zlotys)

Consolidated statement of comprehensive income

for the year ended 31 December 2009

		31.12.2009	31.12.2008	Q4 2009	Q4 2008
Profit (loss) for the year		**46 924**	**33 509**	**3 103**	**2 712**
Other comprehensive income		**-**	**-**	**-**	**-**
Available-for-sale financial assets		-	-	-	-
Movement on cash flow hedges		-	-	-	-
Profits (losses) on actuarial pension contribution plans		-	-	-	-
Income tax effect		-	-	-	-
Other comprehensive income for the year, net of tax		**-**	**-**	**-**	**-**
Total comprehensive income for the year, net of tax		**46 924**	**33 509**	**3 103**	**2 712**
Total comprehensive income attributable to:		46 924	33 509	3 103	2 712
Equity holders of the parent		46 866	33 320	3 043	2 654
Non-controlling interests		58	189	60	58

(in thousand zlotys)

Consolidated statement of changes in equity

for the year ended 31 December 2009

	Notes	Issued capital	Share Premium	Share based payments	Other capital reserves	Accumulated profits (losses) from previous years	Net profit (loss)	Non-controlling interests	Total equity
As at 1 January 2009		**37 596**	**29 912**	**8 044**	**43 744**	**61 022**	**-**	**1 036**	**181 354**
Changes in accounting policies		-	-	-	-	-	-	-	**-**
As at 1 January 2009 (restated)		**37 596**	**29 912**	**8 044**	**43 744**	**61 022**	**-**	**1 036**	**181 354**
Total comprehensive income		-	-	-	-	-	46 866	58	46 924
Transfers to other capital reserves		-	-	-	36 742	(36 742)	-	-	-
Share-based payments	44	-	-	1 800	-	-	-	-	1 800
Issue of shares		923	4 340	-	-	-	-	-	5 263
As at 31 December 2009	20	**38 519**	**34 252**	**9 844**	**80 486**	**24 280**	**46 866**	**1 094**	**235 341**

for the year ended 31 December 2008

	Notes	Issued capital	Share Premium	Share based payments	Other capital reserves	Accumulated profits (losses) from previous years	Net profit (loss)	Non-controlling interests	Total equity
As at 1 January 2008		**37 310**	**29 083**	**5 312**	**19 535**	**51 912**	**-**	**847**	**143 999**
Total comprehensive income		-	-	-	-	-	33 320	189	33 509
Transfers to other capital reserves		-	-	-	24 209	(24 209)	-	-	-
Share-based payments	44	-	-	2 732	-	-	-	-	2 732
Issue of shares		286	829	-	-	-	-	-	1 115
As at 31 December 2008	20	**37 596**	**29 912**	**8 044**	**43 744**	**27 702**	**33 320**	**1 036**	**181 354**

(in thousand zlotys)

Consolidated statement of cash flows
for the year ended 31 December 2009

	Notes	31.12.2009	31.12.2008
A. Cash flow from operating activities - indirect method			
I.Profit before tax		**59 185**	**37 312**
II.Adjustements for		**(23 729)**	**(333)**
1.Share of (profits) losses of assets accounted for using equity method		-	21
2.Depreciation		9 881	9 251
3. Foreign exchange gains (losses)		(268)	2 201
4. Interest and shares in profits (dividends)		2 004	2 421
5.(Gain) loss on investing activities		(16 191)	186
6. Income tax paid		(8 255)	(6 684)
7.Movement in provisions		(79)	(3 202)
8.Movement in inventories	35	(11 526)	(19 648)
9.Movement in receivables	35	(4 913)	5 156
10.Movement in short-term liabilities except for loans and borrowings	35	1 920	10 029
11.Change in prepayments, accruals and deferred income	35	1 898	(2 796)
12. Other adjustments	35	1 800	2 732
III.Cash flows from operating activities (I+/-II)		**35 456**	**36 979**
B. Cash flow from investing activities			
I. Inflows		**84 679**	**36 201**
1. Sale of property, plant and equipment and intangibles		617	1 176
2. Sale of investments in properties and intangibles		-	-
3. From financial assets, of which		44 370	-
- sale of financial assets		7 726	-
- dividend and shares in profits		7	-
- repayment of long-term borrowings granted		34 947	-
- interest received		1 690	-
4. Sale of a subsidiary, net of cash disposed of		-	51
5. Other investing inflows	35	39 692	34 974
II. Outflows		**109 652**	**98 825**
1. Purchase of property, plant and equipment and intangibles		17 460	5 960
2. Purchase of investments in properties and intangibles		-	-
3. For financial instruments, of which:		5 547	26 548
- purchase of financial instruments		190	1 617
- long-term borrowings granted		5 357	24 931
4. Acquisition of a subsidiary, net of cash acquired		(460)	-
5.Other investing outflows	35	87 105	66 317
III.Net cash flows used in investing activities (I-II)		**(24 973)**	**(62 624)**
C. Cash flow from financing activities			
I.Inflows		**122 445**	**22 370**
1. Issue of shares, other capital instruments and additional payments to capital		5 262	1 117
2. Loans and borrowings		117 183	21 253

(in thousand zlotys)

II.Outflows		**85 240**	**48 197**
1.Dividends and other payments to equity holders of the parent		-	-
2. Outflows due to appropriation of profit other than payments to equity holders of the parent		30	-
3.Repayment of loans and borrowings		70 677	30 306
4.Redemtion of debt securities		-	-
5.Payment of other finance liabilities		-	-
6.Payment of finance lease liabilities		239	229
7.Interest paid		14 294	17 662
III.Net cash flows from/(used in) financing activities (I-II)		**37 205**	**(25 827)**
D. Total net cash flows from activities (A.III+/-B.III+/-C.III)		**47 688**	**(51 472)**
E. Balance sheet change in cash and cash equivalents, of which:		**46 672**	**(51 453)**
- change in cash and cash equivalents due to net foreign exchange differences		(1 016)	19
F. Cash and cash equivalents at the beginning of the period		**11 557**	**63 010**
G. Cash and cash equivalents at the end of the period, of which:		**58 229**	**11 557**
- of restricted use		23 729	2 210

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

Presentation of external sources of financing (statement of cash flows)		**31.12.2009**	**31.12.2008**
C.I.2 Loans and borrowings received		117 183	21 253
C.II.3 Repayment of loans and borrowings		(70 677)	(30 306)
Movement in external sources of financing, of which:		**46 506**	**(9 053)**
Net inflows from investment bank loans		43 282	(27 684)
Net inflows from VAT loans		(12)	13
Net inflows from bank overdrafts		3 236	18 618

(in thousand zlotys)

1. General information

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

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

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

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

1.1 Period of operation of the Company and the Group entities

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

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

The consolidated financial statements are prepared for the year ended 31 December 2009 and include the comparative data for the year ended 31 December 2008.

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

As at 31 December 2009, the parent company's Management Board was composed of:

Zbigniew Prokopowicz	President
Anna Kwarcińska	Vice-president

Michał Kozłowski	Vice-president

As at 31 December 2009, the parent company's Supervisory Board was composed of:

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

On 11 May 2009, Mr. Wojciech Sierka resigned from the position of the member of the Supervisory Board.

On 21 May 2009, Mr. Marek Gabryjelski was appointed for the position of the member of the Supervisory Board by the General Shareholders' Meeting.

2. Going Concern

The consolidated financial statements are prepared on the basis of the Company and Group entities will be a going concern in the foreseeable future, i.e. during the period of at least 12 months from the balance sheet date - 31 December 2009. As at the day of signing the consolidated financial statements, the Management Board of the Company is not aware of any facts or circumstances, that would indicate a threat to the continued activity of the Company and other Group entities in the foreseeable future, i.e. in the period of at least 12 months after the balance sheet date- after 31 December 2009, on the basis of the intended or compulsory withdrawal from or substantial limitation of its current operations.

As at 31 December 2009 the subsidiary – Energopep Sp. z o.o., EC Jeziorna, Spółka komandytowa, generated profit that reduced the negative shareholders' equity amounting to 7 238 thousand zlotys as at 31 December 2009. In the case of negative profitability of the company, a substantial uncertainty exists as to the company's ability to continue as a going concern. The parent company issued a written representation supporting the company's activity in the period not shorter than the next 12 months. According to the Code of Commercial Partnerships and Companies the limited partner 'komandytariusz' is responsible for the company's liabilities towards its creditors only to a limited amount 'suma komandytowa' of 50 thousand zlotys.

As at 31 December 2009 the subsidiary – Interpep Sp. z o.o., EC Wizów, Spółka komandytowa generated profit that reduced the negative shareholders' equity amounting to 1 698 thousand zlotys as at 31 December 2009. In the case of negative profitability of the company, a substantial uncertainty exists as to the company's ability to continue as a going concern. The parent company issued a written representation supporting the company's activity in the period not shorter than the next 12 months. According to the Code of Commercial Partnerships and Companies the limited partner 'komandytariusz' is responsible for the company's liabilities towards its creditors only to a limited amount 'suma komandytowa' of 50 thousand zlotys.

In the current financial year ended 31 December 2009 the subsidiary – Interpep EC Zakrzów Sp. z o.o, Spółka komandytowa generated the loss, which caused increase in the negative shareholders' equity. The company presented the negative shareholders' equity of 3 483 thousand zlotys as at 31 December 2009. In the case of further negative profitability of the company, a substantial uncertainty exists as to the company's ability to continue as a going concern. The parent company issued a written representation supporting the company's activity in the period not shorter than the next 12 months. According to the Code of Commercial Partnerships and Companies the limited partner 'komandytariusz' is responsible for the company's liabilities towards its creditors only to a limited amount 'suma komandytowa' of 50 thousand zlotys.

3. Group Structure

As at 31 December 2009, the Polish Energy Partners Group established the following entities:

- Grupa PEP Farma Wiatrowa 9 Sp. z o.o.
- Grupa PEP Farma Wiatrowa 10 Sp. z o.o.
- Grupa PEP Farma Wiatrowa 11 Sp. z o.o.
- Grupa PEP Farma Wiatrowa 12 Sp. z o.o.
- Grupa PEP Farma Wiatrowa 13 Sp. z o.o.
- Grupa PEP Farma Wiatrowa 14 Sp. z o.o.
- Grupa PEP Uprawy Energetyczne Sp. z o.o.

4. Authorisation of consolidated financial statements

These consolidated financial statements were authorised for issue by the Management Board on 10 February 2010.

5. Accounting polices

The accounting policies applied in preparing these consolidated financial statements are consistent with those applied to prepare the consolidated financial statements of the Group for the year ended 31 December 2008, except for the application of the following amendments to existing standards and new interpretations effective for annual periods beginning on or after 1 January 2009.

- IFRS 8 *Operating Segments* - this standard replaces IAS 14 *Segment Reporting*. IFRS 8 provides for application of management's approach to identification and measurement of reporting segment results.
- IAS 1 *Presentation of Financial Statements* (revised in September 2007) – The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement or in two linked statements. The Group has elected to present two statements.
- IAS 23 *Borrowing costs* (revised in March 2007) - The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to capitalise borrowing before the amendments to IAS 23 were introduced. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

- IFRS 2 *Share-based payment*: *Vesting Conditions and Cancellations.* This amendment clarifies the definition of vesting conditions and refers to recognition of cancellations of rights to awards. The application of this interpretation had no impact on the financial position or results of the Group, as there were not events that could have been affected by this interpretation.
- IAS 32 *Financial Instruments*: *Presentation* and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation*. The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Group, as the Group did not issue any such instruments.
- IFRIC 13 *Customer Loyalty Programmes*. IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. The adoption of these amendments did not have any impact on the financial position or the performance of the Group, as the Group does not have any loyalty programme.
- There were no improvements resulting from the annual review of IFRS.
- Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements*: *Cost of a subsidiary, jointly controlled entity and associate*. In accordance with the amendments to IFRS 1, a first-time adopter of IFRSs will be allowed to determine the “cost” of investments in subsidiaries, jointly controlled entities and associates in accordance with IAS 27 or based on the deemed cost in its separate financial statements. The amendment to IAS 27 requires that all dividends received from a subsidiary, jointly controlled entity or associate be recognised in profit or loss in the parent’s separate financial statements. The amendment to IAS 27 is applied prospectively. The new requirements only apply to the separate financial statements of the parent and will have no impact on the consolidated financial statements.
- IFRIC 12 *Service Concession Arrangements*. This interpretation applies to the service concession operators and explains how they should recognise the rights and obligations arising from such arrangements. The interpretation has no impact on the Group’s financial statements as none of the Group entities is a service concession operator.
- Amendments to IFRS 7 *Financial Instruments: Disclosures.* The amended standard requires a disclosure of additional information regarding fair value measurement and liquidity risk. For each class of financial instruments measured at fair value, an entity should disclose information on measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. In addition, for fair value measurements classified at Level 3 of the fair value hierarchy, the entity should disclose reconciliation from the opening balances to the closing balances. In addition, the entity should disclose all significant movements between Level 1 and Level 2 of the fair value hierarchy. The amendments also clarify the requirements for disclosures about liquidity risk. The disclosures regarding fair value measurements are presented in Note 37.1. The amendments concerning disclosures of liquidity risk did not have a significant impact on the information presented so far by the Group.
- IFRIC 15 *Agreements for the Construction of Real Estate*. This interpretation determines how and when to recognise revenue from sale of real estate and the related costs when the agreement between the developer and the buyer is signed prior to the completion of construction. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18. The application of IFRIC 15 will have no impact on the consolidated financial statements of the Group, as the Group does not conduct such operations.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation.* This interpretation provides guidance on accounting for hedges of net investments in foreign operations, and in particular it provides guidance on: identification of currency risks that are eligible for hedge accounting as part of a hedge of a net investment in a foreign operation, which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation as well as how an entity should determine the amount of the positive or negative currency translation difference to be reclassified from equity to profit or loss for both the hedging instrument and the net

investment when the entity disposes of the investment in a foreign operation. The application of IFRIC 16 will have no impact on the consolidated financial statements of the Group, as the Group does not hedge net investments in foreign operations.

- IFRIC 18 *Transfers of Assets from Customers*. This interpretation provides guidance on the accounting for assets received from customer in order to provide services to this customer. The interpretation is applicable to transactions that occurred on or after 1 July 2009. The application of IFRIC 18 will have no impact on the consolidated financial statements as the Group did not receive any assets from customers or cash to be used for construction of such assets.
- Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement: Embedded Derivatives*. The amendment requires assessing whether an embedded derivative must be accounted for separately on reclassification of a hybrid financial instrument out of the category of assets at fair value through profit or loss. Such assessment is made on the basis of the conditions that existed at the later of the following dates: the date on which the entity first became a party to the contract or the date on which there was a subsequent change in terms of the contract that significantly modified the cash flows. IAS 39 currently requires that, when an embedded derivative cannot be reliably measured, the whole hybrid instrument should be classified as a financial instrument at fair value through profit or loss. The application of the above amendments will have no impact on the consolidated financial statements, as the Group did not reclassify any financial assets out of the at fair value through profit or loss category, nor does it hold any hybrid financial instruments for which the embedded derivative cannot be reliably measured.

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

- IFRS 3R Business Combinations (revised in January 2008) – effective for financial years beginning on or after 1 July 2009,
- Amendments to IAS 27 Consolidated and Separate Financial Statements (issued in January 2008) – effective for financial years beginning on or after 1 July 2009,
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (issued in July 2008) – effective for financial years beginning on or after 1 July 2009,
- Revised IFRS 1R First–time Adoption of International Financial Reporting Standards (revised in November 2008) – effective for financial years beginning on or after 1 July 2009,
- IFRIC 17 Distributions of Non–cash Assets to Owners – effective for financial years beginning on or after 1 July 2009,
- Improvements to IFRSs (issued in April 2009) – some improvements are effective for annual periods beginning on or after 1 July 2009, the rest is effective for annual periods beginning on or after 1 January 2010 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 2 Share–based Payments – Group Cash-settled Share-based Payment Transactions (amended in June 2009) – effective for financial years beginning on or after 1 January 2010 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Additional Exemptions for First-time Adopters – effective for financial years beginning on or after 1 January 2010 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 32 Financial instruments: presentation: Classification of Rights Issues – effective for financial years beginning on or after 1 February 2010,
- IAS 24 Related Party Disclosures (revised in November 2009) – effective for financial years beginning on or after 1 January 2011 – not endorsed by EU till the date of approval of these financial statements,

- IFRS 9 Financial Instruments – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements – effective for financial years beginning on or after 1 January 2011 – not endorsed by EU till the date of approval of these financial statements,
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – effective for financial years beginning on or after 1 July 2010– not endorsed by EU till the date of approval of these financial statements.
- Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (issued in January 2010) - effective for annual periods beginning on or after 1 July 2010 - it has not been endorsed by the EU till the day of approval of these consolidated financial statements.

5.2 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with the International Accounting Standards / International Financial Reporting Standards (‘IFRS’) and for the year ended 31 December 2009 and include the comparative data for the year ended 31 December 2008.

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

These consolidated financial statements for the year ended 31 December 2009 with comparative data for the year ended 31 December 2008 have been audited by the independent auditor.

5.3 Statement of compliance

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

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

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

5.4 Significant accounting judgments and estimates

The preparation of the Group’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the Group’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- classification and valuation of the lease – Group as a lessor
- expenditures classified as wind farms development,
- classification of green certificates and certified emission rights CO2,
- share based payments,
- depreciation rates,
- allowances for doubtful debts,
- provisions for litigation,
- impairment of assets.

5.5 Functional currency and presentation currency

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

5.6 Basis of consolidation

These consolidated financial statements comprise the financial statements of Polish Energy Partners S.A. and its subsidiaries for the year ended 31 December 2009. The financial statements of the subsidiaries after giving consideration to the adjustments made to achieve conformity with IFRS, are prepared for the same reporting period as those of the parent company, using consistent accounting policies, and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

5.7 Investments in associates

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

Investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the parent's share of the associates' net assets, less any impairment losses. The income statement reflects the parent's share in the results of operations of the associates.

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

5.8 Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill is not amortised.

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

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, and
- be not greater than a single business segment, in accordance with the definition of the Group's primary or secondary reporting format determined on the basis of IFRS 8 Operating Segments.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit to which the goodwill has been allocated. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill represents part of a cash-generating unit and part of the operations within that unit is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining gain or loss on disposal of the operation. Goodwill disposed of in such circumstances is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained.

5.9 Intangible assets

An asset meets the definition of an intangible asset when it:

a) is separable, i.e. capable of being 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

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

The useful lives of intangible assets are assessed by the Group to be either finite or indefinite.

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually either individually or at the cash generating unit level. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end, and, if necessary, are adjusted with effect from the beginning of the financial year that has just ended.

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

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

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

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

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

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

5.10 Property, plant and equipment

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

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

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

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

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

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

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

5.11 Assets under construction

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

5.12 Borrowing costs

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

5.13 Impairment of non-financial assets

An assessment is made at each reporting date to determine whether there is any indication that an asset may be impaired. If such indication exists, or in case an annual impairment testing is required, the Group makes an estimate of the recoverable amount of that asset.

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

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

5.14 Financial assets

Financial assets are classified into one of the following categories:

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

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

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

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

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

a) it is classified as held for trading. A financial asset is classified as held for trading if it is:
   - acquired principally for the purpose of selling it in the near term;
   - part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
   - a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

b) upon initial recognition it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value, which takes into account their market value as at the balance sheet date. Any change in the fair value of these instruments is taken to finance costs or finance income. When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited. Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded. As at 31 December 2009, no financial assets have been designated as at fair value through profit and loss (as at 31 December 2008: nil)

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

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

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

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

5.15 Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance amount. The amount of the loss shall be recognised in profit or loss.

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

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

Financial assets carried at cost

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

Available-for-sale financial assets

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

5.16 Leasing

Group as lessee

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

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

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

Group as lessor

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

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

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

5.17 Inventories

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

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

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

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

Green certificates (paragraph 5.33), certified emission rights (paragraph 5.33) and wind farm development expenditures when the technical feasibility has been assessed as probable, are recognised under inventories due to their short operating cycle and high turnover.

(in thousand zlotys)

5.18 Short- and long-term receivables

Trade receivables, except for leased receivable described in the note 5.16, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Doubtful debts are accounted for other operating costs or finance costs – depending on the type of receivables to which doubtful debt relates.

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

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

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

5.19 Foreign currency translation

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

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

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

The following exchange rates were used for valuation purposes:

	31.12.2009	31.12.2008
USD	2,8503	2,9618
EUR	4,1082	4,1724
CAD	2,7163	2,4307
CHF	2,7661	2,8014
GBP	4,5986	4,2913

5.20 Cash and cash equivalents

Cash at bank and in hand, short-term bank deposits held to maturity are measured at fair value.

For the purpose of a consolidated statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined and bonds that were not allocated to investing activities.

5.21 Prepaid and accrued expenses

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

5.22 Issued capital

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

5.23 Share-based payment transactions

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

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a binomial model or Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the parent entity ('market conditions').

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

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

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

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

At the date of these consolidated financial statements, outstanding options have no significant dilutive effect on earnings per share.

5.24 Provisions

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

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

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

5.25 Jubilee bonuses and retirement benefits

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

5.26 Interest-bearing loans and borrowings

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

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

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

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

5.27 Trade and other payables

Short-term trade payables are carried at the amount due and payable.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) or the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded. As at 31 December 2009, no financial liabilities have been designated as at fair value through profit and loss (as at 31 December 2008: Nil).

Financial liabilities at fair value through profit or loss are measured at fair value, reflecting their market value at the balance sheet date less directly attributable transaction costs. Gains or losses on these liabilities are recognised in the income statement as finance income or cost.

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

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

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

5.28 Revenue

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

5.28.1. Sale of goods

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

5.28.2. Rendering of services

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

5.28.3. Interests

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

5.28.4. Dividends

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

5.28.5. Government grants

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

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

5.29 Income tax

5.29.1 Current income tax

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

5.29.2 Deferred tax

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

Deferred tax liability is recognised for all taxable temporary differences:

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

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

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

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

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

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

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

5.29.3 Value Added Tax

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

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

- receivables and payables, which are stated with the amount of value added tax included.

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

5.30 Earnings per share

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

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

5.31 Contingent liabilities and assets

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

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

5.32 Greenhouse gas emissions

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

5.33 Certificates of origin

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

5.34 Certified emission rights (Joint Implementation Mechanism)

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

6. Segment information

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

- outsourcing activity segment, aiming at providing operational services,
- outsourcing activity segment, aiming at production of steam, hot water and electricity,

(in thousand zlotys)

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

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

31.12.2009	Continuing operations						
	Outsourcing activity - operational services	**Other outsourcing activity – production of steam, hot water and electricity**	**Development and sale of wind farms**	**Biomass**	**Wind power industry**	**Unallocated**	**Total**
Sales to external customers	46 510	32 054	10 212	3 109	14 256	-	106 141
Inter-segment sales	-	-	-	-	-		-
Segment revenue	46 510	32 054	10 212	3 109	14 256	-	106 141
Result	**31 443**	**5 752**	**8 085**	**(1 885)**	**7 413**	**-**	**50 808**
Unallocated expenses	-	-	-	-	-	(10 951)	(10 951)
Other operating income / costs	-	-	-	-	-	580	580
Operating profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**40 437**
Finance income / costs	2 219	-	19 264	-	-	-	21 483
Unallocated finance income / costs	-	-	-	-	-	(2 735)	(2 735)
Share of associate’s profit	-	-	-	-	-	-	-
Profit before tax	**-**	**-**	**-**	**-**	**-**	**-**	**59 185**
Income tax	-	-	-	-	-	(12 261)	(12 261)
Net profit	**-**	**-**	**-**	**-**	**-**	**-**	**46 924**
Segment assets	428 692	65 421	40 138	18 911	97 005	-	650 167
Unallocated assets	-	-	-	-	-	14 819	14 819
Total assets	**428 692**	**65 421**	**40 138**	**18 911**	**97 005**	**14 819**	**664 986**
Segment liabilities	302 459	27 275	158	10 255	80 347	-	420 494
Unallocated liabilities	-		-	-	-	9 151	9 151
Total liabilities	**302 459**	**27 275**	**158**	**10 255**	**80 347**	**9 151**	**429 645**
Capital expenditure, of which:	**39**	**95**	**10 141**	**6 401**	**8**	**776**	**17 460**
- Property, plant and equipment	39	95	10 141	6 401	8	-	16 684
- Intangible assets	-	-	-	-	-	-	-
Depreciation	63	4 125	-	625	5 068	-	9 881
Impairment losses	-	-	-	-	-	-	-

31.12.2008	Continuing operations						
	Outsourcing activity - operational services	**Other outsourcing activity – production of steam, hot water**	**Development and sale of wind farms**	**Biomass**	**Wind power industry**	**Unallocated**	**Total**

		and electricity					
Sales to external customers	36 822	32 056	10 707	424	16 135	-	96 144
Inter-segment sales	-	-	-	-	-	-	-
Segment revenue	36 822	32 056	10 707	424	16 135	-	96 144
Result	**24 429**	**8 296**	**7 859**	**(594)**	**9 261**	**-**	**49 251**
Unallocated expenses	-	-	-	-	-	(11 705)	(11 705)
Other operating income / costs	-	-	-	-	-	1 519	1 519
Operating profit (loss)	-	-	-	-	-	**-**	**39 065**
Finance income / costs	3 369	-	3 368	(61)	-	-	6 676
Unallocated finance income / costs	-	-	-	-	-	(8 408)	(8 408)
Share of associate's profit	-	-	-	-	(21)	-	(21)
Profit before tax	-	-	-	-	-	**-**	**37 312**
Income tax	-	-	-	-	-	(3 803)	(3 803)
Net profit	-	-	-	-	-	-	**33 509**
Segment assets	344 499	51 652	15 556	10 800	132 806	-	555 313
Unallocated assets	-	-	-	-	-	8 907	8 907
Total assets	**344 499**	**51 652**	**15 556**	**10 800**	**132 806**	**8 907**	**564 220**
Segment liabilities	257 428	26 071	-	5 403	89 933	-	378 835
Unallocated liabilities	-	-	-	-	-	4 031	4 031
Total liabilities	**257 428**	**26 071**	**-**	**5 403**	**89 933**	**4 031**	**382 866**
Capital expenditure, of which:	23	791	-	5 146	-	-	**5 960**
- Property, plant and equipment	23	791	-	5 146	-	-	5 960
- Intangible assets	-	-	-	-	-	-	-
Depreciation	90	4 095	-	-	5 066	-	9 251
Impairment losses	-	-	-	-	-	-	-

7. Earnings per share

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

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

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

EARNING PER SHARE		

(in thousand zlotys)

	31.12.2009	31.12.2008
Net profit (loss)	46 866	33 320
Weighted average number of ordinary shares	18 875 040	18 702 700
Basic earnings per share (in zlotys)	2,48	1,78

	31.12.2009	31.12.2008
Weighted average number of ordinary shares	18 875 040	18 702 700
Effect of dilution	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	18 875 040	18 702 700

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

8. Intangible assets

31.12.2009

INTANGIBLE ASSETS				
	Development costs	Patents and licences, of which:		Total intangible assets
			computer software	
1. cost at the beginning of the period	**-**	**967**	**573**	**967**
a) additions, of which:	865	16	4	881
- purchase	865	16	4	881
2. cost at the end of the period	**865**	**983**	**577**	**1 848**
3. accumulated depreciation at the beginning of the period	**-**	**(668)**	**(289)**	**(668)**
- depreciation charge for the period	(49)	(44)	(2)	(93)
4. accumulated depreciation at the end of the period	**(49)**	**(712)**	**(291)**	**(761)**
5. impairment at the beginning of the period	**-**	**-**	**-**	**-**
- increase	-	-	-	-
- decrease	-	-	-	-
6. impairment at the end of the period	**-**	**-**	**-**	**-**
7. net book value at the beginning of the period	**-**	**299**	**284**	**299**
8. net book value at the end of the period	**816**	**271**	**286**	**1 087**

31.12.2008

INTANGIBLE ASSETS			
	Patents and licences, of which:		Total intangible assets
		computer software	
1. cost at the beginning of the period	**960**	**566**	**960**

(in thousand zlotys)

a) additions, of which:	7	7	7
- purchase	7	7	7
2. cost at the end of the period	**967**	**573**	**967**
3. accumulated depreciation at the beginning of the period	**(621)**	**(281)**	**(621)**
- depreciation charge for the period	(47)	(8)	(47)
4. accumulated depreciation at the end of the period	**(668)**	**(289)**	**(668)**
5. impairment at the beginning of the period	**-**	**-**	**-**
- increase	-	-	-
- decrease	-	-	-
6. impairment at the end of the period	**-**	**-**	**-**
7. net book value at the beginning of the period	**339**	**285**	**339**
8. net book value at the end of the period	**299**	**284**	**299**

9. Business combinations and acquisition of non-controlling interest

GOODWILL FROM CONSOLIDATION		
	31.12.2009	**31.12.2008**
Dipol Sp. z o.o.	132	132
Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Komandytowa	437	437
Amon Sp. z o.o.	85	-
Talia Sp. z o.o.	56	-
Others	124	
Total goodwill from consolidation	**834**	**569**

GOODWILL FROM CONSOLIDATION (MOVEMENTS)		
	31.12.2009	**31.12.2008**
Goodwill from consolidation at the beginning of the period	**569**	**569**
Increases due to acquisition of control	265	-
Total goodwill from consolidation	**834**	**569**

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

(in thousand zlotys)

10. Property, plant and equipment

31.12.2009

PROPERTY, PLANT AND EQUIPEMENT							
	freehold land (including perpetual usufruct right	buildings, premises and constructions	machinery and technical equipment	motor vehicles	other	construction in progress	total property, plant and equipment
1. cost at the beginning of the period	**1 026**	**29 632**	**132 731**	**1 517**	**740**	**39 350**	**204 997**
a) additions, of which:	**772**	**882**	**5 587**	**817**	**458**	**100 503**	**109 019**
- purchase	772	-	23	359	451	90 565	92 170
- transfers	-	882	5 564	458	7	9 938	16 849
b) decrease, of which:	**-**	**(6 267)**	**(28)**	**-**	**(369)**	**(105 135)**	**(111 799)**
- sale and liquidation	-	(6 267)	(28)	-	-	-	(6 295)
- reclassification to finance lease receivables	-	-	-	-	-	(98 604)	(98 604)
- transfers	-	-	-	-	(369)	(6 531)	(6 900)
2. cost at the end of the period	**1 798**	**24 247**	**138 290**	**2 334**	**829**	**34 718**	**202 217**
3. accumulated depreciation at the beginning of the period	**-**	**(5 612)**	**(22 084)**	**(1 070)**	**(612)**	**-**	**(29 378)**
- depreciation charge for the year	-	(1 784)	(7 500)	(261)	(85)	(156)	(9 786)
- decrease, of which:	**-**	**6 044**	**28**	**-**	**-**	**-**	**6 072**
- sale and liquidation	-	6 044	28	-	-	-	6 072
4. accumulated depreciation at the end of the period	**-**	**(1 352)**	**(29 556)**	**(1 331)**	**(697)**	**(156)**	**(33 092)**
5. impairment at the beginning of the period	**-**	**-**	**(4 966)**	**-**	**-**	**(228)**	**(5 194)**
- additions	-	-	-	-	-	-	-
- transfers	-	-	-	-	-	-	-
6. impairment at the end of the period	**-**	**-**	**(4 966)**	**-**	**-**	**(228)**	**(5 194)**
7. net book value at the beginning of the period	**1 026**	**24 020**	**105 681**	**447**	**128**	**39 122**	**170 425**
8. net book value at the end of the period	**1 798**	**22 895**	**103 768**	**1 003**	**132**	**34 334**	**163 931**

As at 31 December 2009, lands and buildings amounting to 24 693 thousand zlotys were mortgage securing repayment of loans.

(in thousand zlotys)

During the year ended 31 December 2009, the amount of 137 thousand zlotys was capitalised as borrowing costs.
The carrying value of motor vehicle held under finance leases contracts at 31 December 2009 was 565 thousand zlotys.

31.12.2008

PROPERTY, PLANT AND EQUIPEMENT							
	freehold land (including perpetual usufruct right	**buildings, premises and constructions**	**machinery and technical equipment**	**motor vehicles**	**other**	**construction in progress**	**total property, plant and equipment**
1. cost at the beginning of the period	**1 075**	**34 697**	**139 230**	**1 373**	**750**	**839**	**177 964**
a) additions, of which:	-	155	255	294	5	56 891	57 600
- purchase	-	-	30	294	5	56 891	57 220
- transfers	-	155	225	-	-	-	380
b) decrease, of which:	(49)	(5 220)	(6 753)	(150)	(15)	(18 380)	(30 567)
- sale and liquidation	(49)	(5 220)	(6 753)	(150)	(15)	-	(12 187)
- reclassification to finance lease receivables	-	-	-	-	-	(17 799)	(17 799)
- transfers	-	-	-	-	-	(581)	(581)
2. cost at the end of the period	**1 026**	**29 632**	**132 731**	**1 517**	**740**	**39 350**	**204 997**
3. accumulated depreciation at the beginning of the period	**(14)**	**(5 423)**	**(17 484)**	**(962)**	**(558)**	**-**	**(24 441)**
- depreciation charge for the year	-	(2 618)	(6 268)	(248)	(69)	-	(9 203)
- decrease, of which:	14	2 429	1 668	140	15	-	4 266
- sale and liquidation	14	2 429	1 668	140	15	-	4 266
4. accumulated depreciation at the end of the period	**-**	**(5 612)**	**(22 084)**	**(1 070)**	**(612)**	**-**	**(29 378)**
5. impairment at the beginning of the period	**(35)**	**(3 483)**	**(8 974)**	**-**	**-**	**(228)**	**(12 720)**
- additions	-	-	-	-	-	-	-
- transfers	35	3 483	4 008	-	-	-	7 526
6. impairment at the end of the period	**-**	**-**	**(4 966)**	**-**	**-**	**(228)**	**(5 194)**
7. net book value at the beginning of the period	**1 026**	**25 791**	**112 772**	**411**	**192**	**611**	**140 803**
8. net book value at the end of the period	**1 026**	**24 020**	**105 681**	**447**	**128**	**39 122**	**170 425**

As at 31 December 2008, land and building valuing 25 046 thousand zlotys were mortgage securing repayment of loans.

During the year ended 31 December 2008, amount of 87 thousand zlotys was capitalised as borrowing costs.
The carrying value of motor vehicle held under finance leases contracts at 31 December 2008 was 447 thousand zlotys.
During the year ended 31 December 2008, the parent company disposed of the assets of EC Wizów. The gross value amounted to 12 028 thousand zlotys, the accumulated depreciation – 3 911 thousand zlotys, impairment write-down – 7 526 thousand zlotys. The proceeds from sale amounted to 861 thousand zlotys.

(in thousand zlotys)

11. Long-term receivables

LONG-TERM RECEIVABLES		
	31.12.2009	**31.12.2008**
- receivables from third parties	330 728	256 321
- income accrued	6 654	1 699
- finance lease	324 074	254 616
- other receivables	-	6
Net long-term receivables	**330 728**	**256 321**
- allowances for doubtful debts	-	-
Gross long-term receivables	**330 728**	**256 321**

12. Investments in associates accounted for using the equity method

	31.12.2009	**31.12.2008**
Opening balance at the beginning of the period	30 307	3 876
Transfer to investment in associate due to loss of control over a subsidiary	-	260
Loans granted to associates	6 269	26 449
Loans returned by associates	(36 664)	-
Share in profits (losses)	-	(21)
Elimination of unrealised profit on transactions with associates	-	(257)
Disposal of investments	88	-
Closing balance at the end of the period	-	30 307

As at 30 March 2009, the transaction relating to the disposal of 30% Shares of Park Wiatrowy Suwałki Sp. z o.o. to RWE Renewables Polska Sp. z o.o. (“RPP’) by the parent company has been completed.

As at 21 April 2009, the transaction relating to the disposal of 30% Shares of Park Wiatrowy Tychowo Sp. z o.o. to RWE Renewables Polska Sp. z o.o. (“RPP’) by the parent company has been completed.

As at 30 September 2009, the transaction relating to the disposal of 30% Shares of Beta Sp. z o.o. to Elektrownia Połaniec SA- Group GD, by the parent company has been completed.

The finance income from above transactions recognised in the consolidated financial statements account for 15 931 thousand zlotys.

13. Long-term financial assets

LONG-TERM FINANCIAL ASSETS		
	31.12.2009	**31.12.2008**
- unquoted equity shares	320	318
- loans granted	-	422
Total long-term financial assets	**320**	**740**

(in thousand zlotys)

14. Long-term prepayments

LONG-TERM PREPAYMENTS		
	31.12.2009	**31.12.2008**
- insurance	-	308
- other	212	282
Total long-term prepayments	**212**	**590**

15. Other non-financial assets

OTHER NON-FINANCIAL ASSETS		
	31.12.2009	**31.12.2008**
- expenditures on fields	-	177
Total other non-financial assets	**-**	**177**

16. Inventories

INVENTORIES		
	31.12.2009	**31.12.2008**
- raw materials	5 491	3 879
- green certificates	402	1 808
- development of wind farms *)	25 461	16 929
- certified emission rights (Joint Implementation Mechanism)	5 078	7 148
- advance payments to suppliers	34	171
Total inventories	**36 466**	**29 935**

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

None of the inventory categories was used as security for loans during the year ending 31 December 2009 and 31 December 2008. As at 31 December 2009 and 31 December 2008, there were no inventories stated at net realisable value.

17. Short-term receivables

SHORT-TERM RECEIVABLES		
	31.12.2009	**31.12.2008**
- trade receivables	14 537	15 843
- from related parties	705	793
- income accrued	3 280	6 988
- from third parties	10 552	8 062
- income tax receivables	1 183	876
- other receivables	54 902	43 986
- budget	5 592	5 114
- finance lease	37 756	26 533
- expenditures on fixed assets in the finance lease	2 458	12 136
- other	9 096	203

(in thousand zlotys)

Total net short-term receivables	**70 622**	**60 705**
- allowance for doubtful debts	5 376	5 377
Total gross short-term receivables	**75 998**	**66 082**

The amount of 8 357 thousand zlotys in “other receivables’ relates to the disposal of shares in PWS Sp. z o.o., PWT Sp. z o.o. and Beta Sp. z o.o.

Transactions with related parties are presented in note 40.

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

As at 31 December 2009 and 31 December 2008, trade receivables amounting to 5 348 thousand zlotys were impaired, and therefore subject to allowance for doubtful debts. The movements in the allowance were as follows:

MOVEMENTS IN DOUBTFUL DEBTS ALLOWANCE		
	31.12.2009	**31.12.2008**
Opening balance	**5 348**	**5 348**
Charge for the year	-	-
Utilised	-	-
Unused amounts reversed	-	-
Closing balance	**5 348**	**5 348**

The table below presents an analysis of trade receivables that were past due as at 31 December 2009 and 31 December 2008 but not impaired. Other receivables are not past due.

AGEING ANALYSIS OF TRADE RECEIVABLES							
	TOTAL	**Neither past due nor impaired**	**Past due but not impaired**				
			< 30 days	**30 – 60 days**	**60 – 90 days**	**90 – 120 days**	**>120 days**
31.12.2009	14 537	10 321	3 027	524	303	57	305
31.12.2008	15 843	13 980	680	591	128	27	437

18. Short-term prepayments

SHORT-TERM PREPAYMENTS		
	31.12.2009	**31.12.2008**
- insurances	499	736
- subscriptions	64	61
- projects relating to the next period	421	474
- other	1 024	713
Total short-term prepayments	**2 008**	**1 984**

19. Cash and cash equivalents

CASH AND CASH EQUIVALENTS

	31.12.2009	31.12.2008
Cash and cash equivalents	58 229	11 557
- cash at banks and on hand	58 229	11 557
Total cash and cash equivalents	**58 229**	**11 557**

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

20. Issued capital and reserves

20.1 Issued capital

31.12.2009

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

31.12.2008

SHARE CAPITAL (THE STRUCTURE)			
Class / issue	Type of the share	Number of shares	Nominal value of series/issue
A	Bearer	2 213 904	4 428

(in thousand zlotys)

B	bearer	2 304 960	4 610
C	bearer	515 256	1 031
D	bearer	566 064	1 132
E	Bearer	1 338 960	2 678
F	bearer	544 800	1 090
G	bearer	683 376	1 367
H	bearer	288 000	576
I	bearer	856 704	1 713
J	bearer	3 835 056	7 670
K	bearer	1 640 688	3 281
L	bearer	3 144 624	6 289
M	bearer	182 359	365
N	bearer	69 922	140
O	bearer	70 908	142
P	bearer	89 500	179
R	bearer	37 560	75
S	bearer	147 026	294
U	bearer	125 300	250
W	bearer	143 200	286
Total number of shares		18 798 167	
Total share capital			37 596
Nominal value of one share (in zlotys)			2

20.2 Shareholders with significant shareholding

SHAREHOLDERS HOLDING 5% OF TOTAL NUMBER OF SHARES AS AT 31 DECEMBER 2009			
Shareholder	Number of shares	Number of votes	share %
Pioneer Pekao Investment Management S.A.	2 243 566	2 243 566	11.65%
Amplico OFE	1 051 302	1 051 302	5.46%
Generali OFE	2 208 461	2 208 461	11.47%
Nordea OFE	946 139	946 139	4.91%
BPH TFI	1 280 477	1 280 477	6.65%
Other (free float)	11 529 461	11 529 461	59.86%
Total	**19 259 406**	**19 259 406**	**100.00%**

SHAREHOLDERS HOLDING 5% OF TOTAL NUMBER OF SHARES AS AT 31 DECEMBER 2008			
Shareholder	Number of shares	Number of votes	share %
Pioneer Pekao Investment Management S.A.	2 243 566	2 243 566	11.94%
PZU Asset Management	2 501 048	2 501 048	13.30%
Generali OFE	2 309 535	2 309 535	12.29%
Other (free float)	11 744 018	11 744 018	62.47%
Total	**18 798 167**	**18 798 167**	**100.00%**

20.3 Other reserve capital

(in thousand zlotys)

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

20.4 Retained earnings and limits to its distribution

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

20.5 Non-controlling interests

NON-CONTROLLING INTERESTS		
	31.12.2009	**31.12.2008**
Opening balance	**1 036**	**847**
share in subsidiaries' net profit (loss)	58	189
Closing balance	**1 094**	**1 036**

21. Income tax

21.1 Tax burdens

	31.12.2009	**31.12.2008**
Current income tax:	7 077	3 743
Current income tax charge	6 734	4 217
Adjustments in respect of current income tax of previous year	343	(474)
Deferred tax:	5 184	60
Relating to origination and reversal of temporary differences	5 184	60
Income tax expense reported in the income statement	12 261	3 803

21.2 Deferred income tax

DEFERRED INCOME TAX					
	Consolidated balance sheet		**Consolidated income statement**		**Goodwill**
Deferred income tax	**31.12.2009**	**31.12.2008**	**31.12.2009**	**31.12.2008**	**31.12.2008**
Deferred tax liability					
Tangible assets	4 293	2 841	1 452	1 161	137
Receivables	3 038	3 563	(525)	3 240	-
Cash	-	-	-	(39)	-

(in thousand zlotys)

Loans	87	396	(309)	107	-
Lease Receivables	67 806	52 832	14 974	6 939	-
Liabilities	-	-	-	(6 742)	-
Gross deferred tax liability	**75 224**	**59 632**	**15 592**	**4 666**	**137**

Deferred tax asset					
Tangible assets	443	426	17	(1 183)	-
Cash	-	-	-	(91)	-
Receivables	2 397	2 42	(31)	1 569	-
Loans	-	-	-	(88)	-
Liabilities	599	600	(1)	511	-
Reserves	2 263	1 936	327	(755)	-
Lease Assets	57 542	47 572	9 970	1 397	-
Tax losses carried forward	3 379	3 250	126	3 246	-
Gross deferred tax assets	**66 623**	**56 212**	**10 408**	**4 606**	**-**

Deferred tax expense	-	-	**5 184**	**60**	**137**
Net deferred tax (asset) liability	**8 601**	**3 420**	-	-	

21.3 Reconciliation of the effective income tax rate

EFFECTIVE TAX RATE	**31.12.2009**	**31.12.2008**
Income tax expense reported in the income statement, of which:	12 261	3 803
Current income tax	7 077	3 743
Deferred income tax	5 184	60
Profit (loss) before tax	**59 185**	**37 312**
At statutory income tax rate of 19 % (2008: 19 %)	11 245	7 089
Adjustments in respect of current income tax from previous years	(343)	474
Expenditure not allowable for income tax purposes:	673	949
- expenditure for the owners and members of the Management Board	346	524
- adjustments in respect of deferred income tax	280	194
- other expenditure not allowable for income tax purposes	47	231
Not taxable incomes:	-	3 761
- adjustments in respect of correction of the bank loan valuation from previous years	-	3 761
At the effective income tax rate of 20.7% (2008: 10.2%)	**12 261**	**3 803**

22. Provisions

PROVISIONS		
	31.12.2009	**31.12.2008**
Long-term provisions		
Pensions and other post-employment provision	456	431

Decommissioning provision	549	589
Total long-term provisions	**1 005**	**1 020**

Short-term provisions

Pensions and other post-employment provisions	45	191
Unused holiday leave provisions	631	548
Total short-term provisions	**676**	**739**

Movements in the long-term and short-term provisions

Opening balance	**1 759**	**4 962**
recognised during the year	428	325
unused amounts reversed	(340)	(2 754)
utilised during the year	(166)	(774)
Closing balance	**1 681**	**1 759**

23. Long-term interest-bearing loans and borrowings

31.12.2009

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

Security:

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

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

Security:

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

	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
BRE Bank S.A.	**Warsaw**	**108 200**	**EUR**	**252 881**	**61 555**	**- basic rate EURIBOR 1M plus margin of bank**	**3.33%**	**instalments, last instalment 20.11.2017**

Security:

- Ceiling mortgage up to the amount of EUR 90 000 thousand for BRE Bank S.A., and within a portion of the ceiling mortgage up to the amount of EUR 45 000 thousand for Bank Polska Kasa Opieki S.A., established on the perpetual usufruct of land and the ownership of buildings and constructions held by the Borrower (Saturn Management Sp. z o.o. i Wspólnicy, Sp. k.), for which Mortgage Register number BY1S/00045050/5 is kept by the District Court in Świecie,
- Ceiling mortgage up to the amount of EUR 7 200 thousand on the above-mentioned property of the Borrower for Bank Polska Kasa Opieki S.A.; the mortgage was established in relation to the Tytan and Modernisation Tranches as well as the additional Tytan/Modernisation Tranche;
- Ceiling mortgage up to the amount of EUR 60 000 thousand on the above-mentioned property of Borrower for the European Bank for Reconstruction and Development; the mortgage was established in relation to the Tytan and Modernisation Tranches as well as the additional Tytan/Modernisation Tranche;
- Ceiling mortgage up to the amount of EUR 16 500 thousand for BRE Bank S.A; the mortgage was established in relation to the Jupiter Tranche,
- Agreement for collateral transfer of fixed assets held by the Borrower for BRE Bank S.A.,
- Registered pledge between PEP S.A. and BRE Bank S.A. on rights arising from the Bank Account Agreement up to the amount of EUR 105 000 thousand;
- Registered pledge between PEP S.A. and BRE Bank S.A. on rights arising from the Bank Account Agreement up to the amount of EUR 67 200 thousand;
- Registered pledge between the Borrower and BRE Bank S.A. on rights arising from the Bank Account Agreement up to the amount of EUR 105 000 thousand;
- Registered pledge between the Borrower and BRE Bank S.A. on rights arising from the Bank Account Agreement up to the amount of EUR 216 400 thousand;
- Registered pledge on PEP S.A.'s rights as a limited partner in Saturn Management Sp. z o.o. i Wspólnicy, Sp. K. including transfer of rights, up to the amount of EUR 105 000 thousand,

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

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
Raiffeisen Bank Polska S.A.	**Warsaw**	**21 600**	**EUR**	**69 313**	**16 872**	**- basic rate EURIBOR 1M plus margin of bank**	**4.16%**	**monthly payments, last instalment 31.12.2021**

Security:

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

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

Security:

- Ordinary mortgage on the Borrower's property located in Wałbrzych, in the amount of 9 000 thousand zlotys, as a security for loan repayment, and ceiling mortgage in the amount of 1 500 thousand zlotys as a security for the repayment of loan interest.
- Agreement for establishing a registered pledge on PEP S.A.'s rights in the Borrower together with an authorisation for the bank up to the amount of 10 500 thousand zlotys;
- Agreement for establishing a registered pledge on the rights of PP-U and P Comax Sp. z o.o in the Borrower together with an authorisation for the bank up to the amount of 10 500 thousand zlotys;
- Agreement for establishing a registered pledge on the rights of Mercury Energia Sp. z o.o in the Borrower together with an authorisation for the bank up to the amount of 10 500 thousand zlotys;
- Agreement for establishing a registered pledge on the Borrower's enterprise up to the amount of 13 500 thousand zlotys;
- Transfer of the receivables and rights under insurance contracts and project documents, including all present and future agreements signed by the Borrower;
- Authorisation to all of the Borrower's bank accounts held with the bank;

- Project support agreement between BRE Bank S.A., the Partners (PP-UiP Comax sp. z o.o., PEP S.A.) and the Borrower - Mercury Energia Sp. z o.o. i Wspólnicy Sp. k.;
- Agreement for a guarantee by a limited partner (PEP S.A.), up to the amount of 6 000 thousand zlotys, valid until 30 June 2010, together with PEP S.A.'s declaration of submission to enforcement up to 10 500 thousand zlotys, valid until 31 July 2010; the guarantee may be extended to include subsequent periods;
- Borrower's declaration of submission to enforcement up to the amount of 13 500 thousand, valid until 31 December 2018.

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

Security:

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

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

Security:

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

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

								instalment 20.12.2018

Security:

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

Total liabilities in respect of interest-bearing loans and borrowings	**339 501**	**PLN**	

31.12.2008

Name	**Location**	**Amount of loan/borrowing in respect of loan agreement**		**Amount of loan/borrowing left for repayment**		**Interest rate conditions**	**Effective interest rate %**	**Date of repayment**
		'000	**currency**	**'000**	**currency**			
BRE Bank S.A.	**Warsaw**	**18 365**	**PLN**	**5 571**	**PLN**	**WIBOR 1-monthly plus margin of bank**	**7.89%**	**June 2012**

Security:

- The Company's promissory note (blank);
- Authorisation to the current account as well as the loan account with BRE Bank S.A.;
- Agreement for the transfer of rights of Interpep EC Zakrzów Sp. z o.o. Sp. k. under the UDEiC agreement signed with Polar S.A. and under insurance contracts;
- Agreement for the transfer of the Borrower's rights (relating to Polar investments) under contracts, policies and other agreements;
- Registered pledge on a set of movables (machinery and equipment) up to the amount of 35 000 thousand zlotys;

- Ceiling mortgage established on the real estate of Polar S.A. until the day of acquisition of real estate by the Borrower from Polar S.A., up to the amount of 17 332 thousand zlotys.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
PEKAO S.A.	**Warsaw**	**4 906**	**PLN**	**3 003**	**PLN**	**WIBOR 1-monthly plus margin of bank**	**7.98%**	**August 2015**

Security:

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

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
BRE Bank S.A.	**Warsaw**	**74 600**	**EUR**	**199 232**	**47 750**	**- basic rate EURIBOR 1-monthly plus margin of bank**	**5.62%**	**monthly payments, last instalment 20.12.2015**

Security:

- Ceiling mortgage up to the amount of EUR 45 000 thousand for BRE Bank S.A established on the perpetual usufruct of land and the ownership of buildings and constructions held by the Borrower (Saturn Management Sp. z o.o. i Wspólnicy, Sp. k.), for which Mortgage Register number 45050 is kept by the District Court in Świecie,
- Ceiling mortgage up to the amount of EUR 45 000 thousand for Kreditanstalt fur Wiederaufbau established on the perpetual usufruct of land and the ownership of buildings and constructions held by the Borrower (Saturn Management Sp. z o.o. i Wspólnicy, Sp. k.), for which Mortgage Register number 45050 is kept by the District Court in Świecie,
- Agreement for collateral transfer of fixed assets held by the Borrower for BRE Bank S.A.,
- Registered pledge between PEP S.A. and BRE Bank S.A. on rights arising from the Bank Account Agreement up to the amount of EUR 105 000 thousand;

- Registered pledge on PEP S.A.'s rights as a limited partner in Saturn Management Sp. z o.o. i Wspólnicy, Sp. K. including transfer of rights, up to the amount of EUR 105 000 thousand,
- Registered pledge on Saturn Management Sp. z o.o.'s rights as a general partner including transfer of rights – up to the amount of EUR 105 000 thousand,
- Registered pledge on shares in Saturn Management Sp. z o.o. between PEP S.A. and BRE Bank S.A. including the transfer of PEP S.A.'s rights – up to the amount of EUR 105 000 thousand,
- Registered pledge on the Borrower's movables for BRE Bank S.A., up to the amount of EUR 105 000 thousand,
- Agreement for the transfer of rights under the Agreement with Mondi Świecie S.A, the Construction Contract and Contracts with Significant Contractors as well as rights under the Insurance Contracts, up to the maximum amount of liabilities due to banks under the Loan Agreement,
- Agreement between PEP S.A. and BRE Bank S.A. for collateral transfer of all current and future receivables from Mondi Świecie S.A., up to the maximum amount of EUR 90 000 thousand,
- Project Support Agreement between BRE Bank S.A., Partners (Saturn Management Sp. z o.o., PEP S.A.) and the Borrower,
- Agreement for the transfer of the Borrower's rights under the performance bond and the warranty arising from the terms of the Construction Contract to BRE Bank S.A.
- Guarantee for the repayment of the Borrower's liabilities to BRE Bank S.A. by Mondi Świecie S.A., up to an amount being the lower of the following amounts: the equivalent of 3 months' borrowing costs and the amount of 3 000 thousand zlotys, by 20 December 2016;
- Authorisation for BRE Bank S.A. to the Borrower's bank accounts with BRE Bank S.A.;
- The deposit of PEP S.A. in the collateral account- the agreement signed with BRE Bank S.A. relating to disposition of bank accounts – Projects : Saturn and Jupiter;
- Borrower's declarations of submission to enforcement under the loan agreement with subsequent amendments.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
Raiffeisen Bank Polska SA	**Warsaw**	**21 600**	**EUR**	**76 087**	**18 398**	**- basic rate EURIBOR 1-monthly plus margin of bank**	**6.40%**	**monthly payments, last instalment 31.12.2021**

Security:

- Ceiling mortgage on property covered by the mortgage register number 26887, kept by the District Court in Wejherowo, Mortgage Register Department in Puck, for Raiffeisen Bank Polska S.A. up to the amount of EUR 8 538.8 thousand;
- Ceiling mortgages, each up to the amount of EUR 4 269.4 thousand, for Raiffeisen Bank Polska S.A., on properties covered by mortgage registers Nos: 7828, 256, 4142, 1324, 5631, 36968, kept by the District Court in Wejherowo, Mortgage Register Department in Puck;
- Collective ceiling mortgage for Raiffeisen Bank Polska S.A., up to the amount of EUR 8 538.8 thousand, on the properties of DIPOL Sp. z o.o. covered by mortgages Nos. 40971 and 40201, kept by the District Court in Wejherowo, Mortgage Register Department in Puck;
- Dipol sp. z o.o.'s declaration of submission to enforcement up to EUR 33 525 thousand, valid until 31 December 2023;
- Registered pledge on DIPOL Sp. z o.o.'s assets up to the amount of EUR 33 525 thousand;
- Registered pledge on the shares held by PEP S.A. in Dipol Sp. z o.o., between PEP S.A. as the pledger and Raiffeisen Bank Polska S.A. as the pledgee, up to the amount of EUR 33 525 thousand;

- Registered pledge on the receivables under the Borrower's bank accounts kept by Raiffeisen Bank Polska S.A., together with authorisations to these accounts for the bank, up to the amount of EUR 33 525 thousand;
- Agreement for the transfer of the Borrower's receivables under insurance contracts for the bank;
- Agreement for the transfer of the Borrower's receivables under project agreements for the bank;
- Guarantee agreement signed by PEP S.A. with the Bank, in which PEP S.A. guarantees the supply of deficit funds – up to EUR 1 350 thousand, the supply of funds to cover any deficit in the specific reserve account – up to 5 900 thousand zlotys as well as a refund of the grant provided to the Borrower by the EcoFund if such refund is required;
- Frozen money in the specific reserve account kept by the bank, equal to the minimum of three loan instalments together with interest for three interest periods.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
BRE BANK SA	Warsaw	9 000	PLN	5 734	PLN	WIBOR 1-monthly plus margin of bank	7,87%	monthly payments, last instalment 26.02.2015

<u>Security:</u>

- Ordinary mortgage on the Borrower's property located in Wałbrzych, in the amount of 9 000 thousand zlotys, as a security for loan repayment, and ceiling mortgage in the amount of 1 500 thousand zlotys as a security for the repayment of loan interest.
- Agreement for establishing a registered pledge on PEP S.A.'s rights in the Borrower together with an authorisation for the bank up to the amount of 10 500 thousand zlotys;
- Agreement for establishing a registered pledge on the rights of PP-U and P Comax Sp. z o.o in the Borrower together with an authorisation for the bank up to the amount of 10 500 thousand zlotys;
- Agreement for establishing a registered pledge on the rights of Mercury Energia Sp. z o.o in the Borrower together with an authorisation for the bank up to the amount of 10 500 thousand zlotys;
- Agreement for establishing a registered pledge on the Borrower's enterprise up to the amount of 13 500 thousand zlotys;
- Transfer of the receivables and rights under insurance contracts and project documents, including all present and future agreements signed by the Borrower;
- Authorisation to all of the Borrower's bank accounts held with the bank;
- Project support agreement between BRE Bank S.A., the Partners (PP-UiP Comax sp. z o.o., PEP S.A.) and the Borrower - Mercury Energia Sp. z o.o. i Wspólnicy Sp. k.;
- The agreement of guarantee of limited partner (PEP S.A.), up to the amount of 10 500 thousand zlotys, valid until 30 June 2009, under the following conditions to be fulfilled by Mercury Energia Sp. z o.o. i Wspólnicy Sp. K.:
  - The debt ratio is greater or equal to 1,25;
  - The sales revenue of Energia Sp. z o.o. i Wspólnicy Sp. K will be at least 95% of forecasted sales revenue

  Failure to comply with the above condition extends the period of guarantee for additional years;
- Borrower's declaration of submission to enforcement up to the amount of 13 500 thousand, valid until 31 December 2018.

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
Raiffeisen Bank Polska SA	Warsaw	4 500	PLN	1 059	PLN	- basic rate WIBOR 1-monthly plus margin of bank	9.92%	monthly payments, last instalment 31.12.2019

Security:

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

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Effective interest rate %	Date of repayment
		'000	currency	'000	currency			
WFOŚiGW	Warsaw	3 000	PLN	1 380	PLN	0,7 rediscount rate determined by RPP	4,28%	quarterly payments, last instalment 30.11.2015

Security:

- Guarantee for the repayment of loan issued by PEP S.A., target bank guarantee.

Total liabilities in respect of interest-bearing loans and borrowings left to repayment	**292 066**	**PLN**	

24. Short-term liabilities

SHORT-TERM LIABILITIES		
	31.12.2009	**31.12.2008**
- interest-bearing loans and borrowings	46 979	52 440
- trade payables	13 931	19 668
- to third parties	13 931	19 668
- income tax liability	1 418	2 298
- other liabilities	2 053	1 995

- budget	1 547	1 198
- other financial liabilities	144	163
- remuneration payable to employees	150	531
- special funds	-	78
- other	212	25
Total short-term liabilities	**64 381**	**76 401**

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

Other short-term liabilities are not interest-bearing.

25. Short-term interest-bearing loans

31.12.2009

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

Security:

Are presented in Note 23 – Long-term interest-bearing loans and borrowings

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

Security:

Are presented in Note 23 – Long-term interest-bearing loans and borrowings

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

Security:

Are presented in Note 23 – Long-term interest-bearing loans and borrowings

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

Security:

Are presented in Note 23 – Long-term interest-bearing loans and borrowings

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

Security:

Are presented in Note 23 – Long-term interest-bearing loans and borrowings

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

Security:

Are presented in Note 23 – Long-term interest-bearing loans and borrowings

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

Security:

- Registered pledge on PEP S.A.'s shares in the Borrower;
- Registered pledge on the Borrower's assets located in Sępólno Krajeńskie, up to the amount of 14 250 thousand zlotys;
- Conditional agreement for the transfer of rights and assumption of the Borrower's liabilities under the property rental agreement by the bank;
- Transfer of the receivables under the Property and Work Insurance Contract;
- Transfer of the Borrower's receivables under the agreement for the sale of pellet by the Borrower to DALKIA ŁÓDŹ S.A.;

- PEP S.A.'s guarantee for the repayment of all of the Borrower's liabilities under the loan agreement;
- Authorisation granted by the Borrower to Raiffeisen Bank Polska S.A. to the Borrower's bank accounts held with the Bank;
- Declaration of submission to enforcement up to 14 250 thousand zloty, valid until 31 December 2022.

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

Security:

Are presented in Note 23 – Long-term interest-bearing loans and borrowings

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

Security:

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

- The subordination of the debts under the loans granted to the Borrower by PEP S.A. in relation to its debts towards the Bank under the loan granted by the Bank;
- Loan repayment guarantee granted by PEP S.A. up to the amount of 24 262 thousand zlotys along with a declaration of submission to enforcement up to the maximum amount equal to the value of the guarantee;
- Borrower's declaration of submission to enforcement up to the maximum amount of 23 620 thousand zlotys.

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

Security:

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

Total liabilities in respect of short-term interest-bearing loans and borrowings left for repayment	**46 979**	**PLN**	

31.12.2008

Name	Location	Amount of loan/borrowing in respect of loan agreement	Amount of loan/borrowing left	Interest rate conditions	Date of repayment

				for repayment			
		'000	currency	'000	currency		
BRE Bank S.A.	Warsaw	18 365	PLN	1 629	PLN	long-term credit due in 12 month payment	

Security:

- Are presented in Note 23 – Long-term interest-bearing loans and borrowings

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

Security:

- Are presented in Note 23 – Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
BRE BANK	Warsaw	20 000	current bank account	16 134	PLN	WIBOR on deposits O/N + margin of bank	until 31.03.2009

Security:

- Transfer of the Borrower's rights under Project Documents other than Performance Bonds, Warranties and Holding Companies' Commitments;
- Transfer of rights of Borrower, under the German Law, on the basis of Performance Bonds, Guarantees and Declarations of Holding Companies;
- Transfer of rights entitled to PEP S.A. to Mondi Świecie S.A. on the basis of General Agreement signed between Mondi Packaging Paper Świecie S.A., PEP S.A. and Borrower.
- The Borrower's promissory note (blank);
- Authorisation for the Bank to all accounts;
- Borrower's declaration of submission to enforcement up to the maximum amount of 30 000 thousand zlotys valid until 31 March 2010,

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
BRE BANK	Warsaw	74 600	EUR	25 656	6 149	long-term credit due in 12 months payment	

Security:

- Are presented in Note 23 – Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
Raiffeisen Bank Polska SA	Warsaw	21 600	EUR	4 700	1 127	long-term credit due in 12 month payment	

Security:

- Are presented in Note 23 – Long-term interest-bearing loans and borrowings

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

Security:

- Are presented in Note 23 – Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	Currency		
Raiffeisen Bank Polska SA	Warsaw	4 000	credit in the current account	2 485	PLN	WIBOR on deposits 1M + margin of bank 1,5%	until 31.11.2009

Security:

- Are presented in Note 23 – Long-term interest-bearing loans and borrowings

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
Raiffeisen Bank Polska SA	Warsaw	4 500	PLN	63	PLN	long-term credit due in 12 months payment	

Security:

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

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

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	currency		
Raiffeisen Bank Polska SA	Warszawa	1 000	revolving credit for financing the VAT	13	PLN	WIBOR on deposits 1M + margin of bank 1,5%	do 31.12.2009

Security:

- See above

Name	Location	Amount of loan/borrowing in respect of loan agreement		Amount of loan/borrowing left for repayment		Interest rate conditions	Date of repayment
		'000	currency	'000	Currency		
WFOŚiGW	Warsaw	3 000	PLN	120	PLN	0,7 rediscount rate determined by RPP	4,28%

Security:

- Are presented in Note 23 – Long-term interest-bearing loans and borrowings

Total liabilities in respect of short-term interest-bearing loans and borrowings left for repayment	52 440	PLN	

26. Accruals and deferred income

ACCRUALS AND DEFERRED INCOME		
	31.12.2009	31.12.2008
Long-term accruals and deferred income		

(in thousand zlotys)

- deferred income – government grants	4 720	5 016
Total long-term accruals and deferred income	**4 720**	**5 016**

Short-term long-term accruals and deferred income		
- costs of future wages and salaries	1 319	1 171
- costs of external services	1 279	1 572
- unused holiday leave	117	83
- deferred income – government grants	295	371
- not-invoiced construction in progress	4 512	-
- accruals for repairs	1 905	-
- other	444	194
Total short-term long-term accruals and deferred income	**9 871**	**3 391**

27. Contingent liabilities

CONTINGENT LIABILITIES ON BEHALF OF RELATED PARTIES		
	31.12.2009	**31.12.2008**
- guarantees granted	15 846	71 532
- under the limited liability amount (*suma komandytowa*)	39 310	39 310
- on behalf of related parties	39 310	39 310
Total contingent liabilities	**55 156**	**110 842**

27.1 Granted guarantees

On 23 December 2009, Polish Energy Partners S.A. issued a guarantee, up to the amount of PLN 24,262,500, for the liabilities of Grupa PEP – Biomasa Energetyczna Południe sp. z o.o. arising from the loan granted to it by BRE Bank S.A for a total amount of PLN 19,410,000 under the agreement for loans Nos. 17/024/09/Z/IN/, 17/023/09/Z/LI and 17/022/09/Z/LI signed on 23 December 2009.

The guarantee can expire after at least 12 months from completion of implementation of the project for which the loan was granted.

As at 31 December 2009, the amount of drawings made under the above-mentioned loan was equal to zero.

On 3 December 2009, BRE Bank S.A., at the request of Polish Energy Partners S.A., issued a guarantee for the repayment of a loan in the total amount up to 3 000 thousand zlotys granted by the Provincial Fund for Environmental Protection and Water Management (*Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej*) in Toruń to Saturn Management sp. z o.o. i Wspólnicy, spółka komandytowa under agreement No. PB08074/OA-weo for the reconstruction of a pulverised coal-fired boiler into a fluidised biomass boiler.

The guarantee was issued for an amount of 3 600 thousand zlotys, and PEP's liability under this guarantee will be decreasing in line with loan repayments made by SM according to the repayment schedule.

As at 31 December 2009, PEP's liability under the above-mentioned guarantee decreased by 120 thousand zlotys, i.e. 1 loan instalment paid by SM in November 2009, and amounted to 3 480 thousand zlotys.

This guarantee replaced the guarantee for repayment of the above-mentioned loan issued by PEP on 22 December 2008.

On 13 August 2004, PEP issued a guarantee to BRE BANK S.A. for an amount up to 10 500 thousand zlotys to secure the liabilities of Mercury Energia sp. z o.o. i Wspólnicy Spółka komandytowa (‘Mercury’) towards BRE BANK S.A. under the investment loan granted by the bank to Mercury in the amount of 9 000 thousand zlotys. PEP’s liability was supposed to expire after the lapse of 2 years from the date of completion of the Mercury project, however not later than on 30 June 2008.

On 23 June 2008, the above guarantee was extended until 30 June 2009.

On 29 June 2009, it was extended until 30 June 2010 for an amount of 6 000 thousand zlotys.

PEP did not charge for giving the above guarantee. PEP participates in Mercury’s profits and losses at the amount of 94.1%.

On 30 October 2008, PEP issued a guarantee to Raiffeisen Poland S.A. for the liabilities of Grupa PEP Biomasa Energetyczna sp. z o.o. under the loan agreement concluded on that date, up to the total amount representing 150% of the company’s engagement under the above-mentioned loan agreement, i.e. up to the amount of 14 250 thousand zlotys. The final repayment of the loan will take place on 31 December 2019.

As at 31 December 2009, total drawings made under the aforementioned loan amounted to 4 500 thousand zlotys.

On 22 May 2006, PEP issued a blank promissory note up to the amount of 1 865 thousand zlotys to secure the grant received by Saturn Management sp. z o.o. and Wspólnicy, Spółka komandytowa, from the National Fund for Environmental Protection and Water Management in Warsaw (*Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej w Warszawie*). PEP’s liability under the promissory note will expire after the lapse of 5 years from the date on which the project in question is made available for use.

27.2 Tax settlement

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

Tax settlements can be an object of the control for the period of five years, starting from the end of the year, in which the payment of the tax took place. As a result of conducted inspections current tax settlements of companies of the Group can be increased by additional tax liabilities. According to the Group provisions were created to the identified and countable tax risk as at 31 December 2009.

27.3 Capital commitments

As at 31 December 2009, the Group plans to incur capital expenditures on property, plant and equipment in 2010 in the total amount of approximately 280 million zlotys by the end of 2010. These amounts will be expended for purchase of new machinery and equipment in the projects implemented by the Group, in particular for the construction of Łukaszów and Modlikowice wind farms, investments in Saturn CHP and construction of two new pellet plants - in the south of Poland in Ząbkowice Śląskie and in the eastern part of Poland in the vicinity of Zamość. In addition, the Group plans to incur in 2010 expenditures for the construction of a biomass-fired power station and for the development of wind farms.

(in thousand zlotys)

28. Sales revenues

NET SALES REVENUES (BY TYPE OF ACTIVITY)				
	31.12. 2009	**31.12.20 08**	**Q4 2009**	**Q4 2008**
net revenue from sales of electricity	15 456	15 383	5 185	4 289
net revenue from sales of heat	18 462	17 292	5 441	5 181
net revenue from consulting and advisory projects	784	924	371	283
net revenue from wind farms development	10 207	10 707	-	-
net revenue from sales of top quality goods and services and guaranteed supplies	1 199	622	110	319
net revenue from re-invoices and reimbursement of costs	-	48	-	-
revenue from leases of own property and operation services	46 462	35 979	10 515	9 404
revenue from sales of goods for resale	-	824	-	1
net revenue from sales of straw	384	376	314	-
net revenue from sales of CO_2 emission allowances	1 339	-	-	-
net revenue from sales of pellets	2 725		1 593	-
other revenue	175	170	15	17
Total net sales revenue	**97 193**	**82 325**	**23 544**	**19 494**

REVENUE FROM CERTIFICATES OF ORIGIN				
	31.12. 2009	**31.12.20 08**	**Q4 2009**	**Q4 2008**
net revenue from green certificated	6 648	6 671	1 637	2 594
Certified emission rights (Joint Implementation Mechanism)	2 300	7 148	540	2 236
Total net sales revenue	**8 948**	**13 819**	**2 177**	**4 830**

29. Costs by type

COSTS BY TYPE				
	31.12.2009	**31.12.2008**	**Q4 2009**	**Q4 2008**
Depreciation	9 881	9 251	2 631	2 322
Materials and energy	18 419	17 464	6 772	5 225
External services	12 015	12 982	2 137	2 874
Taxes and charges	3 259	3 056	405	359
Wages and salaries, of which:	15 253	15 618	4 047	4 257
share-based payments	1 800	2 732	450	683
Social security contributions and other employee benefits	2 344	2 215	551	539
Other	688	1 766	281	1 210
Total costs by type	**61 859**	**62 352**	**16 824**	**16 786**
Cost of goods sold (positive value)	1 629	823	920	-
Change in the stock of finished goods	2 469	(1 800)	2 694	(127)
Administrative expenses (negative value)	(14 385)	(14 698)	(3 942)	(3 945)
Cost of sales	**51 572**	**46 677**	**16 496**	**12 714**

(in thousand zlotys)

30. Other operating income

OTHER OPERATING INCOME				
	31.12.2009	31.12.2008	Q4 2009	Q4 2008
- reversal of impartment write-downs of assets, of which:	-	776	-	-
- impartment write-downs of receivables	-	776	-	-
- release of provision, of which:	204	2 754	-	2 513
- legal cases	-	30	-	-
- decommissioning	50	1 601	-	1 601
- restructuring	154	912	-	912
- other	-	211	-	-
- other, of which:	904	2 119	176	339
- compensations and extra charges	22	1 388	-	-
- government grant	387	295	86	74
- gain on sale of non-financial assets	323	279	41	265
- re-invoices	21	44	36	-
- other	151	113	13	-
Total other operating income	**1 108**	**5 648**	**176**	**2 852**

31. Other operating costs

OTHER OPERATING COSTS				
	31.12.2009	31.12.2008	Q4 2009	Q4 2008
- impartment write-downs of assets, of which:	383	-	-	-
- receivables	6	-	-	-
- inventory	377	-	-	-
- other, of which:	472	1 352	343	9
- fines, penalties, compensations	356		267	-
- transferred compensations	12	548	12	1
- government grants	15	40	10	1
- loss on the sale of the non-financial assets	31	6	31	6
- compensable repair costs	-	746	-	-
- other	58	12	23	1
Other operating costs:	**855**	**1 352**	**343**	**9**

32. Finance income

FINANCE INCOME				
	31.12.2009	31.12.2008	Q4 2009	Q4 2008
- bank interest earned	1 422	2 333	367	616
- interest - finance leases, of which:	12 058	14 541	4 464	3 869
- interest from lease of assets	2 219	3 369	536	807
- foreign exchange differences, including:	1 733	7 584	(1 708)	4 040
- unrealised	2 645	8 058	(2 513)	4 964
- realised	(912)	(474)	805	(924)

(in thousand zlotys)

- gains from securities	-	12	-	-
- sale of investments in subsidiaries	3 294	3 418	-	-
- sale of investments in associates	15 931	-	-	-
- other	10	-	-	(63)
Total finance income	**34 448**	**27 888**	**3 123**	**8 462**

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

33. Finance costs

FINANCE COSTS				
	31.12.2009	**31.12.2008**	**Q4 2009**	**Q4 2008**
- bank interest expensed	14 357	18 052	5 027	4 884
- foreign exchange differences, including:	253	10 818	(977)	9 999
- unrealised	-	11 407	(930)	10 159
- realised	253	(589)	(47)	(160)
- commissions and other payments	1 018	294	410	131
- other	72	456	25	(55)
Total finance costs	**15 700**	**29 620**	**4 485**	**14 959**

34. Adjusted EBITDA

ADJUSTED EBITDA				
	31.12.2009	**31.12.2008**	**Q4 2009**	**Q4 2008**
Profit (loss) from operating activities	40 437	39 065	5 116	10 508
Depreciation	9 881	9 251	2 631	2 322
EBITDA	**50 318**	**48 316**	**7 747**	**12 830**
Interest from the lease of own property	2 219	3 369	536	807
Share in the profits of wind farms, of which:	19 225	3 418	-	-
Sale of investments in subsidiaries	3 294	3 418	-	-
Sale of investments in associates	15 931	-	-	-
Adjusted EBITDA	**71 762**	**55 103**	**8 283**	**13 637**

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

35. Cash Flows

Cash flows from operating activities- other adjustments

	31.12.2009	**31.12.2008**
share-based payment	1 800	2 732
Total other corrections	**1 800**	**2 732**
	-	**-**

(in thousand zlotys)

Cash flows from investing activities - other investing inflows

	31.12.2009	31.12.2008
proceeds from finance lease	39 692	34 974
Total	**39 692**	**34 974**

Cash flows from investing activities - other investing outflows

	31.12.2009	31.12.2008
expenditures relating to finance lease	87 105	66 317
Total	**87 105**	**66 317**

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

Inventory:	**31.12.2009**	**31.12.2008**
Balance sheet change in inventories	(6 531)	(18 525)
Transfer of development inventory to construction in process	(4 703)	-
Transfer of financial assets to inventory	(1 064)	(1 123)
Opening balance of inventory in acquired subsidiaries	772	-
Movement in inventories in the statement of cash flow	**(11 526)**	**(19 648)**

Receivables:	**31.12.2009**	**31.12.2008**
Balance sheet change in net long-term and short-term receivables	(84 017)	(54 373)
Change in lease receivables	80 682	47 560
Change in investing receivables	(1 721)	11 969
Opening balance of receivables in acquired subsidiaries	143	-
Movements in receivables in the statement of cash flow	**(4 913)**	**5 156**

Liabilities:	**31.12.2009**	**31.12.2008**
Balance sheet change in short-term liabilities, except for loans and borrowings	(5 540)	16 090
Change in finance lease	1 373	(4 553)
Change in investing liabilities	6 467	(1 495)
Opening balance of liabilities in subsidiaries in acquired subsidiaries	(380)	-
Other	-	(13)
Movements in the statement of cash flow	**1 920**	**10 029**

Accruals:	**31.12.2009**	**31.12.2008**
Balance sheet change in accruals	6 538	(2 813)
Accrued lease interest	300	(10)
Transfer of development expenditures to intangible assets	(424)	-
Uninvoiced construction in progress	(4 516)	-
Other	-	27
Movements in accruals in the statement of cash flow	**1 898**	**(2 796)**

36. Purposes and principles of managing the financial risk

Financial instruments being in possession or issued by the Group can cause – one by one or as the group – address one or of a few kinds of the significant risk.

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

The Group's principal financial instruments comprise bank loans, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

36.1 Interest rate risk

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

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group’s profit before tax (through the impact on floating rate borrowings). There is no impact on the Group’s equity.

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

Period ended 31 December 2008	*Increase/ decrease in basis points*	*Effect on profit before tax in the next 12 months in thousand zlotys*
WIBOR 1M	1%	-383
EURIBOR 1M	1%	-815
WIBOR 1M	-1%	383
EURIBOR 1M	-1%	815

36.2 Foreign currency risk

The foreign currency risk in the Group relates to fluctuation of euro exchange rate exposure arising from the open active currency position on finance lease transaction, accrued revenue from reduced emission CO2 to Netherlands European Carbon Facility, bank deposits, investment liabilities and investment bank loans. As at 31 December 2009 this position amounts to 1.7 million EUR and is not hedged since it concerns the balance sheet valuation of assets and liabilities denominated in the foreign currency.

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

(in thousand zlotys)

	Increase/ decrease in currency rat	*Effect on profit in the period till the next valuation of assets and liabilities*
31 December 2009 - EUR	+ 0,01 PLN/EUR	17
	- 0,01 PLN/EUR	-17
31 December 2008 - EUR	+ 0,01 PLN/EUR	-42
	- 0,01 PLN/EUR	42

For the year ended 31 December 2009, the Group recognised 2 645 thousand zlotys of finance income on unrealised exchange differences.

In the period of 31 December 2009 – 31 March 2010 fluctuations of zloty in relation to the euro can have significant effect on the size of unrealised foreign exchange differences. The result on unrealised foreign exchange differences as at 31 March 2010 will depend mainly on the relation of the rate from 31 March 2010 to the rate form 31 December 2009, while appropriate appreciation/depreciation of zloty in relation to euro will have the positive/negative influence on the net profit in the amount of about 17 thousand zlotys to every grosz of the difference in the relation to the rate from the date of 31 December 2009 (4.1082 PLN/Euro).

36.3 Credit risk

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

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

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

36.4 Liquidity risk

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

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

The table below summarises the maturity profile of the Group’s financial liabilities December 2009 and 31 December 2008 based on contractual undiscounted payments.

THE MATURITY PROFILE OF THE GROUPS'S FINANCIAL LIABILITIES BASED ON CONTRACTUAL UNDISCOUNTED PAYMENTS						
31.12.2009	**On demand**	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
Interest bearing loans and borrowings	-	14 174	50 713	282 135	112 643	**459 665**
Other liabilities	-	1 951	102	341	-	**2 394**

(in thousand zlotys)

Trade payables	-	13 931	-	-	-	**13 931**

THE MATURITY PROFILE OF THE GROUPS'S FINANCIAL LIABILITIES BASED ON CONTRACTUAL UNDISCOUNTED PAYMENTS						
31.12.2008	**On demand**	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
Interest bearing loans and borrowings	-	28 256	39 091	210 781	141 539	**419 667**
Other liabilities	-	1 858	137	202	-	**2 197**
Trade payables	-	19 668	-	-	-	**19 668**

37. Financial instruments

37.1 Fair value of financial instrument categories

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

FAIR VALUE					
	Category	**Carrying value**		**Fair value**	
	in line with MSR 39	**31.12. 2009**	**31.12. 2008**	**31.12. 2009**	**31.12. 2008**
Financial assets					
Available-for-sale financial assets (long-term)	AFS	320	740	-*)	-*)
Other financial assets (long-term)	AFS	-	30 307	-*)	-*)
Trade and other receivables	LaR	31 683	33 296	31 683	33 296
Lease receivables	LaR	361 830	281 149	361 830	281 149
Cash and cash equivalents	LaR	58 229	11 557	58 229	11 557
Financial liabilities					
Bank overdrafts					
Loans and borrowings, of which:	FLaAC	386 480	344 506	386 480	344 506
- long-term with floating interest rate	FLaAC	382 625	325 887	382 625	325 887
- bank overdraft	FLaAC	3 855	18 619	3 855	18 619
Other liabilities (long-term), of which:	FLaAC	341	202	341	202
- finance lease liabilities and hire purchase contracts	FLaAC	341	202	341	202
Trade and other payables	FLaAC	15 984	21 663	15 984	21 663

Used abbreviations:

HtM – Financial assets held to maturity,
FVtPoL – Financial assets/ financial liabilities at fair value

(in thousand zlotys)

through profit or loss,
LaR – Loans and receivables,
AFS – Available-for-sale assets,
FLaAC – Other financial liabilities at amortised cost.
*) it is practically not possible to measure fair value of shares of companies not quoted on the active market

37.2 Interest rate risk

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

31.12.2009

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

31.12.2008

INTEREST RATE RISK							
Floating interest rate	*<1year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank loan in PLN	21 992	3 751	4 539	3 104	1 795	2 177	37 358
Bank loan in EUR	30 328	32 317	34 662	37 149	39 878	131 314	305 648
Loan NFGWiOŚ	120	480	480	420	-	-	1 500
Fixed interest rate	*<1year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	11 557	-	-	-	-	-	11 557
Loans granted	27 685	2 749	-	249	-	-	30 683

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The Group does not have other financial instruments.

38. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2009 and 31 December 2008.

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

(in thousand zlotys)

CAPITAL MANAGEMENT		
	31.12.2009	**31.12.2008**
Interest bearing loans and borrowings	386 480	344 506
Finance lease receivables	(361 830)	(281 149)
Trade and other payables	15 984	21 663
Less cash and short term deposits	(58 229)	(11 557)
Net debts	**(17 595)**	**73 463**
Equity	235 341	181 354
Total capital	**235 341**	**181 354**
Capital and net debt	**217 746**	**254 817**
Gearing ratio	-8%	29%

39. Capital Group as lessor

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

PLN/EUR 4,1082	31.12.2009	< 1 year	1 - 5 years	> 5 lat years
Gross investment in the lease	469 328	49 046	253 671	166 611
Net investment in the lease	361 830	37 756	210 243	113 831
Value of minimal lease payments	469 328	49 046	253 671	166 611
Unearned finance income	107 498	11 290	43 428	52 780
Contingent lease payments	65 066	14 080	35 945	15 041

Contingent lease payments recognised in the income statement for the period 01.01.2009-31.12.2009 amounted to 9 858 thousand zlotys.

PLN/EUR 4,1724	31.12.2008	< 1 year	1 - 5 years	> 5 lat years
Gross investment in the lease	380 380	36 162	167 089	177 129
Net investment in the lease	281 149	26 533	130 170	124 446
Value of minimal lease payments	380 380	36 162	167 089	177 129
Unearned finance income	99 230	9 629	36 919	52 682
Contingent lease payments	71 577	10 269	32 079	29 229

Contingent lease payments recognised in the income statements for the period 01.01.2008-31.12.2008 amounted to 25 058 thousand zlotys.

39.2 The description of risks related to finance lease transactions

Market risks

a/ currency risk

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

b/ fair value risk related to interest rate risk

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

c/ price risk

The price risk does not appear in this transaction.

Credit risk

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

Liquidity (financing) risk

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

Cash flow risk connected with the interest rate

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

Description of major provisions of lease agreements:

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

(in thousand zlotys)

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

Energy Alliance

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

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

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

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

40. Related party disclosures

The table below presents the total values of transactions with related parties entered into during the financial year:

As at 31 December 2009 no associated companies were included in a Group.

31.12.2008						
TRANSACTIONS BETWEEN RELATED PARTIES						
	Sale to related parties	Purchases from related parties	Financial income	Amounts owed by related parties	Amounts owed to related parties	Loans granted
Associates:						
Park Wiatrowy Suwałki sp. z o.o.	128	-	850	-	-	27 989
Park Wiatrowy Tychowo sp. z o.o.	15 362	-	56	-	-	2 378
Total	15 490	-	906	-	-	30 367

(in thousand zlotys)

41. Employment structure

For the year ended 31 December of 2009 and 31 December 2008 the average employment in the Group in divided by occupational groups, listed as the average employment for the end of each month is as follows:

	31.12.2009	31.12.2008
Management Board	3	3
Administration level	75	61
Operational level	135	131
Total employment	213	195

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

In the year ended 31 December 2009 and 31 December 2008, remuneration of members of the parent company's Board of Directors was as follows:

	31.12.2009	31.12.2008
Stephen Klein	-	281
Prokopowicz Zbigniew	840	350
Anna Kwarcińska	408	374
Michał Kozłowski	408	374

In the year ended 31 December 2009 and 31 December 2008, members of the Company's Board of Directors and Supervisory Board did not receive remuneration for holding their positions in the governing bodies of the subsidiaries, jointly-controlled entities or associates.

In the year ended 31 December 2009 and 31 December 2008, members of the parent company's supervisory bodies received remuneration as stated in the table below:

	31.12.2009	31.12.2008
Zbigniew Prokopowicz	-	169
Stephen Klein	140	57
Marek Gabryjelski	21	-
Krzysztof Kaczmarczyk	36	33
Artur Olszewski	36	33
Krzysztof Sędzikowski	36	33
Wojciech Sierka	15	33
Krzysztof Sobolewski	36	33

(in thousand zlotys)

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

In the year ended 31 December 2009, there were no transactions with members of the Board of Directors or Supervisory Board.

44. Changes in shares and options held in the Company by members of its executive and supervisory bodies, according to information available as at 31 December 2009

As at 31 December 2009, members of the issuer's executive and supervisory bodies held the following stakes in the parent company:

Shares	As at 31 December 2008	Additions under incentive schemes	Additions due to acquisition	Disposals	As at 31 December 2009
Board of Directors	9,000	355,898	0	-221,964	142,934
Zbigniew Prokopowicz	9,000	199,934	0	-66,000	142,934
Anna Kwarcińska	0	77,982	0	-77,982	0
Michał Kozłowski	0	77,982	0	-77,982	0
Supervisory Board	143,200	20,362	2,000	-154,000	11,562
Stephen Klein	143,200	20,362	0	-154,000	9,562
Artur Olszewski	0	0	2,000	0	2,000
Krzysztof Sędzikowski	0	0	0	0	0
Wojciech Sierka	0	0	0	0	0
Krzysztof Sobolewski	0	0	0	0	0
Krzysztof Kaczmarczyk	0	0	0	0	0
Marek Gabryjelski	0	0	0	0	0
Total	152,200	376,260	2,000	-375,964	154,496

As at 31 December 2009, the following members of executive and supervisory bodies were entitled to take up shares of the Company under the stock option scheme:

Anna Kwarcińska – 77,982 shares;

Michał Kozłowski – 77,982 shares.

As at 31 December 2009, the Company was running a stock option scheme for the Board of Directors, Supervisory Board member and key staff.

<u>2nd stock option scheme</u>

On 10 January 2007, the General Meeting of Shareholders adopted a resolution on the issue of Series 2 subscription warrants and a conditional increase of the share capital by the issuance of T-class shares excluding the pre-emptive rights of the existing shareholders in order to allow stock option scheme participants to take up those shares.

(in thousand zlotys)

Shares	As at 31 December 2008	Additions under incentive schemes	Acquisitions	Disposals	As at 31 December 2009
Board of Directors	9,000	355,898	0	-221,964	142,934
Zbigniew Prokopowicz	9,000	199,934	0	-66,000	142,934
Anna Kwarcińska	0	77,982	0	-77,982	0
Michał Kozłowski	0	77,982	0	-77,982	0
Supervisory Board	143,200	20,362	2,000	-154,000	11,562
Stephen Klein	143,200	20,362	0	-154,000	9,562
Artur Olszewski	0	0	2,000	0	2,000
Krzysztof Sędzikowski	0	0	0	0	0
Wojciech Sierka	0	0	0	0	0
Krzysztof Sobolewski	0	0	0	0	0
Krzysztof Kaczmarczyk	0	0	0	0	0
Marek Gabryjelski	0	0	0	0	0
Total	152,200	376,260	2,000	-375,964	154,496

As at 31 December 2009, the following members of executive and supervisory bodies were entitled to take up shares of the Company under the stock option scheme:

Anna Kwarcińska – 77,982 shares;

Michał Kozłowski – 77,982 shares.

As at 31 December 2009, the Company was running a stock option scheme for the Board of Directors, Supervisory Board members and key staff.

2nd stock option scheme

On 10 January 2007, the General Meeting of Shareholders adopted a resolution on the issue of Series 2 subscription warrants and a conditional increase of the share capital by the issuance of T-class shares excluding the pre-emptive rights of the existing shareholders, in order to allow stock option scheme participants to take up those shares.

The scheme is described in the following table:

Beneficiaries	Ms Anna Kwarcińska, Mr. Stephen Klein, Mr. Michał Kozłowski, Mr. Zbigniew Prokopowicz, the Company's key staff
Grant date	10 January 2007, 01 March 2007, 14 December 2007
Vesting date	01 July 2008 01 July 2009 01 July 2010

(in thousand zlotys)

Expiry date	30 September 2010
Number of options in the scheme	945,800
Number of options granted	945,800
Option exercise– share acquisition price PLN/share	PLN 11.41
Method of settlement	Issue of shares preceded with issue of subscription warrants
Exercising terms and conditions	Option scheme features 12 tranches: Tranches 1,4,7, 10 - vesting date from 01 July 2008 Tranches 2, 5, 8, 11 - vesting date from 01 July 2008 Tranches 3, 6, 9, 12 - vesting date from 01 July 2008 Acquisition of Subscription Warrants is subject to the following necessary conditions: Vesting conditions for tranches 1,2,3 and tranches 10,11,12 in the respective years. Only after the aforementioned conditions have been fulfilled will it be possible to obtain the right to tranches 4-9. Rights to tranches 1,2,3 will be obtained if the ratio of the Company's price for the period of 6 months of the year preceding the vesting year and the price for the period of 6 months preceding the vesting year by two years is higher than the ratio of WIG index for the same periods. Rights to tranches 4, 5, 6 will be obtained if the ratio of the Company's price for the period of 6 months of the year preceding the vesting year and the price for the period of 6 months preceding the vesting year by two years is higher than the ratio of WIG index for the same periods multiplied by 1.07. Rights to tranches 7, 8, 9 will be obtained if the Company's EBITDA per share is higher than PLN 1.64 in 2007 for Tranche 7, PLN 1.97 in 2008 for Tranche 8, and PLN 2.36 in 2009 for Tranche 9. Rights to tranches 10, 11, 12 will be obtained if the EPS index is not less than PLN 0.78 in 2007 for Tranche 10, PLN 0.92,97 in 2008 for Tranche 11, and PLN 1.08 in 2009 for Tranche 12. In the case of non-fulfilment of vesting conditions in 2007 and/or 2008, the option scheme provides for the possibility of obtaining the rights to those options upon the fulfilment of additional conditions in subsequent years. Please see current report RB 03/2007 for detailed T&C of the scheme. If any entity calls for at least 100% of the shares of the Company, the acquisition of rights will be accelerated for options where the vesting conditions have been met even if (i) the Company's financial statements have not been commented on by the Supervisory Board or approved by the General Meeting of Shareholders, and (ii) before 30 June of the respective year. Furthermore, if as a result of the call an entity which operates as an energy generator, either directly or through its related entities, acquires at least an 80% stake in the Company and the entities that reported to the Company about holding, in any form, more than 5% of the Company's shares sell, as a result of the Call, at least 70% of the total stake held by such entities, then the call for all options will be accelerated, but the number of options will be reduced by 0.85% for each full month after the end of the call to the end of the year for which the options were due.

The fair value of options was established using the Black-Scholes-Merton model. The fair value of options granted in January and March 2007 is as follows:

Options – tranches 1, 4 – PLN 5.62

Options – tranches 2, 5, 7, 10 – PLN 6.51

Options – tranches 3, 6, 8, 9, 11, 12 – PLN 7.26

The fair value of options granted on 14 December 2007 is as follows:

(in thousand zlotys)

Options – tranches 1, 4 – PLN 17.69

Options – tranches 2, 5, 7, 10 – PLN 18.29

Options – tranches 3, 6, 8, 9, 11, 12 – PLN 18.95

The table below presents changes in the option scheme in the year ended 31 December 2009:

	2nd Option Scheme
Total number of options granted under the scheme	945,800
Number of options exercised as at 1 January 2009	0
Number of options exercised during four quarters of 2009	461,239
Number of options exercised as at 31 December 2009	461,239
Number of options available until the end of the scheme	321,931
Number of exercisable options	162,629
Weighted average exercise price	11.41

The expense recognised in profit or loss under the stock option schemes for the year ended 31 December 2009 amounted to PLN 1 800 thousand (2008: PLN 2 732 thousand).

45. REMUNERATION OF AUDITOR OR AUDIT COMPANY

The table below presents the audit company's fees, paid or payable for the year ended 31 December 2009 and 31 December 2008 by category of services:

Category of services	31.12.2009	31.12.2008
Statutory audit of consolidated financial statements	310	300
Other services	33	-

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

46. Greenhouse gas emissions

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

In accordance with the Regulation of the Council of Ministers of 1 July 2008 on the adoption of the National Plan for Allocation of CO_2 allowances for the period of 2008-2012 in the community system of trading in emission allowances (published in Journal of Laws No. 202 item 1248 of 14 November 2008), the installations held by the Group were allocated CO_2 emission allowances for this period. According to this allocation, the annual number of the CO_2 allowances for the Group's installations during the years 2008-2012 is 106 328 tonnes.
Based on the preliminary reports on the 2009 actual level of CO_2 emission by the installations held by the Group, the estimated CO_2 emission in 2009 amounted to 78 868 tonnes. At the same time, under the outsourcing contracts concluded by the Group, the surplus of the emission allowances granted over the actual emission in 2008, amounting to 13 009 tonnes, will be used by the Group's customers. In 2009, the Group sold its CO_2 emission allowances for the years 2008-2012 amounting to 15 000 tonnes.
The deficit of CO_2 emission allowances at the level of the Group, amounting to 549 tonnes, will be covered by the purchase of additional emission allowances in the first quarter of 2010, for which a provision was recognised at an amount of 190 thousand zlotys as at 31 December 2009.
In the period of 2010-2012, the Group does not plan CO_2 emission in excess of the emission allowances granted to the Group.

47. Events after the balance sheet date

On 9 February 2010, the parent company signed a letter of intent with KGHM TFI S.A. ('KGHM TFI') concerning the implementation by the parent company and the investment fund managed by KGHM TFI ('the Fund') of a project of construction and exploitation of a biomass power station with a power capacity of 30-35 MW serving the KGHM Group under a long-term agreement ('Project').

The purpose of the construction of a power station fully based on biofuel for the KGHM Group is to increase the energy independence of the KGHM Group and to implement the strategy for production of energy using renewable sources, which will consequently lead to reduction of energy costs.

The implementation of this project by the parent company will result in achieving benefits from another outsourcing project based on green energy, carried out for a leading industrial enterprise in Poland.

The letter of intent provides that the parent company will begin to prepare the Project for implementation and simultaneously the Parties will agree the detailed terms for Project implementation, which will be included in relevant agreements.

If preparatory work confirms the attractiveness of the Project, the parent company and the Fund will take up shares in a special vehicle created for Project implementation, and the new biomass power station should begin work at the turn of 2012 and 2013.