POLISH ENERGY PARTNERS CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR 6 MONTHS PERIOD

ENDED JUNE 30, 2007

TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Stephen Klein – President of the Management Board	*Anna Kwarcińska – Vicepresident of the Management Board*
Michał Kozłowski – Member of the Management Board	*Agnieszka Grzeszczak – Chief Accountant*

Warsaw, August 6, 2007

Consolidated Balance Sheet

(in thousands zlotys)

CONSOLIDATED BALANCE SHEET **A s s e t s**	Note	30.06.2007	31.12.2006	30.06.2006
I.Fixed Assets (long-term)		**377 189**	**342 374**	**317 594**
1. Tangible fixed assets	12,13	147 654	103 705	67 378
2. Intangible fixed assets	10	357	369	66
3. Goodwill of the subsidiaries	11	710	569	132
4. Investment property		-	-	-
5. Financial assets	15,16	349	516	10 749
6. Financial assets valued at equity method		-	-	735
7. Long-term receivables	14,47	227 540	236 418	237 999
8. Deferred tax assets	25	-	-	-
9. Other fixed assets	17	579	797	535
II. Current assets (short-term)		**97 236**	**83 824**	**70 878**
1.Inventory	18	11 570	8 126	2 213
2.Trade receivables	19	8 901	17 962	8 975
3.Income tax receivables	19	217	1	269
4.Other short-term receivables	19	21 104	27 085	19 509
5.Accrued income and deferred cost	22	2 286	1 449	2 024
6.Other short-term assets	21	4 927	4 122	1 784
7.Short-term financial assets	20	-	-	1 265
8.Cash and cash equivalents	23	48 231	25 079	34 839
T o t a l A s s e t s		**474 425**	**426 198**	**388 472**

Consolidated Balance Sheet

(in thousands zlotys)

CONSOLIDATED BALANCE SHEET Total Equity and Liabilities	Note	30.06.2007	31.12.2006	30.06.2006
I. Shareholders' Equity		**122 288**	**106 742**	**99 991**
1.Share capital	24	36 979	36 979	36 511
2.Unpaid share capital		-	(132)	(211)
3.Surplus of sales issue above nominal value (agio)		28 124	28 124	27 838
4.Treasury shares		-	-	-
5.Reserve capital from option valuation	55	3 948	2 583	1 790
6.Other reserve capital		19 535	19 210	19 210
7.Profit/loss from previous years		18 716	18 493	18 493
8.Profit/loss for the period		14 076	549	(3 640)
9.Minority interest		910	936	-
II. Long-term liabilities		**309 749**	**276 140**	**237 216**
1.Bank loans and borrowings	27,28	299 415	266 005	233 591
2.Deferred tax liability	25	1 803	1 395	564
3.Provisions	26	2 597	2 577	2 567
4.Accruals and deferred income	31	5 753	5 901	-
5.Other liabilities		181	262	494
III. Short-term liabilities		**42 388**	**43 316**	**51 265**
1.Bank loans and borrowings	29,30	27 838	25 888	19 943
2.Trade liabilities	29	2 391	8 396	24 934
3.Income tax liabilities	29	1 775	152	-
4.Other liabilities	29	3 461	2 237	2 619
5.Provisions	26	2 668	2 627	2 686
6.Accruals and deferred income	31	4 255	4 016	1 083
Total Capital and Liabilities		**474 425**	**426 198**	**388 472**

(in thousands zlotys)

CONSOLIDATED PROFIT AND LOSS STATEMENT	**Note**	**30.06.2007**	**30.06.2006**
Continued activity			
I. Sales income	34	39 628	32 127
II.Sales revenue from certificates of origin		4 495	-
III. Cost of goods sold	35	(20 107)	(16 332)
IV. Gross profit on sales (I+II-III)		**24 016**	**15 796**
V. Selling expense		-	-
VI. General and administration costs	35	(7 189)	(6 999)
including management option valuation		(1 365)	(758)
VII. Profit on sales (IV-V-VI)		**16 827**	**8 797**
VIII. Other operating income	36	522	1 091
IX. Other operating expense	37	(32)	(16 717)
X. Operating profit (VII+VIII-IX)		**17 317**	**(6 829)**
XI. Financial income	38	10 401	8 133
XII. Financial expense	39	(9 865)	(5 091)
XIII. Profit/Loss from subordinate units		-	(22)
XIV. Gross profit/loss (X+XI-XII+/-XIII)		**17 853**	**(3 809)**
XV. Corporate income tax	25,40	3 802	(170)
XVI. Net profit/loss from continued activity		**14 051**	**(3 639)**
Discontinued activity			
XVII. Profit/loss from discontinued activity		-	-
XVIII. Net profit/loss		**14 051**	**(3 639)**
Distribution of profit/loss:		**14 051**	**(3 639)**
Parent company shareholders		14 076	(3 639)
Minority shareholders		(25)	-
Net profit/loss	9	14 051	(3 639)
Weighted average number of shares	9	18 440 658	18 220 127
Basic EPS (in zł)	9	**0,76**	**(0,20)**
Weighted average diluted number of shares	9	18 440 658	18 220 127
Diluted EPS (in zł)	9	**0,76**	**(0,20)**

Changes in Consolidated Shareholders' Equity

(in thousands zlotys)

Changes in Consolidated Shareholders' Equity	Share capital	Unpaid share capital	Surplus of sales issue above nominal value (agio)	Reserve capital from option valuation	Other reserve capital	Profit/loss from previous years	Profit/loss for the period	Minority interest	TOTAL
Equity at the beginning of the period - 01.01.2007	**36 979**	**(132)**	**28 124**	**2 583**	**19 210**	**19 042**	**-**	**936**	**106 742**
Changes in capital in the period	**-**	**132**	**-**	**1 365**	**325**	**(326)**	**14 076**	**(26)**	**15 546**
a) increase	**-**	**-**	**-**	**1 365**	**325**	**-**	**14 076**	**-**	**15 766**
- net profit	-	-	-	-	-		14 076	-	14 076
- shares issue	-	-	-	-	-	-	-	-	-
- shares issue above nominal value	-	-	-	-	-	-	-	-	-
- control takeover over susbidiary	-	-	-	-	-	-	-	-	-
- from distribution of profit (over the minimal value required by law)	-	-	-	-	-	-	-	-	-
- from distribution of rpofits from previous years	-	-	-	-	325	-	-	-	325
- from management options valuation	-	-	-	1 365	-	-	-	-	1 365
b) decrease	**-**	**(132)**	**-**	**-**	**-**	**326**	**-**	**26**	**220**
- net loss	-	-	-	-	-	-	-	26	26
- dividend payment	-	(132)	-	-	-	-	-	-	(132)
- payment due	-	-	-	-	-	-	-	-	-
- coverage of loss	-	-	-	-	-	-	-	-	-
- trasfer to reserve capital	-	-	-	-	-	326	-	-	326
Equity at the end of the period - 30.06.2007	**36 979**	**-**	**28 124**	**3 948**	**19 535**	**18 716**	**14 076**	**910**	**122 288**

Changes in Consolidated Shareholders’ Equity

(in thousands zlotys)

Changes in Consolidated Shareholders’ Equity	**Share capital**	**Unpaid share capital**	**Surplus of sales issue above nominal value (agio)**	**Reserve capital from option valuation**	**Other reserve capital**	**Profit/loss from previous years**	**Profit/loss for the period**	**Minority interest**	**TOTAL**
Equity at the beginning of the period - 01.01.2006	**36 369**	**(378)**	**28 321**	**1 032**	**28 267**	**18 010**	**-**	**-**	**111 621**
Changes in capital in the period	**610**	**246**	**(197)**	**1 551**	**(9 057)**	**483**	**549**	**936**	**(4 879)**
a) increase	**610**	**(610)**	**286**	**1 551**	**-**	**-**	**549**	**966**	**3 352**
- net profit	-	-	-	-	-	-	549	-	549
- shares issue	610	(610)	-	-	-	-	-	-	-
- shares issue above nominal value	-	-	286	-	-	-	-	-	286
- control takeover over susbidiary	-	-	-	-	-	-	-	966	966
- from management options valuation	-	-	-	1 551	-	-	-	-	1 551
b) decrease	**-**	**(856)**	**483**	**-**	**9 057**	**(483)**	**-**	**30**	**8 231**
- net loss	-	-	-	-	-	-	-	30	30
- dividend payment	-	-	-	-	9 057	-	-	-	9 057
- payment due	-	(856)	-	-	-	-	-	-	(856)
- coverage of loss	-	-	483	-	-	(483)	-	-	-
Equity at the end of the period - 31.12.2006	**36 979**	**(132)**	**28 124**	**2 583**	**19 210**	**18 493**	**549**	**936**	**106 742**

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

Consolidated Cash Flow Statement

(in thousands zlotys)

Consolidated Cash Flows Statement	**Note**	**30.06.2007**	**30.06.2006**
A.Cash flow from operating activities - indirect method			
I.Gross profit/loss		**17 853**	**(3 809)**
II.Adjustments for:		**10 007**	**19 043**
1.Profit/ loss from associates and jointly controlled entities which are companies		-	22
2.Depreciation	35	4 584	1 438
3.Foreign exchange gains/losses		(2 626)	(864)
4.Interest and dividends received and paid		2 433	(39)
5.Result on investment activity		(2)	9
6.Corporate income tax		(1 933)	(894)
7.Change in provisions		61	1 193
8.Change in inventory		(3 444)	(2 434)
9.Change in receivables	41	16 183	9 595
10.Change in short term liabilities, without loans and credits	41	(5 018)	2 577
11.Change in deferred income and accruals	41	(1 596)	(2 013)
12. Other changes	41	1 365	10 453
III.Net cash flow from operating activities (I+/-II)		**27 860**	**15 233**
B.Net cash flow from investing activities			
I. Inflows due to investing activities		**15 532**	**12 788**
1. Sale of intangible and tangible fixed assets		5	-
2. Sale of investments in tangible fixed assets and intangible assets		-	-
3. Sale of other financial assets, including:		160	-
- sale of financial assets		-	-
- dividends and shares in profit		160	-
- repayment of granted long term loans		-	-
- interest		-	-
- other inflows from financial assets		-	-
4. Other investment inflows	41	15 367	12 788
II.Outflows due to investing activities		**53 318**	**13 887**
1. Purchase of intangible and tangible fixed assets		46 002	5 019
2. Investments in property and intangibles		-	-
3. Purchase of other financial assets, including:		147	5 393
- purchase of financial assets		97	445
- long-term loans granted		50	4 948
4. Dividends and other payments paid to minority shareholders,		-	-
5. Acquisition of subsidiary net of fixed assets taken over		-	-
6.Other investing outflows	41	7 169	3 475
III.Net cash flow from investing activities (I-II)		**(37 786)**	**(1 099)**

Consolidated Cash Flow Statement

(in thousands zlotys)

C.Net cash flow from financing activities			
I.Inflows from financing activities		**71 322**	**1 423**
1. Issue of shares and capital instruments		132	589
2.Loans and borrowings		71 190	834
3. Issue of bonds		-	-
4. Other		-	-
II.Outflows due to financing activities		**37 873**	**25 316**
1.Purchase of treasury shares		-	-
2.Dividends and others payments to shareholders		7	9 192
3.Share issue related expenditure		-	-
4.Repayments of loans and credits		28 570	11 077
5.Repayments of bonds		-	-
6.Repayments of other financial liabilities		-	-
7.Finance lease payments		74	149
8.Interest paid		9 222	4 898
9.Other		-	-
III.Net cash flow from financing activities (I-II)		**33 449**	**(23 893)**
D.Net change in cash and cash equivalents (A.III+/-B.III+/-C.III)		**23 523**	**(9 759)**
E.Balance sheet change in cash and cash equivalents, including:		**23 168**	**(8 047)**
- changes in cash and cash equivalents resulting from foreign exchange gains/losses		(351)	36
F.Cash and cash equivalents at the beginning of the period		**25 108**	**42 949**
G.Cash and cash equivalents at the end of the period, including :		**48 280**	**33 226**
- restricted cash and cash equivalents		317	62

Reconciliation of cash and cash equivalents presented in teh consolidated cash flow statement with the balance sheet items		**30.06.2007**	**30.06.2006**
Short-term financial assets in balance sheet		-	1 265
Cash and cash equivalent in balance sheet		48 231	34 839
Cash of social fund		49	63
Total		48 280	36 167

G.Cash and cash equivalents at the end of the period in the cash flow statement		48 280	33 226
Presentation of sources of external finance (cash flow statement)		**30.06.2007**	**30.06.2006**
pos. C.I.2 Incomes from loans and credits		71 190	834
pos. C.II.4 Payoff from loans and credits		(28 570)	(11 077)
Change in sources of external finance, including:		**42 620**	**(10 243)**
investment debt draw, net		47 404	(8 032)
drawing/repayment of VAT facility, net		(4 784)	(2 211)

1. General information

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

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

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

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

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

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

The Company’s and other Group entities period of operation are unlimited.

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

Consolidated financial statements of the Capital Group were prepared for the 6 months period ended June 30, 2007. Consolidated financial statements include the comparative financial data for the 6 months period ended June 30, 2006 and as of December 31, 2006.

(in thousands zlotys)

1.3 Management Board Member and Supervisory Board Members

The Management Board as of June 30, 2007 comprised of:

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

In the reporting period and till the date of approval of these interim consolidated financial statements there were no changes in the Management Board.

Members of the Company's Management Board as at June 30, 2007 were as follows:

Zbigniew Prokopowicz	Chairman of the Supervisory Board
Krzysztof Sędzikowski	Supervisory Board Member
Artur Olszewski	Supervisory Board Member
Krzysztof Sobolewski	Supervisory Board Member
Krzysztof Kaczmarczyk	Supervisory Board Member
Wojciech Sierka	Supervisory Board Member

On January 10, 2007 the General Shareholders Meeting appointed Krzysztof Sobolewski, Wojciech Sierka and Krzysztof Kaczmarczyk to the Supervisory Board.

2. Going concern assumption

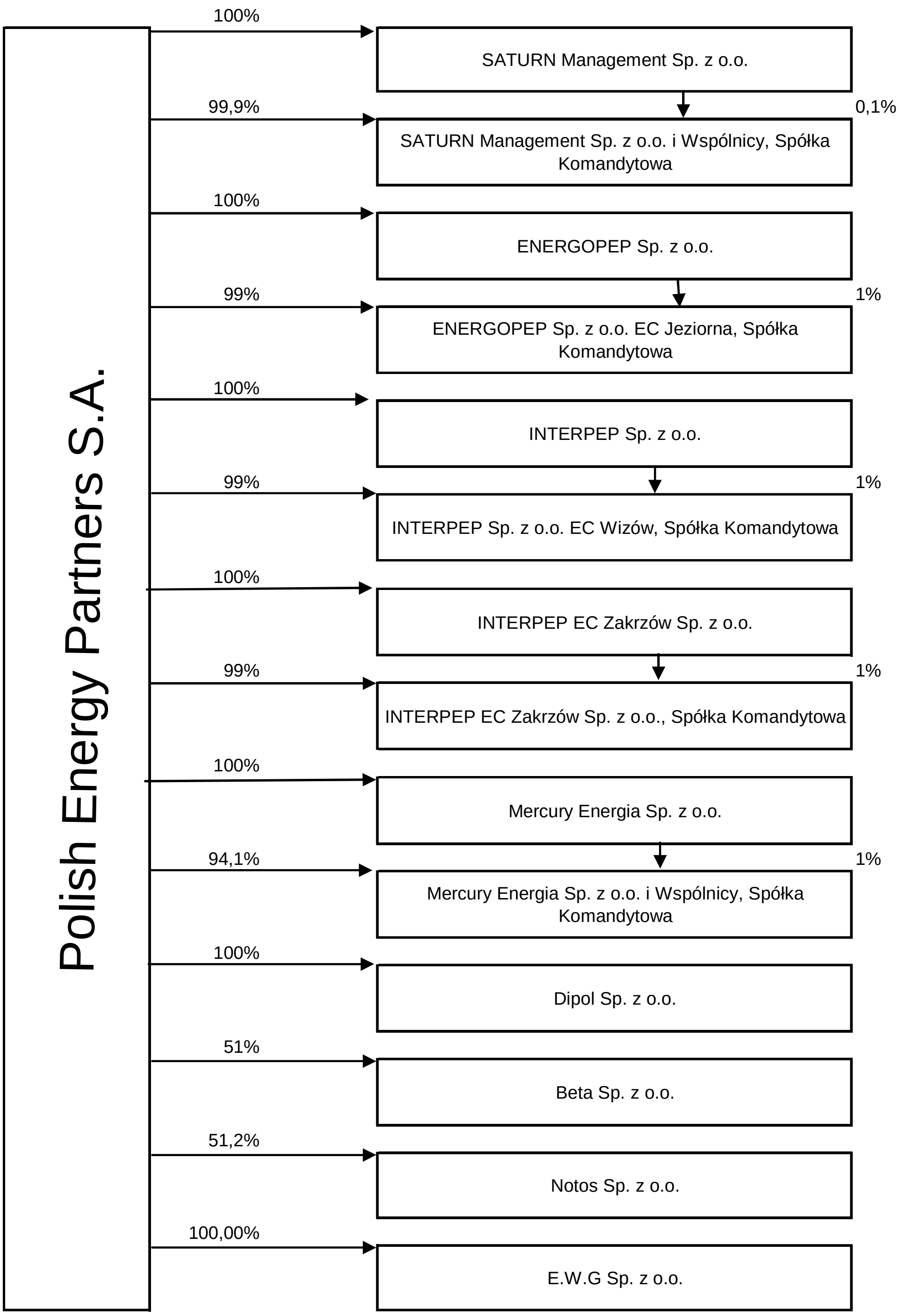
The financial statements of subsidiaries, associates and joint ventures included in the consolidated financial statements were prepared on the basis that these companies will be going concerns for the period of at least twelve months subsequent to June 30, 2007. As at the date of signing the consolidated financial statements, the Company's Management Board is not aware of any facts or circumstances which would indicate a threat to the Capital Group's companies going concern for at least twelve months following the balance sheet date due to an intended or compulsory withdrawal from or significant limitation in its current activities.

In the period of 6 months ended June 30, 2007 one of the subsidiaries Energopep Sp. z o.o., Warszawa ul. Wiertnicza 169 reported loss which increased the negative net assets value. As of June 30, 2006 the total capital of that company was negative and amounted to PLN 6,698 thousands. Had the profitability of that company remained negative there would be a significant risk for this company to operate as a going concern. We have received written representation from the parent company being the limited partner supporting the company in the period of at least the next 12 months. According to the Commercial Code limited partner is responsible for the liabilities of the company up to the limitation sum which is PLN 50 thousand.

In the period of 6 months ended June 30, 2007 one of the subsidiaries Interpep Sp. z o.o., EC Wizów, Spółka komandytowa reported loss which made the net asset value negative. As of June 30, 2006 the total capital of that company was negative and amounted to PLN 2,507 thousands. Had the profitability of that company remained negative there would be a significant risk for this company to operate as a going concern. We have received written representation from the parent company being the limited partner supporting the company in the period of at least the next 12 months. According to the Commercial Code limited partner is responsible for the liabilities of the company up to the limitation sum which is PLN 50 thousand.

3. Group's Structure

STRUKTURA ORGANIZACYJNA GRUPY



(in thousands zlotys)

3.1 Subsidiaries included in the consolidated financial statements

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

Name	Seat	Type of business activity	Percentage share in equity
Polish Energy Partners S.A.	Warszawa, ul. Wiertnicza 169	Energy service sector	-
Saturn Management Sp. z o.o. i Wspólnicy Spółka komandytowa	Warszawa, ul. Wiertnicza 169	Energy service sector	100%
Energopep Sp. z o.o., EC Jeziorna, Spółka komandytowa	Warszawa, ul. Wiertnicza 169	Energy service sector	100%
Dipol Sp. z o.o.	Warszawa, ul. Wiertnicza 169	Energy service sector	100%
Interpep Sp. z o.o. EC Wizów Sp. Komandytowa	Warszawa, ul. Wiertnicza 169	Heat and electricity generation	100%
Interpep EC Zakrzów Sp. z o.o. Sp. Komandytowa	Warszawa, ul. Wiertnicza 169	Heat and electricity generation	100%
Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Komandytowa	Warszawa, ul. Wiertnicza 169	Heat and electricity generation	94,1%
Interpep Sp. z o.o.	Warszawa, ul. Wiertnicza 169	Management, supervision and advisory in conducting business activities	100%
Energopep Sp. z o.o.	Warszawa, ul. Wiertnicza 169	Heat and electricity generation	100%
Saturn Management Sp. z o.o.	Warszawa, ul. Wiertnicza 169	Management, supervision and advisory in conducting business activities, Market and public opinion research	100%
Notos Sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Generation and distribution of electricity	51%
E.W.G Sp. z o.o.*	Szczecin, ul. Wojska Polskiego 154	Generation and distribution of electricity	100%
BETA Sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Generation and distribution of electricity	51%
Mercury Energia Sp. z o.o.	Warszawa, ul. Wiertnicza 169	Heat and electricity generation and distribution	100%
Interpep EC Zakrzów sp. z o.o.	Warszawa, ul. Wiertnicza 169	Heat and electricity generation and distribution	100%

* -On January 1, 2007 the parent company has taken control over E.W.G Sp. z o.o.

4. Approval of the financial statements

These consolidated financial statements were approved for publication by the Management Board on August 6, 2007.

5. Accounting policies applied

5.1 Changes in the accounting principles applied

The Group changed the presentation of wind farm development costs. Having analyzed the detailed operational cycle of the wind farm development process, the costs incurred which realizability was estimated as probable were included in the inventory item and in previous reporting periods were presented as other fixed assets. The Group reclassified respectively the comparable data.

The following standards and interpretations were issued by the International Accounting Standards Board („IASB") or International Financial Reporting Interpretation Committee („IFRIC") which the Group applied this year. The application of the changes, apart from several disclosures, did not have significant impact on the financial statements:

- Amendments to the IAS 1 Presentation of financial statements, disclosure of information about equity. The Group applied amended IAS 1 regulations. The new disclosures were presented in the Note 46 Equity Management.
- IFRS 7 Financial instruments, disclosure and valuation. The Group applied IFRS 7. The main changes were introduced to the Note 42 Goals and rules of financial risk management.
- Interpretation IFRIC 7 Application of approach relying on restatement in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies. The Group applied IFRIC 7. The application of this interpretation does not have impact on Group's financial statements.
- Interpretation IFRIC 8 Scope of IFRS 2. The Group applied IFRIC 8. The Group reviewed the transactions as a result of which treasury shares were issued (or the Group has liability based on the value of these equity instruments) as payment for goods or services received and concluded that there were no transactions which would require amended recognition as a result of application of IFRIC 8.
- Interpretation IFRIC 9 Assessment of embedded derivatives. The Group applied IFRIC 9. The interpretation assumes that evaluation if certain agreement includes embedded derivatives is performed on signing the agreement. The revised evaluation is possible only if there are significant amendments to the agreement which result in changes of cash flows resulting from the agreement. The application of this interpretation did not have significant impact on the recognition of embedded derivatives owned by the Group.
- Interpretation IFRIC 10 Interim financial reporting and impairment. The Group applied IFRIC 10. The interpretation assumes that the entity can not reverse the impairment loss recognized in the interim period relating to goodwill or investment in the financial instrument classified as available for sale. The application of this interpretation did not have significant impact on the financial statements of the Group.
- Interpretation IFRIC 14 IAS 19 – Assets resulting from defined benefit plan and minimum financing requirements – applying to the yearly periods after January 1, 2008 – till the date of the approval of this financial statements was not approved by the EU.

The Management of the Company does not expect that the application of the above standards and interpretations have significant impact on the accounting principles applied by the Group.

5.2 New standards and interpretations which were published but not in force yet

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

- IFRS 8 operational segments -binding from January 1, 2009- till the approval of these financial statements were not approved by the EU.
- IAS 23 Borrowing costs (amended March 2007) – binding for yearly periods after January 1, 2009- till the approval of these financial statements were not approved by the EU.
- Interpretation IFRIC 11 Group and Treasury shares transactions (binding March 1, 2007)
- Interpretation IFRIC 12 Service Concession Arrangements -binding January 1, 2008 - till the approval of these financial statements were not approved by the EU.
- Interpretation IFRIC 13 Customer Loyalty Programs - binding July 1, 2008 - till the approval of these financial statements were not approved by the EU.

5.3 Format and the basis of preparing the consolidated financial statement

The consolidated financial statements were prepared in accordance with the provisions of International Accounting Standards and International Financial Reporting Standards and cover the period from January 1, 2007 till June 30, 2007 and the comparable period from January 1, 2006 till June 30, 2006.

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

The following financial statements together with the comparable data for the 6 months ended June 30, 2006 were in accordance with the regulations subject to review by the certified chartered accountant and the comparable data for the year ended December 31, 2006 were subject to audit by the certified chartered accountant.

5.4 Compliance representation

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

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

5.5 Significant values based on professional judgment and estimates

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

- leases classification – Group as lessor,
- classification of the wind farm development costs,

- management options,
- depreciation rates,
- impairment write-downs,
- provisions for doubtful debts,
- provisions for court cases.

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

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

5.7 The principles of consolidation

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

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

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

5.8 Investment in associates

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

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

5.9 Goodwill

Goodwill arising in a business combination is measured initially as the excess of the cost of the business combination over the acquirer’s interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. After initial recognition goodwill is measured at cost less accumulated impairment charges. Impairment tests are performed every year or more fr4equently if indications of such potential impairment exist. Goodwill is not amortized.

As of the date of business combination goodwill is allocated to every cash generating unit which may benefit from combination synergy. Each cash generating unit or set of cash generating units to which the goodwill was assigned:

- Reflects the bottom level in the Group, on which the goodwill is monitored for internal management purposes and
- It is not greater than any single reporting segment in accordance with the definition of primary or secondary segment or additional template of Group financial reporting based on the provisions of IAS 14 Segment reporting.

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

5.10 Intangible assets

Intangible assets include assets which meet following criteria:

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

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

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

Expected economic useful lives are as follows:

Patents, licenses, trade marks	1 year
Computer software	2-5 years
Other intangible assets	5 years

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

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

5.11 Property, plant and equipment

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

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

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

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

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

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

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

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

5.12 Assets under construction

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

5.13 Shares in joint ventures

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

5.14 Leasing

Group as the leasee

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

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

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

Group as the lessor

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

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

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

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

5.15 Inventory

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

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

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

Inventory also includes certificates of origin (see 5.35) and wind farm development costs, which realizability was estimated as probable.

(in thousands zlotys)

5.16 Short- and long-term receivables

Trade receivables except for receivables described in 5.14 are recognized and carried at original invoice amount less an allowance for any doubtful and uncollectible amounts.

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

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

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

Receivables include also receivables from financial lease.

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

5.17 Foreign Currency Transactions

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

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

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

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

	30.06.2007	**31.12.2006**	**30.06.2006**
USD	**2,7989**	**2,9105**	**3,1816**
EUR	**3,7658**	**3,8312**	**4,0434**
CAD	**2,6527**	**2,5077**	**2,8637**
CHF	**2,2730**	**2,3842**	**2,5803**
GBP	**5,6005**	**5,7063**	**5,8308**

5.18 Cash and cash equivalents

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

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

5.19 Prepaid and accrued expenses

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

5.20 Share capital

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

5.21 Provisions

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

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

5.22 Provisions for jubilee awards and retirement allowances

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

5.23 Interest bearing loans, borrowings and bonds

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

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

Profits and losses are recorded in the profit and loss account at the moment of liability removal and when calculating the payment using effective interest rate method.

5.24 Borrowing costs

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

5.25 Trade liabilities and other liabilities

Trade liabilities are presented in the due amount. Financial liabilities valued in fair value through profit and loss include financial liabilities held for trading and financial liabilities initially classified to category valued in fair value through profit and loss. Financial liabilities are classified as held for trading if they were acquired in order to resale in near future. Derivatives, including embedded derivatives are also classified as held for trading except for they are treated as effective hedge instruments. Financial liabilities can be on initial recognition classified to the category of valued in fair value through profit and loss if the following criteria are met: (i) such classification eliminates or significantly reduces lack of integrity in treatment when both valuation and rules of recognition of profit and loss are subject to other regulations, or (ii) liabilities are part of group of liabilities which is managed and evaluated based on fair value in accordance with existing strategy of risk management or (iii) financial liability include embedded derivatives which should be recognized separately. As at June 30, 2007 no financial liabilities were classified to the category of value in fair value through profit and loss (as at December 31, 2006 zero).

Financial liabilities valued in fair value through profit and loss are valued in fair value, taking into account their market value as at balance sheet date excluding sales transaction costs. Changes in the fair value of these instruments are recognized in the profit and loss account as financial cost or income.

Other financial liabilities which are not financial instrument valued in fair value through profit and loss are valued at amortized cost using effective interest rate method.

The Group derecognizes from its balance sheet financial liability if such liability expires – which is when the obligation set in an agreement was fulfilled, expired or was released. Replacement of current debt instrument with another instrument with significantly different conditions effected by the same entities the Group recognizes as expiration of initial instrument and recognition of new financial liability. Similarly significant modifications of conditions in the agreement relating to the existing financial liability the Group recognizes as expiration of initial instrument and recognition of new financial liability. Changes in carrying value relating the above are presented in the profit and loss account.

Other non financial liabilities include in particular liabilities towards tax office resulting from value added tax and liabilities resulting from advances received, which will be settled through delivery of goods, services or fixed assets. Other non financial liabilities are presented in the due amount.

5.26 Deferred Tax

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

Deferred tax liabilities are recognized on all taxable temporary differences:

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

temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

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

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

5.27 Financial assets

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

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

A held- to – maturity asset is one that has a fixed maturity and fixed or determinable payments and that the entity has the positive intent and ability to hold until maturity. Held – to – maturity assets are measured at amortized cost calculated using the effective interest method. Held – to – maturity financial assets are classifies as fixed assets if the maturity exceeds 12 months period from the balance sheet date.

Financial assets acquired in order to gain on short term price changes are classified as financial assets fair value through profit and loss. Fair value through profit and loss financial assets are valued in fair value without any transaction costs, taking into account the market value as at the balance sheet date. Changes in these instruments are recorded in financial revenues and costs. Derivatives are also classified as held for trading except for they are treated as effective hedge instruments or financial guarantee agreements. Financial assets valued in fair value through profit and loss are valued in fair value, taking into account their market value as at balance sheet date excluding sales transaction costs. Changes in the fair value of these instruments are recognized in the profit and loss account as financial cost or income. Financial assets valued in fair value through profit and loss are presented in current assets. If the contract contains one or more embedded derivatives the whole contract can be classified to the category of financial assets valued in fair value through profit and loss. It does not apply to the cases when embedded derivative does not have significant impact on cash flows from the contract or separation of embedded derivative is specifically prohibited. Financial assets can be on initial recognition classified to the category of valued in fair value through profit and loss if the following criteria are met: (i) such classification eliminates or significantly reduces lack of integrity in treatment when both valuation and rules of recognition of profit and loss are subject to other regulations, or (ii) asset is part of group of assets which is managed and evaluated based on fair value in accordance with existing strategy of risk management or (iii) financial assets include embedded derivatives which should be recognized separately. As at June 30, 2007 no financial assets were classified to the category of value in fair value through profit and loss (as at December 31, 2006 zero).

Originating loans and receivables include non derivatives financial assets with set or foreseeable payments not listed on any active market. They are included in current assets if the tenor does not exceed 12 months from the balance sheet date. Originating loans and receivables with tenor exceeding 12 months form the balance sheet date are presented in fixed assets.

All the remaining financial assets are financial assets available for sale. Financial assets available for sale are valued at fair value without any transaction costs, taking into account the market value as at the balance sheet date. If there is no active market for such instruments and no reliable available valuation using alternative methods, available for sale financial assets are valued at historical cost less impairment. Positive and negative difference between fair value and historical costs, after deferred tax, relating to available for sale assets (if active market exists or fair value can be reliably measured) is recorded in revaluation capital. The loss in value of available for sale financial assets is recorded as financial cost in the profit and loss account.

Purchase and sale of financial assets are initially recognized as at the date of the transaction. Initial measurement includes fair value including if the asset is not valued in fair value through profit and loss, transaction costs which can be assigned to the purchased asset.

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

5.28 Impairment of assets

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

5.29 Impairment of financial assets

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

Assets recognized at amortized cost

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

The Group assesses firstly whether there are objective indications of impairment of particular financial assets which individually are significant and indications of impairment which individually are not significant. If as a result of the analysis there are no objective indications of impairment of an individually assessed financial asset, irrespective of whether it is significant or not the Group includes this asset of the group of financial asset with similar credit risk and assesses jointly the impairment. Assets which are assessed individually for impairment and for which the impairment was recognized or it was assessed that the current impairment will not change are not taken into account in group test for impairment.

If in the next period the impairment write down lowered and this lowering can be objectively related to the event after the impairment was recognized than the previous impairment is reversed. The later reversal of the impairment is recognized in the profit and loss account in the scope in which as of the date of the reversal the carrying value of an asset does not exceed its amortized cost.

Financial assets recognized at cost

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

Financial assets available for sale

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

5.30 Share based payments

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

Transactions settled in equity instrument

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

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

No costs are recognized from awards to which the rights are not finally purchased, except for awards in case of which the purchase of rights depends on market conditions which are treated as purchased irrespective of meeting the market conditions, under the condition of meeting other conditions relating to effectiveness.

In case of modifications of granting the awards settled in equity instruments, in order to meet minimum requirements only costs are incurred as if in case the conditions were not modified. Moreover, the cost is recognized of each increase in transaction market value as a result of modifications, valued as of the date of modification.

In case of deletion of award settled in equity instrument it is treated in the way as if the rights were purchased in the date of deletion and all the costs due from the award not incurred yet are immediately recognized. However, in case of replacement of deleted award with new award – specified as deputy award in the day of grant, the award deleted and the new award are treated as if it is a modification of the primary award which is in the way described in the above paragraph.

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

5.31 Recognition of revenues

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

5.31.1. Sale of goods and products

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

5.31.2. Provision of services

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

5.31.3. Interest

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

5.31.4. Dividends

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

5.31.5. Government Grants

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

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

5.32 Earnings per share

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

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

5.33 Contingent liabilities and assets

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

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

5.34 Emission rights

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

5.35 Certificates of origin

Certificates of origin of green energy are recognized in revenues and costs in the moment of production when it is probable that the Group will achieve economic benefit.

6. Information on business segment and geographical segment reporting

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

(in thousands zlotys)

30.06.2007	Continued operations			
	Outsourcing - operating service	Other outsourcing - production of electricity and heat	Wind energy	Total
Revenues from third party sales	22 411	13 701	8 011	44 123
Intersegment transactions	-	-	-	
Total revenues	22 411	13 701	8 011	44 123
Result of segment	**17 799**	**1 298**	**4 813**	**23 910**
Unallocated expenses	-	-	-	(5 454)
Other operating income/expense	-	-	-	188
Operating profit	**-**	**-**	**-**	**18 644**
Financial income/cost	-	-	-	(791)
Gross profit	**-**	**-**	**-**	**17 853**
Income tax	-	-	-	(3 802)
Net profit	**-**	**-**	**-**	**14 051**
Segment assets	287 402	80 156	106 867	474 425
Unallocated assets	-	-	-	-
Total assets	**287 402**	**80 156**	**106 867**	**474 425**
Segment liabilities	229 712	35 268	85 354	350 334
Unallocated liabilities	-		-	1 803
Total liabilities	**229 712**	**35 268**	**85 354**	**352 137**
Purchase of intangible and tangible fixed assets, including	**81**	**1 625**	**44 296**	**46 002**
- Tangible fixed assets	81	1 625	44 296	46 002
- Inangible assets	-			-
Depreciation	57	2 022	2 505	4 584
Impairment write downs		-	-	-

30.06.2006	Continued operations			
Przekształcone	Outsourcing - operating service	Other outsourcing - production of electricity and heat	Wind energy	Total
Revenues from third party sales	18 009	14 118	-	32 127
Intersegment transactions	-	-	-	-
Total revenues	18 009	14 118	-	32 127
Result of segment	**14 582**	**1 907**	**391**	**16 879**
Unallocated expenses	-	-	-	(5 276)
Other operating income/expense	-	-	-	(15 657)
Operating profit	**-**	**-**	**-**	**(4 054)**
Financial income/cost	-	-	-	244
Gross profit	**-**	**-**	**-**	**(3 809)**
Income tax	-	-	-	170
Net profit	**-**	**-**	**-**	**(3 639)**
Segment assets	297 504	52 856	38 112	388 472
Unallocated assets	-	-	-	-
Total assets	**297 504**	**52 856**	**38 112**	**388 472**
Segment liabilities	243 034	30 079	14 805	287 918
Unallocated liabilities	-	-	-	564
Total liabilities	**243 034**	**30 079**	**14 804**	**288 481**
Purchase of intangible and tangible fixed assets, including	**122**	**2 457**	**2 440**	**5 019**
- Tangible fixed assets	122	2 414	2 440	4 976
- Inangible assets	-	43	-	43
Depreciation	46	1 392	-	1 438
Impairment write downs	-	-	-	(17 886)

In the table above relating to the period ended June 20, 2006 in the line other operating costs there is the amount of 12,878 thousands PLN which constitutes the impairment write down of the segment „Other outsourcing activity – production of heat and electricity”).

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

(in thousands zlotys)

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

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

	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Exchange rate as at the balance sheet date
30.06.2007	3,8486	3,7658	3,9320	3,7658
31.12.2006	3,8991	3,7565	4,1065	3,8312
30.06.2006	3,9033	3,7565	4,1065	4,0863

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

CONSOLIDATED BALANCE SHEET	30.06.2007		31.12.2006		30.06.2006	
	thd. zł	thd. EURO	thd. zł	thd. EURO	thd. zł	thd. EURO
Total Assets	474 425	125 983	426 198	111 244	388 472	95 067
I. Fixed assets	377 189	100 162	342 374	89 365	317 594	77 722
II. Current assets	97 236	25 821	83 824	21 879	70 878	17 345
Total capital and liabilities	474 425	125 983	426 198	111 244	388 472	95 067
I. Shareholders' Equity	121 378	32 232	105 806	27 617	99 991	24 470
II. Minority Interest	910	242	936	244	0	0
III. Liabilities and provisions for liabilities	352 137	93 509	319 456	83 383	288 482	70 597

(in thousands zlotys)

SKONSOLIDOWANE RACHUNKI ZYSKÓW I STRAT	30.06.2007		30.06.2006	
	thd. zł	thd. EUR	thd. zł	thd. EUR
I. Sales income	39 628	10 297	32 127	8 231
II.Sales revenue from certificates of origin	4 495	-	-	-
III. Cost of goods sold	(20 107)	(5 224)	(16 332)	(4 184)
IV. Gross profit on sales (I+II-III)	24 016	5 072	15 796	4 047
V. Selling expense	-	-	-	-
VI. General and administration costs	(7 189)	(1 868)	(6 999)	(1 793)
VII. Profit on sales (IV-V-VI)	16 827	3 204	8 797	2 254
VIII. Other operating income	522	136	1 091	280
IX. Other operating expense	(32)	(8)	(16 717)	(4 283)
X. Operating profit (VII+VIII-IX)	17 317	3 332	(6 829)	(1 750)
XI. Financial income	10 401	2 703	8 133	2 084
XII. Financial expense	(9 865)	(2 563)	(5 091)	(1 304)
XIII. Profit/Loss from subordinate units	-	-	(22)	(6)
XIV. Gross profit/loss (X+XI-XII+/-XIII)	17 853	3 471	(3 809)	(976)
XV. Corporate income tax	(3 802)	(988)	170	44
XVI. Net profit/loss from continued activity (XIV-XV)	14 051	2 482	(3 639)	(934)

Consolidated Cash Flows Statement	30.06.2007		30.06.2006	
	thd. zł	thd. EURO	thd. zł	thd. EURO
I.Gross profit/loss	17 853	4 639	(3 809)	(976)
II.Adjustments	10 007	2 600	21 340	5 467
A.Cash flow from operating activities	27 860	7 239	17 530	4 491
B.Net cash flow from investing activities	(37 786)	(9 818)	(1 719)	(440)
C.Net cash flow from financing activities	33 449	8 691	(23 893)	(6 121)
D.Net change in cash and cash equivalents	23 523	6 112	(8 082)	(2 071)

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

- balance sheet items – average exchange rated published by NBP as of June 30, 2006 and December 31, 2006 and June 30, 2007 which were presented in the note 7 of this financial statement,

(in thousands zlotys)

- profit and loss items and cash flow items – average exchange rate being the arithmetic mean of average exchange rates published by NBP as of the last date of each month in the first half of 2007 and 2006 which were presented in note 7 of this financial statement.

9. Earnings per share

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

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

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

EARNINGS PER SHARE		
	30.06.2007	**30.06.2006**
a) Net profit	14 051	(3 639)
b) Weighted average number of shares	18 440 658	18 220 127
c) Earnings per share (in zloty)	0,76	(0,20)

date	Number of shares	New issue	Number of months	Number of shares to the weighted average
2007-01-01	18 342 641		2	6 114 214
2007-03-01	18 489 667	147 026	4	12 326 445
Weighted average number of ordinary shares in the 6months period ended June 30, 2007				**18 440 658**
Dilution effect				0
Weighted diluted average number of ordinary shares in the 6months period ended June 30, 2007				**18 440 658**

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

(in thousands zlotys)

10. Intangible assets

reported at 30.06.2007

Intangible fixed assets	patents, licences, concessions		advances for intangible fixed assets	Total intangible fixed assets
		computer software		
1. Gross book value of intangible fixed assets at the beginning of the period	**947**	**566**	**-**	**947**
a) increase, including:	-	-	-	**-**
- purchase	-	-	-	**-**
b) decrease, including:	-	-	-	**-**
- sale and liquidation	-	-	-	**-**
2. Gross book value of intangible fixed assets at the end of the period	**947**	**566**	**-**	**947**
3. Accumulated amortization at the beginning of the period	**(578)**	**(244)**	**-**	**(578)**
- amorization in the period	(14)	(3)	-	(14)
- decrease	1	-	-	**1**
- sale and liquidation	-	-	-	**-**
-transfers	-	-	-	**-**
4. Accumulated amortization at the end of the period	**(590)**	**(247)**	**-**	**(590)**
5. Impairment write-downs at the beginning of the period	**-**	**-**	**-**	**-**
6. Impairment write-downs at the end of the period	**-**	**-**	**-**	**-**
7. Net book value of intangible fixed assets at the beginning of the period	**369**	**322**	**-**	**369**
8. Net book value of intangible fixed assets at the end of the period	**357**	**319**	**-**	**357**

reported at 31.12.2006

Intangible fixed assets	patents, licences, concessions and similar assets:		advances for intangible fixed assets	Total intangible fixed assets
		computer software		
1. Gross book value of intangible fixed assets at the beginning of the period	**624**	**284**	**-**	**624**
a) increase, including:	371	330	-	371
- purchase	371	330	-	371
b) decrease, including:	(48)	(48)	-	(48)
2. Gross book value of intangible fixed assets at the end of the period	**947**	**566**	**-**	**947**
3. Accumulated amortization at the beginning of the period	**(597)**	**(279)**	**-**	**(597)**
- amorization in the period	(27)	(11)	-	(27)
- decrease	48	48	-	48
4. Accumulated amortization at the end of the period	**(578)**	**(244)**	**-**	**(578)**
5. Impairment write-downs at the beginning of the period	**-**	**-**	**-**	**-**
- increase	**-**	**-**	**-**	-
- decrease	**-**	**-**	**-**	-
6. Impairment write-downs at the end of the period	**-**	**-**	**-**	**-**
7. Net book value of intangible fixed assets at the beginning of the period	**27**	**5**	**-**	**27**
8. Net book value of intangible fixed assets at the end of the period	**369**	**322**	**-**	**369**

(in thousands zlotys)

reported at 30.06.2006

Intangible fixed assets	patents, licences, concessions and similar assets:		advances for intangible fixed assets	**Total intangible fixed assets**
		computer software		
1. Gross book value of intangible fixed assets at the beginning of the period	**624**	**285**	**-**	**624**
a) increase, including:	43	-	-	43
- purchase	43	-	-	43
- others	-	-	-	-
b) decrease, including:	-	-	-	-
- sale and liquidation	-	-	-	-
- others	-	-	-	-
- transfers	-	-	-	-
2. Gross book value of intangible fixed assets at the end of the period	**667**	**285**	**-**	**667**
3. Accumulated amortization at the beginning of the period	**(596)**	**(279)**	**-**	**(596)**
- amorization in the period	(6)	(3)	-	(6)
- decrease	-	-	-	-
- sale and liquidation	-	-	-	-
- contribution in kind	-	-	-	-
- others	-	-	-	-
- transfers	-	-	-	-
4. Accumulated amortization at the end of the period	**(602)**	**(282)**	**-**	**(602)**
5. Impairment write-downs at the beginning of the period	**-**	**-**	**-**	**-**
- increase	-	-	-	-
- decrease	-	-	-	-
6. Impairment write-downs at the end of the period	**-**	**-**	**-**	**-**
7. Net book value of intangible fixed assets at the beginning of the period	**28**	**6**	**-**	**28**
8. Net book value of intangible fixed assets at the end of the period	**65**	**3**	**-**	**66**

(in thousands zlotys)

11. Goodwill

Goodwill from consolidation			
	30.06.2007	**31.12.2006**	**30.06.2006**
Dipol Sp. z o.o.	132	132	132
Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Komandytowa	437	437	-
EWG Sp. z o.o.	141	-	-
Total carrying value	**710**	**569**	**132**

WARTOŚĆ FIRMY Z KONSOLIDACJI (ZMIANA STANU)			
	30.06.2007	**31.12.2006**	**30.06.2006**
Goodwill at the beginning of the period	**569**	**-**	**-**
Increase due to control takeover	141	**569**	**132**
Decrease due to impairment write off	-	**-**	**-**
Decrease due to sales	-	**-**	**-**
Goodwill at the end of the period	**710**	**569**	**132**

(in thousands zlotys)

12. Tangible fixed assets

reported at 30.06.2007

Tangible fixed assets								
	- land (including usufruct)	- buildings and constructions	- plant and machinery	- vehicles	- other tangible fixed assets	- construction in progress	- prepaid for construction in progress	**Total tangible fixed assets**
1. Gross book value of tangible fixed assets at the beginning of the period	**1 075**	**18 225**	**54 173**	**1 373**	**699**	**56 184**	**-**	**131 729**
a) increase, including:	-	16 424	68 847	-	16 183	54 451	26	155 931
- purchase	-	68	99	-	39	54 451	26	54 683
- trasnfers	-	16 356	68 748	-	16 144	-	-	101 248
b) decrease, including:	-	-	(9)	-	(21)	(107 420)	-	(107 450)
- sale and liquidation	-	-	(9)	-	(21)	-	-	(30)
- other	-	-	-	-	-	(6 172)	-	(6 172)
- trasnfers	-	-	-	-	-	(101 248)	-	(101 248)
2. Gross book value of tangible fixed assets at the end of the period	**1 075**	**34 649**	**123 011**	**1 373**	**16 861**	**3 215**	**26**	**180 210**
3. Accumulated depreciation at the beginning of the period	**(14)**	**(3 741)**	**(10 340)**	**(728)**	**(481)**	**-**	**-**	**(15 304)**
- depreciation in the period	-	(842)	(3 157)	(120)	(437)	-	-	(4 556)
- decrease, including:	-	-	4	-	20	-	-	24
- sale and liquidation	-	-	4	-	20	-	-	24
- transfers	-	-	-	-	-	-	-	-
4. Accumulated depreciation at the end of the period	**(14)**	**(4 583)**	**(13 492)**	**(848)**	**(899)**	**-**	**-**	**(19 836)**
5. Impairment write-downs at the beginning of the period	**(35)**	**(3 483)**	**(8 974)**	**-**	**-**	**(228)**	**-**	**(12 720)**
- increase	-	-	-	-	-	-	-	-
- decrease	-	-	-	-	-	-	-	-
6. Impairment write-downs at the end of the period	**(35)**	**(3 483)**	**(8 974)**	**-**	**-**	**(228)**	**-**	**(12 720)**
7. Net book value of tangible fixed assets at the beginning of the period	**1 026**	**11 001**	**34 859**	**645**	**218**	**55 956**	**-**	**103 705**
8. Net book value of tangible fixed assets at the end of the period	**1 026**	**26 583**	**100 545**	**525**	**15 962**	**2 987**	**26**	**147 654**

As of June 30, 2007 the land and buildings were pledged for bank loan repayment.

In the period of 6 months ended June 30, 2007 there were no financial costs which could be allocated on gross book value of fixed assets.

(in thousands zlotys)

reported at 31.12.2006

Tangible fixed assets								
	- land (including usufruct)	- buildings and constructions	- plant and machinery	- vehicles	- other tangible fixed assets	- construction in progress	- prepaid for construction in progress	**Total tangible fixed assets**
1. Gross book value of tangible fixed assets at the beginning of the period	**545**	**12 575**	**32 109**	**1 296**	**624**	**9 049**	**13 779**	**69 977**
a) increase, including:	530	5 650	22 172	477	147	76 451	-	105 427
- purchase	530	5 650	22 172	477	147	76 451	-	105 427
- trasnfers	-	-	-	-	-	-	-	-
b) decrease, including:	-	-	(108)	(400)	(72)	(29 316)	(13 779)	(43 675)
- sale and liquidation	-	-	(108)	(400)	(72)	(237)	-	(817)
- other	-	-	-	-	-	(22 892)	-	(22 892)
- trasnfers	-	-	-	-	-	(6 187)	(13 779)	(19 966)
2. Gross book value of tangible fixed assets at the end of the period	**1 075**	**18 225**	**54 173**	**1 373**	**699**	**56 184**	**-**	**131 729**
3. skumulowana amortyzacja (umorzenie) na początek okresu	**(13)**	**(3 020)**	**(8 277)**	**(498)**	**(483)**	**-**	**-**	**(12 291)**
3. Accumulated depreciation at the beginning of the period	(1)	(693)	(2 015)	(284)	(65)	-	-	(3 058)
- depreciation in the period	-	-	79	54	69	-	-	202
- decrease, including:	-	-	79	54	69	-	-	202
- other	-	-	-	-	-	-	-	-
- trasnfers	-	(28)	(126)	-	(2)	-	-	(156)
4. Accumulated depreciation at the end of the period	**(14)**	**(3 741)**	**(10 340)**	**(728)**	**(481)**	**-**	**-**	**(15 304)**
5. Impairment write-downs at the beginning of the period	**-**	**-**	**(1 533)**	**-**	**-**	**(228)**	**-**	**(1 761)**
- increase	(35)	(3 483)	(7 441)	-	-	-	-	(10 959)
- decrease	-	-	-	-	-	-	-	-
6. Impairment write-downs at the end of the period	**(35)**	**(3 483)**	**(8 974)**	**-**	**-**	**(228)**	**-**	**(12 720)**
7. Net book value of tangible fixed assets at the beginning of the period	**532**	**9 555**	**22 300**	**798**	**140**	**8 821**	**13 779**	**55 925**
8. Net book value of tangible fixed assets at the end of the period	**1 026**	**11 001**	**34 859**	**645**	**218**	**55 956**	**-**	**103 705**

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

As of December 31, 2006 the land and buildings were pledged for bank loan repayment.

(in thousands zlotys)

reported as of 30.06.2006

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

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

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

(in thousands zlotys)

13. Fixed assets – ownership structure

Tangible fixed assets - Ownership structure			
	30.06.2007	**31.12.2006**	**30.06.2006**
a) owned	147 132	103 061	66 486
b) used based on lease agreement	522	644	892
Total tangible fixed assets	**147 654**	**103 705**	**67 378**

14. Long term receivables

Long term receivables			
	30.06.2007	**31.12.2006**	**30.06.2006**
a) From affiliates	-	-	-
b) From others - leasing	227 540	236 418	237 999
Long term receivables, net	**227 540**	**236 418**	**237 999**
c) Provisions for long term receivables	859	913	-
Long term receivables, gross	228 399	237 331	237 999

15. Long term financial assets

Long-term financial assets			
	30.06.2007	**31.12.2006**	**30.06.2006**
a) in subsidiaries	349	516	384
- shares	253	355	272
- loans graned	96	161	112
b) in associates	-	-	11 100
- shares	-	-	825
- loans graned	-	-	10 275
c) in other entities	-	-	-
- shares	-	-	-
- loans graned	-	-	-
Total long-term financial assets	**349**	**516**	**11 484**

(in thousands zlotys)

16. Long term financial assets

reported as of 30.06.2007

Shares in affiliates

No.	a	b	c	f
	Name of the Company with indication of legal form	Seat of the company	Description of activity	date of effective control/ jointly control/ signifcant influence
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością*)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	28.03.2002
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	29.07.2003
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	24.09.2001
4	Notos Spółka z ograniczoną odpowiedzialnością*)	Al.Wojska Polskiego 156 Szczecin	rendering od services in the energy sector	20.12.2005
5	Mercury Energia Spółka z ograniczoną odpowiedzialnością*)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	31.05.2006
6	Interpep, EC Zakrzów Społka z ograniczoną odpowiedzialnością*)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	07.06.2006
7	Beta Spółka z ograniczoną odpowiedzialnością*)	Al.Wojska Polskiego 156 Szczecin	rendering od services in the energy sector	31.05.2006

*) unaudited financial statements
**) no data

(in thousands zlotys)

reported as of 30.06.2007

Shares in affiliates

	a	h	i	j	k	l	m						
No.	Name of the Company with indication of legal form	revaluation adjustements	book value of shares	percentage share in capital	share in votes in shreholders meeting	indication of other sources of control/jointly control/ sgnificant influence than stated in section j) or k)	total equity of the entity	Share capital	Unpaid share capital (negative amount)	Reserve capital	other equity including:		
												Profit/loss from previous years	Net profit/loss
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością*)	-	-	100,00	100,00	brak	26	50	-	-	(24)	(23)	(1)
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	-	50	100,00	100,00	brak	45	50	-	-	(5)	(4)	(1)
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	-	50	100,00	100,00	brak	66	50		-	17	-	17
4	Notos Spółka z ograniczoną odpowiedzialnością*)	-	26	51,20	51,20	brak	50	50	**)	**)	**)	**)	**)
5	Mercury Energia Spółka z ograniczoną odpowiedzialnością*)	-	50	100,00	100,00	brak	43	50	-	-	(7)	(4)	(3)
6	Interpep, EC Zakrzów Społka z ograniczoną odpowiedzialnością*)	-	50	100,00	100,00	brak	43	50	-	-	(7)	(4)	(3)
7	Beta Spółka z ograniczoną odpowiedzialnością*)	-	26	51,00	51,00	brak	50	50	**)	**)	**)	**)	**)

*) unaudited financial statements
**) no data

reported as of 30.06.2007

Shares in affiliates

No.	a	n			o			p	r	s	t
	Name of the Company with indication of legal form	Liabilities and provisions of the entity, including:			receivables of the enitty, including:			total assets of the entity	sales revenue	Unpaid by the issuer share capital	dividend received or due from the entity during the last financial year
			long term liabilities	short term liabilities		long term liabilities	short term liabilities				
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością*)	3	-	3	7	-	7	29	-	-	-
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	-	-	-	1	-	1	45	-	-	-
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	6	-	6	29	5	24	72	-	-	21
4	Notos Spółka z ograniczoną odpowiedzialnością*)	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)
5	Mercury Energia Spółka z ograniczoną odpowiedzialnością*)	6	-	6	-	-	-	49	-	-	-
6	Interpep, EC Zakrzów Społka z ograniczoną odpowiedzialnością*)	7	-	7	1	-	1	50	-	-	-
7	Beta Spółka z ograniczoną odpowiedzialnością*)	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)

*) unaudited financial statements
**) no data

(in thousands zlotys)

reported as of 31.12.2006

Shares in affiliates

	a	b	c	d	e	f
No.	Name of the Company with indication of legal form	Seat of the company	Description of activity	Affiliate type (subsidiary, jointly controlled entity, associate), with description of direct and indirect relations	consolidation method used (equity method or indication that the company is excluded from consolidation)	date of effective control/ jointly control/ signifcant influence
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	jednostka zależna	wyłączona z konsolidacji z uwagi na nieistotność danych finansowych	28.03.2002
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	jednostka zależna	wyłączona z konsolidacji z uwagi na nieistotność danych finansowych	29.07.2003
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	jednostka zależna	wyłączona z konsolidacji z uwagi na nieistotność danych finansowych	24.09.2001
4	Notos Spółka z ograniczoną odpowiedzialnością*)	Al.Wojska Polskiego 156 Szczecin	rendering od services in the energy sector	jednostka zależna	wyłączona z konsolidacji z uwagi na nieistotność danych finansowych	20.12.2005
5	Mercury Energia Spółka z ograniczoną odpowiedzialnością*)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	jednostka zależna	wyłączona z konsolidacji z uwagi na nieistotność danych finansowych	31.05.2006
6	E.W.G Spółka z ograniczoną odpowiedzialnością*)	Al.Wojska Polskiego 156 Szczecin	rendering od services in the energy sector	jednostka zależna	wyłączona z konsolidacji z uwagi na nieistotność danych finansowych	31.05.2006
7	Interpep, EC Zakrzów Społka z ograniczoną odpowiedzialnością*)	ul. Wiertnicza 169, 02-952 Warszawa	rendering od services in the energy sector	jednostka zależna	wyłączona z konsolidacji z uwagi na nieistotność danych finansowych	07.06.2006
8	Beta Spółka z ograniczoną odpowiedzialnością*)	Al.Wojska Polskiego 156 Szczecin	rendering od services in the energy sector	jednostka zależna	wyłączona z konsolidacji z uwagi na nieistotność danych finansowych	31.05.2006

*) unaudited financial statements

**) no data

(in thousands zlotys)

reported as of 31.12.2006

Shares in affiliates

No.	a	h	i	j	k	l	m						
	Name of the Company with indication of legal form	revaluation adjustements	book value of shares	percentage share in capital	share in votes in shreholders meeting	indication of other sources of control/jointly control/ sgnificant influence than stated in section j) or k)	total equity of the entity	Share capital	Unpaid share capital (negative amount)	Reserve capital	other equity including:		
												Profit/loss from previous years	Net profit/loss
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością	-	50	100,00	100,00	brak	28	50	-	-	(22)	(19)	(3)
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	-	50	100,00	100,00	brak	49	50	-	-	(1)	-	(1)
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	-	50	100,00	100,00	brak	248	50	-	-	198	-	198
4	Notos Spółka z ograniczoną odpowiedzialnością*)	-	26	51,00	51,00	brak	50	50	**)	**)	**)	**)	**)
5	Mercury Energia Spółka z ograniczoną odpowiedzialnością*)	-	50	100,00	100,00	brak	50	50	-	-	-	-	-
6	E.W.G Spółka z ograniczoną odpowiedzialnością*)	-	103	51,33	51,33	brak	75	75	**)	**)	**)	**)	**)
7	Interpep, EC Zakrzów Społka z ograniczoną odpowiedzialnością*)	-	50	100,00	100,00	brak	50	50	-	-	-	-	-
8	Beta Spółka z ograniczoną odpowiedzialnością*)	-	26	51,20	51,20	brak	50	50	**)	**)	**)	**)	**)

*) unaudited financial statements

**) no data

reported as of 31.12.2006

Shares in affiliates

No.	a	n			o			p	r	s	t
	Name of the Company with indication of legal form	Liabilities and provisions of the entity, including:			receivables of the enitty, including:			total assets of the entity	sales revenue	Unpaid by the issuer share capital	dividend received or due from the entity during the last financial year
			long term liabilities	short term liabilities		long term liabilities	short term liabilities				
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością	1	-	1	-	-	-	29	-	-	-
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	-	-	-	-	-	-	49	-	-	-
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	21	-	21	24	5	19	269	-	-	67
4	Notos Spółka z ograniczoną odpowiedzialnością*)	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)
5	Mercury Energia Spółka z ograniczoną odpowiedzialnością*)	-	-	-	-	-	-	-	-	-	-
6	E.W.G Spółka z ograniczoną odpowiedzialnością*)	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)
7	Interpep, EC Zakrzów Społka z ograniczoną odpowiedzialnością*)	-	-	-	-	-	-	-	-	-	-
8	Beta Spółka z ograniczoną odpowiedzialnością*)	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)

*) unaudited financial statements
**) no data

(in thousands zlotys)

17. Other fixed assets

Other fixed assets			
	30.06.2007	31.12.2006	30.06.2006
a) expense reimbursment	421	639	318
b) expense for plantations	158	158	129
c) others	-	-	88
Total other fixed assets	**579**	**797**	**664**

18. Inventory

Inventory			
	30.06.2007	31.12.2006	30.06.2006
a)raw materials	1 279	1 910	1 143
b) certificates of origin	828	-	-
c) wind farm development*	9 463	6 194	1 048
b) goods	-	-	-
c) inventory prepaid	-	22	21
Total inventory	**11 570**	**8 126**	**2 213**

* Operational cycle of development can exceed the period of 12 months.

19. Short term receivables

Short term receivables			
	30.06.2007	31.12.2006	30.06.2006
a) trade receivables	8 901	17 962	8 975
- from affiliates	10	10	2
- other	8 891	17 952	8 973
b) CIT receivable	217	1	269
c) other receivables	21 104	27 085	19 509
- from other taxes	1 385	8 860	923
- from financial lease	19 364	17 989	17 055
- other	355	236	1 531
Total short term receivables, net	**30 222**	**45 048**	**28 753**
d) provisions for doubtful debt	5 377	6 290	5 166
Total short term receivables, gross	**35 599**	**51 338**	**33 919**

20. Short term financial assets

Short-term financial assets			
	30.06.2007	31.12.2006	30.06.2006
a) in other entities	-	-	1 265
- bonds	-		1 265
Total short-term financial assets	**-**	**-**	**1 265**

(in thousands zlotys)

21. Other short term assets

Other short term assets			
	30.06.2007	**31.12.2006**	**30.06.2006**
a) accrued income	4 353	4 100	1 680
b) cost reimbursment	574	22	104
Total other short term assets	**4 927**	**4 122**	**1 784**

22. Accrued income and deferred cost

Accrued income and deferred cost			
	30.06.2007	**31.12.2006**	**30.06.2006**
a) insurance	660	914	324
b) prepayments	21	7	3
c) projects settled in next periods	232	-	400
d) property tax and cost of perpetual usufruct of land	700	-	688
e) ohter	673	528	609
Total accrued income and deferred cost	**2 286**	**1 449**	**2 024**

23. Cash and cash equivalents

Cash and cash equivalents			
	30.06.2007	**31.12.2006**	**30.06.2006**
Cash and cash equivalents	48 231	25 079	34 839
- Cash in hand and in bank	48 231	25 079	34 839
- deposits and investment funds shares	-	-	-
Total cash and cash equivalents	**48 231**	**25 079**	**34 839**

24. Share capital

(in thousands zlotys)

reported as of 30.06.2007

Share capital (structure)

Class/ issue	Type of share	Type of preferrence	Limitation of rights	number of shares	Value of the class/issue in nominal value	Type of payment	Registration date	Right to dividend (from date)
A	to the bearer*	unpreferred shares	no limitation	2 213 904	4 428	cash payment	19-07-2001***)	01-01-1998 ****)
B	to the bearer	unpreferred shares	no limitation	2 304 960	4 610	cash payment	19-07-2001*)	01-01-1998
C	to the bearer	unpreferred shares	no limitation	515 256	1 031	cash payment	19-07-2001*)	01-01-1999
D	to the bearer	unpreferred shares	no limitation	566 064	1 132	cash payment	19-07-2001*)	01-01-1999
E	to the bearer	unpreferred shares	no limitation	1 338 960	2 678	cash payment	19-07-2001*)	01-01-1999
F	to the bearer	unpreferred shares	no limitation	544 800	1 090	cash payment	19-07-2001*)	01-01-2000
G	to the bearer	unpreferred shares	no limitation	683 376	1 367	cash payment	19-07-2001*)	01-01-2001
H	to the bearer	unpreferred shares	no limitation	288 000	576	cash payment	20-08-2001	01-01-2001
I	to the bearer	unpreferred shares	no limitation	856 704	1 713	cash payment	15-04-2002	01-01-2002
J	to the bearer	unpreferred shares	no limitation	3 835 056	7 670	cash payment	09-08-2002	01-01-2002
K	to the bearer	unpreferred shares	no limitation	1 640 688	3 281	cash payment	22-08-2002	01-01-2002
L	to the bearer	unpreferred shares	no limitation	3 144 624	6 289	cash payment	22-08-2002	01-01-2002
M	to the bearer	unpreferred shares	no limitation	182 359	364	cash payment	09-06-2005	01-01-2004
N	to the bearer	unpreferred shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	69 922	140	cash payment	26-01-2006	01-01-2005
O	registered	unpreferred shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	70 908	142	cash payment	17-03-2006	01-01-2006
P	to the bearer	unpreferred shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	37 560	75	cash payment	13-12-2006	01-01-2006
R	to the bearer	unpreferred shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	49 500	99	cash payment	24-11-2006	01-01-2006
S	registered	unpreferred shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	147 026	294	cash payment	27-02-2007	01-01-2006
Total number of shares				18 489 667				
Total share capital					36 979			
Nominal value of one share in zlotys					2	**)		

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

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

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

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

(in thousands zlotys)

reported as of 31.12.2006

Share capital (structure)								
Class/ issue	Type of share	Type of preferrence	Limitation of rights	number of shares	Value of the class/issue in nominal value	Type of payment	Registration date	Right to dividend (from date)
A	to the bearer*	unpreferred shares	no limitation	2 213 904	4 428	cash payment	19-07-2001***)	01-01-1998 ****)
B	to the bearer	unpreferred shares	no limitation	2 304 960	4 610	cash payment	19-07-2001*)	01-01-1998
C	to the bearer	unpreferred shares	no limitation	515 256	1 031	cash payment	19-07-2001*)	01-01-1999
D	to the bearer	unpreferred shares	no limitation	566 064	1 132	cash payment	19-07-2001*)	01-01-1999
E	to the bearer	unpreferred shares	no limitation	1 338 960	2 678	cash payment	19-07-2001*)	01-01-1999
F	to the bearer	unpreferred shares	no limitation	544 800	1 090	cash payment	19-07-2001*)	01-01-2000
G	to the bearer	unpreferred shares	no limitation	683 376	1 367	cash payment	19-07-2001*)	01-01-2001
H	to the bearer	unpreferred shares	no limitation	288 000	576	cash payment	20-08-2001	01-01-2001
I	to the bearer	unpreferred shares	no limitation	856 704	1 713	cash payment	15-04-2002	01-01-2002
J	to the bearer	unpreferred shares	no limitation	3 835 056	7 670	cash payment	09-08-2002	01-01-2002
K	to the bearer	unpreferred shares	no limitation	1 640 688	3 281	cash payment	22-08-2002	01-01-2002
L	to the bearer	unpreferred shares	no limitation	3 144 624	6 289	cash payment	22-08-2002	01-01-2002
M	to the bearer	unpreferred shares	no limitation	182 359	365	cash payment	09-06-2005	01-01-2004
N	to the bearer	unpreferred shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	69 922	140	cash payment	26-01-2006	01-01-2005
O	registered	unpreferred shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	70 908	142	cash payment	17-03-2006	01-01-2006
P	to the bearer	unpreferred shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	37 560	75	cash payment	13-12-2006	01-01-2006
R	to the bearer	unpreferred shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	49 500	99	cash payment	24-11-2006	01-01-2006
S	registered	unpreferred shares	to the moment of full payment for shares, shares entitled to pro-rata dividend	147 026	294	cash payment	*****)	01-01-2006
Total number of shares				18 489 667				
Total share capital					36 979			
Nominal value of one share in zlotys					2	**)		

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

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

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

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

*****) till the date of teh financial statement the last share capital increase was not registered

(in thousands zlotys)

Shareholders having 5% of total amount of share as of June 30, 2007:

Shareholder	Amount of shares	Amount of votes	Share
Pioneer Pekao Investment Management	**1 868 628**	**1 868 628**	**10,11%**
PZU Asset Management	**1 200 000**	**1 200 000**	**6,49%**
SICAV IXIS AM EMERGING EUROPE	**1 034 920**	**1 034 920**	**5,60%**
Generali OFE	**2 062 464**	**2 062 464**	**11,15%**
PKO Funds*	**922 582**	**922 582**	**4,99%**
Millennium Funds**	**933 186**	**933 186**	**5,05%**
Free float	**10 467 887**	**10 467 887**	**56,61%**
Total	18 489 667	18 489 667	100,0%

*** Funds managed by PKO TFI**

**** Funds managed by Millennium TFI, i.e. Millennium FIO Akcji, Millennium FIO Zrównoważony and Millennium FIO Stabilnego Wzrost**u

(in thousands zlotys)

25. Deferred Tax

Income tax (current and deferred)			
Profit and loss account	**30.06.2007**	**31.12.2006**	**30.06.2006**
Current income tax	3 394	1 837	1 057
Current income tax expense	3 379	1 837	1 057
Adjustements to current income tax expense referring to prior periods	15	-	-
Deferred tax	408	(533)	(1 227)
Related to provision for and reversal of temporary differences	408	(533)	(1 227)
Total income tax expense presented in the profit and loss account	3 802	1 304	(170)

(in thousands zlotys)

Deferred tax	Consolitated balance sheet		Consolidated profit and loss account			Goodwill	
Deferred tax	30.06.2007	31.12.2006	30.06.2007	31.12.2006	30.06.2006	30.06.2007	31.12.2006
Deferred tax liability							
fixed assets	245	240	5	(495)	81	137	137
receivables	185	829	(644)	(63)	(564)	-	-
cash	-	13	(13)	(3)	85	-	-
loans	147	20	127	(67)	61	-	-
lease receivalbes	47 854	48 703	(849)	1 706	1 375	-	-
liabilities	5 041	4 636	405	226	(1 958)	-	-
		-	-	-	-	-	-
Gross deferred tax liability	**53 472**	**54 441**	**(969)**	**1 304**	**(920)**	**137**	**137**
Deferred tax asset							
fixed assets	1 998	1 789	209	1 789	2 082	-	-
cash	58	50	8	(137)	(187)	-	-
receivables	842	844	(2)	678	335	-	-
loans	-	-	-	(59)	(59)	-	-
liabilities	244	583	(339)	(114)	(145)	-	-
provisions	1 173	1 169	4	(200)	(425)	-	-
lease asstes	47 343	48 600	(1 257)	(131)	(1 574)	-	-
loss for previous periods	11	11	0	11	-	-	-
Acrruals and deferrals	-	-	-	-	279	-	-
Gross deferred tax asset	**51 669**	**53 046**	**(1 377)**	**1 837**	**307**	**-**	**-**
Deferred tax expense	-	-	408	(533)	(1 227)	-	137
Net deferred tax asset/liability	1 803	1 395	-	-	-	-	-

(in thousands zlotys)

EFFECTIVE TAX RATE	30.06.2007	31.12.2006	30.06.2006
Tax expense in the profit and loss account, including:	3 802	1 304	(170)
Current tax	3 394	1 837	1 057
Deferred tax	408	(533)	(1 227)
Gross profit/(loss)	**17 853**	**1 823**	**(3 810)**
Tax on gross profit/loss at current tax rate 19%(2006: 19%)	3 392	346	(724)
Adjustements relating to current income tax from previosu years	15	(71)	(71)
Non tax deductible costs, including	**522**	**911**	488
undocumented costs	2	5	2
costs not related to revenues	19	78	4
costs from other periods	2	4	2
membership fees for boluntary societies	3	-	5
expense for owners	269	312	153
interest	114	174	44
revaluation write offs		173	-
other	103	164	24
non tax deductible VAT		-	159
foreign exchange		-	72
1% share in tax profits/losses of limited partnerships	11	19	23
Revenues excluded from tax	**98**	**24**	5
grants	69	13	5
dividend from limited liability companies	30	10	-
Tax expense	**3 802**	**1 304**	**(170)**

(in thousands zlotys)

26. Provisions

	30.06.2007	31.12.2006	30.06.2006
Long-term provisions			
Retirement and similar provisions	464	465	476
Other provisions - recultivation	2 133	2 112	2 091
Total long-term provisions	**2 597**	**2 577**	**2 567**

Short-term provisions

Retirement and similar provisions	170	182	127
Other provisions	2 498	2 445	2 559
Total short-term provisions	**2 668**	**2 627**	**2 686**

Changes in other long-term and short-term provisions

Balance at the begining of period	**5 204**	**4 123**	**4 123**
creation of provisions	743	1 744	1 469
release of provisions	(628)	(341)	(131)
use of provisions	(54)	(322)	(208)
Balance at the end of period	**5 265**	**5 204**	**5 253**

The balance of other short term provisions includes provision for litigayion with URE in the amount of 723 thd. zlotys and provsions related to the costs of termination of the project EC Wizów in the amount of 1 062 thd. zlotys., and holiday pay accrual in the amount of 614 thd. zlotys.

27. Long term liabilities

Long term liabilities (ageing)			
	30.06.2007	**31.12.2006**	**30.06.2006**
a) from 1 to 3 years	63 909	64 046	46 741
b) from 3 to 5 years	70 504	63 319	50 940
c) over 5 years	165 002	138 640	135 910
Long-term liabilities, Total	**299 415**	**266 005**	**233 591**

(in thousands zlotys)

28. Long term liabilities from bank loans and borrowings

reported as of 30.06.2007

Name of the Company with indication of legal form	Seat	Loan/Borrowing limit as in the agreement		Amount of loan/credit to repay		Condition of interest	Effective interest rate %	Repayment date
		thousand PLN	currency	thousand PLN	currency			
BRE Bank S.A.	**Warszawa**	**11 851**	**PLN**	**2 360**	**PLN**	**WIBOR 1-month plus margin**	**7,5**	**July 2009**
Collateral								
Mortgage amounting to 600 thousand PLN								
Own bill of exchange - value: amount of debt plus interest plus other costs								
Registration Pledge on boilers– its value according to the base agreement equals USD 1,142.0 thousand								
Registration Pledge on gas turbine– its value according to the base agreement equals USD 5,300 thousand								
Interpep Sp. z o.o.EC Wizów Sp.k. -cession of receivables related to the project - from the contract up to the level of debt outstanding plus interest plus other costs and from insurance (value of the insurnce as of 31 December 2006 amounts to 11,316thousand zlotys)								
BRE Bank S.A.	**Warszawa**	**17 332**	**PLN**	**7 945**	**PLN**	**WIBOR 1-month plus margin dependant on Company's results**	**6,0**	**June 2012**
Collateral								
Power of attorney to dispose of the current account and debt servicing account in BRE Bank S.A.								
cession agreement of rights pertaining to Interpep EC Zakrzów Sp. z o.o. Sp.k. Resulting from heat delivery contract to POLAR SA and insurance agreement								
Agreement for security assignment (applying to the Polar investment)								
Registration Pledge up to the amount of 35,000 thousand PLN								
Mortgage securing an existing or future claim up to the amount of PLN 17,332.0 thousand set up on the real estate belonging to Polar S.A. in Wrocław until the day of purchase of this real estate from Polar SA by the borrower								

(in thousands zlotys)

PEKAO S.A.	**Warszawa**	**4 906**	**PLN**	**3 798**	**PLN**	**WIBOR 1-month plus margin**	**5,9**	**August 2015**
Collateral								
Own bill of exchange								
Power of attorney to dispose of the current account of the borrower and Energopep Sp. z o.o. EC Jeziorna Sp. Komandytowa								
cession of receivables related to the agreements for heat and electricity deliveries concluded between Energopep Sp. z o.o. EC Jeziorna Sp.Komandytowa, a Metsa Tissue S.A., Ecotex Polska Sp. z o.o., Konstans Sp. z o.o.								
agreement on transfer for collateral of receivables from insurance agreement 37,485 thd. PLN								
agreement on cession of receivables of Polish Energy Partners SA towards ENERGOPEP Sp. z o.o. EC Jeziorna Sp.k. Due from lease agreement- 13,552 thd. PLN								
Registration Pledge up to the amount of on assets of EC Jeziorna which are used to generate and deliveries of electricity and heat together with cession of insurance policy 1,113 thousand PLN								
Pledge up to the amount of 4,906 thousand PLN								
submission to execution and submission to execution to hand over the pledged assets								

BRE Bank S.A.	**Warszawa**	**74 600**	**EUR**	**203 536**	**54 049**	**- basic rate EURIBOR 1-month plus margin**	**4,9**	**repayment in instalments, last principal is paid on 20.12.2015**
Collateral								
Power of attorney to dispose of the current account and debt servicing account in BRE Bank S.A.								
agreement with BRE Bank S.A. Relating to maintianing banlk accounts - projects Saturn i Jupiter,								
Agreement for pledge over shares in the Saturn Management Sp. z o.o. together with the transfer of PEP S.A. Rights								
Pledge on PEP S.A. rights as the limited partner of the Subsidiary and PEP S.A. Rights								
Agreement with BRE relating to the pledge over bank account together with the power of attorney for this account								
Agreement between PEP S.A. and BRE Bank S.A. realting to securing assignment - Saturn project								
Agreement for pledge over assets incorporated in the company's enterprise - value of the pledge depends on the way of its consumption but not more than 105,000 thousand EUR								
Agreement between SM sp. kom. And BRE relating to Registration Pledge on the rights to bak account acess together with power of attorney up to the amount of:								
Submission to execution to BRE Bank S.A								
Agreement on transfer for security, covering all current and future receivables up to the amount								
Guarantees assignment Agreement for transfer of rights and claims from granted by the business partner								
Agreement on mortgage on perpetual usufruct and onwership of the buildings for BRE Bank								
Mortgage for BRE and Kreditanstalt fur Wiederaufbau in the amount of amounting to EUR 45 million each.								
Agreement on cession of rights from General Agreement up to the amounts resulting from debt outstanding								
Agreement on cession of rights from agreements with Mondi, Construction agreement and significant agreements with construction companies, insurance agreements up to the amounts resulting from debt outstanding								
Pledge on SM Sp. z o.o. rights as the unlimited partner of the Subsidiary								
guarantee of Mondi Packaging Świecie S.A. up to the amount being minimum of : amount of three months costs of debt tand the amount of 3,000 thousand zlotys till 20 December 2016								

(in thousands zlotys)

Raiffeisen Bank Polska SA	**Warszawa**	**21 600**	**EUR**	**74 376**	**21 047**	**- basic rate EURIBOR 1-month plus margin**	**6,4**	**repayment in instalments, last principal is paid on 31.12.2021**
Collateral								
agreement on transfer for collateral of receivables from insurance agreement								
agreement on cession for security of receivables and right from project agreements								
agreement on cession of receivables and rights from guarantee								
Power of attorney to dispose of the current accounts								
Agreement with Raiffeisen Bank Polska SA relating to registration pledge on receivables due from bank account, up to 33,525 thousand EUR								
Agreement with Raiffeisen Bank Polska SA relating to registration pledge on assets, up to 33,525 thousand EUR								
submission to execution of the borrower up to 33,525 thousand EUR								
two registration pledges on fixed assets of DIPOL sp. z o.o. For Raiffeisen Bank Polska SA each in the amount of 4,269.3 thd. EUR								
registration pledge for Raiffeisen Bank Polska SA 8,538.7 thd. EUR								
six registration pledges for Raiffeisen Bank Polska SA each in 4,269.3 thousand EUR								
Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until July 31, 2009								
Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until August 30, 2009								
Registration plegde agreement on shares in DIPOL sp. z o.o. Concluded between PEP SA and Raiffeisen Bank Polska SA - value of the pledge depends on the way of use but not more than 33,525 thousand EUR								
guarantee agreement between PEP SA and Raiffeisen Bank Polska SA. Guarantee granted by PEP SA in the amount totalling: 1.350.000 EURO remains in force until July 31, 2007, up to 5.900.378 PLN remains in force till the day which is six months from the date of statements issued by EkoFundusz Foundation about final settlement of the grant.								
BRE BANK SA	**Warszawa**	**9 000**	**PLN**	**7 400**	**PLN**	**WIBOR 1-month plus margin**	**6,1**	**repayment in instalments, last principal is paid on 26.02.2015**
Collateral								
Pledge Notarial Act								
Agreement of Polish Energy Partners SA on registration pledge on right together with power of attorney 10.500 thd. PLN								
Agreement of PP-U i P Comax Sp. z o.o. on registration pledge on right together with power of attorney 10.500 thd. PLN								
Registration pledge on enterprise 13,500 thd. PLN								
Agreement on cession for security								
Power of attorney to dispose of the current account								
Agreement on support concluded between: BRE Bankiem SA, PP-U i P Comax sp. z o.o., PEP SA, and the borrower								
The liability of PEP SA ceases within the period of 2 years started from completion of Mercury project but not later than June 30, 2008 provided that the project meets the following covenants: - debt service coverage ratio will be higher or equal to 1.25, - sale revenue of Mercury Energia Spółka z ograniczoną odpowiedzialnością i Wspólnicy Spółka komandytowa will achieve 95% of the planned revenues. Missing of the above covenants will result in of extension of the guarantee for the following years.								
submission to execution 13,500 thd. PLN, valid till 31.12.2018								
submission to execution of assets with register pledge- valid till 31.12.2018.								
submission to execution of limited partner (Polish Energy Partners SA) - 10,500 thd. PLN, valid till 31.07.2008.								
Total				**299 415**				

(in thousands zlotys)

reported as of 31.12.2006

Name of the Company with	Seat	Loan/Borrowing limit as in the agreement		Amount of loan/credit to repay		Condition of interest	Effective interest rate %	Repayment date
indication of legal form		thousand PLN	currency	thousand PLN	currency			
BRE Bank S.A.	**Warszawa**	**11 851**	**PLN**	**3 251**	**PLN**	**WIBOR 1-month plus margin**	**7,4**	**July 2009**
Collateral								
Mortgage amounting to 600 thousand PLN								
Own bill of exchange - value: amount of debt plus interest plus other costs								
Registration Pledge on boilers– its value according to the base agreement equals USD 1,142.0 thousand								
Registration Pledge on gas turbine– its value according to the base agreement equals USD 5,300 thousand								
Interpep Sp. z o.o.EC Wizów Sp.k. -cession of receivables related to the project - from the contract up to the level of debt outstanding plus interest plus other costs and from insurance (value of the insurnce as of 31 December 2006								
BRE Bank S.A.	**Warszawa**	**17 332**	**PLN**	**8 644**	**PLN**	**WIBOR 1-month plus margin dependant on Company's results**	**6,4**	**June 2012**
Collateral								
Power of attorney to dispose of the current account and debt servicing account in BRE Bank S.A.								
cession agreement of rights pertaining to Interpep EC Zakrzów Sp. z o.o. Sp.k. Resulting from heat delivery contract to POLAR SA and insurance agreement								
Agreement for security assignment (applying to the Polar investment)								
Registration Pledge up to the amount of 35,000 thousand PLN								
Mortgage securing an existing or future claim up to the amount of PLN 17,332.0 thousand set up on the real estate belonging to Polar S.A. in Wrocław until the day of purchase of this real estate from Polar SA by the borrower								

(in thousands zlotys)

PEKAO S.A.	**Warszawa**	**4 906**	**PLN**	**4 063**	**PLN**	**WIBOR 1-month plus margin**	**5,9**	**August 2015**
Collateral								
Own bill of exchange								
Power of attorney to dispose of the current account of the borrower and Energopep Sp. z o.o. EC Jeziorna Sp. Komandytowa								
cession of receivables related to the agreements for heat and electricity deliveries concluded between Energopep Sp. z o.o. EC Jeziorna Sp.Komandytowa, a Metsa Tissue S.A., Ecotex Polska Sp. z o.o., Konstans Sp. z o.o.								
agreement on transfer for collateral of receivables from insurance agreement 37,485 thd. PLN								
agreement on cession of receivables of Polish Energy Partners SA towards ENERGOPEP Sp. z o.o. EC Jeziorna Sp.k. Due from lease agreement- 13,552 thd. PLN								
Registration Pledge up to the amount of on assets of EC Jeziorna which are used to generate and deliveries of electricity and heat together with cession of insurance policy 1,113 thousand PLN								
Pledge up to the amount of 4,906 thousand PLN								
submission to execution and submission to execution to hand over the pledged assets								
BRE Bank S.A.	**Warszawa**	**74 600**	**EUR**	**211 363**	**59 724 EUR**	**- basic rate EURIBOR 1-month plus margin**	**4,0**	**repayment in instalments, last principal is paid on 20.12.2015**
Collateral								
Power of attorney to dispose of the current account and debt servicing account in BRE Bank S.A.								
agreement with BRE Bank S.A. Relating to maintianing banlk accounts - projects Saturn i Jupiter,								
Agreement for pledge over shares in the Saturn Management Sp. z o.o. together with the transfer of PEP S.A. Rights								
Pledge on PEP S.A. rights as the limited partner of the Subsidiary and PEP S.A. Rights								
Agreement with BRE relating to the pledge over bank account together with the power of attorney for this account								
Agreement between PEP S.A. and BRE Bank S.A. realting to securing assignment - Saturn project								
Agreement for pledge over assets incorporated in the company's enterprise - value of the pledge depends on the way of its consumption but not more than 105,000 thousand EUR								
Agreement between SM sp. kom. And BRE relating to Registration Pledge on the rights to bak account acess together with power of attorney up to the amount of:								
Submission to execution to BRE Bank S.A								
Agreement on transfer for security, covering all current and future receivables up to the amount								
Guarantees assignment Agreement for transfer of rights and claims from granted by the business partner								
Agreement on mortgage on perpetual usufruct and onwership of the buildings for BRE Bank								
Mortgage for BRE and Kreditanstalt fur Wiederaufbau in the amount of amounting to EUR 45 million each.								
Agreement on cession of rights from General Agreement up to the amounts resulting from debt outstanding								
Agreement on cession of rights from agreements with Mondi, Construction agreement and significant agreements with construction companies, insurance agreements up to the amounts resulting from debt outstanding								
Pledge on SM Sp. z o.o. rights as the unlimited partner of the Subsidiary								
guarantee of Mondi Packaging Świecie S.A. up to the amount being minimum of : amount of three months costs of debt tand the amount of 3,000 thousand zlotys till 20 December 2016								

(in thousands zlotys)

Raiffeisen Bank Polska SA	**Warszawa**	**21 600**	**EUR**	**32 441**	**8 687 EURO**	**- basic rate EURIBOR 1-month plus margin**	**5,6**	**spłaty ratalne, ostatnia rata 31.12.2021**
Collateral								
agreement on transfer for collateral of receivables from insurance agreement								
agreement on cession for security of receivables and right from project agreements								
agreement on cession of receivables and rights from guarantee								
Power of attorney to dispose of the current accounts								
Agreement with Raiffeisen Bank Polska SA relating to registration pledge on receivables due from bank account, up to 33,525 thousand EUR								
Agreement with Raiffeisen Bank Polska SA relating to registration pledge on assets, up to 33,525 thousand EUR								
submission to execution of the borrower up to 33,525 thousand EUR								
two registration pledges on fixed assets of DIPOL sp. z o.o. For Raiffeisen Bank Polska SA each in the amount of 4,269.3 thd. EUR								
registration pledge for Raiffeisen Bank Polska SA 8,538.7 thd. EUR								
six registration pledges for Raiffeisen Bank Polska SA each in 4,269.3 thousand EUR								
Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until July 31, 2009								
Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until August 30, 2009								
Registration plegde agreement on shares in DIPOL sp. z o.o. Concluded between PEP SA and Raiffeisen Bank Polska SA - value of the pledge depends on the way of use but not more than 33,525 thousand EUR								
guarantee agreement between PEP SA and Raiffeisen Bank Polska SA. Guarantee granted by PEP SA in the amount totalling: 1.350.000 EURO remains in force until July 31, 2007, up to 5.900.378 PLN remains in force till the day								
BRE BANK SA	**Warszawa**	**9 000**	**PLN**	**6 243**	**PLN**	**WIBOR 1-month plus margin**	**6,4**	**repayment in instalments, last principal is paid on 20.02.2010**
Collateral								
Pledge Notarial Act								
Agreement of Polish Energy Partners SA on registration pledge on right together with power of attorney 10.500 thd. PLN								
Agreement of PP-U i P Comax Sp. z o.o. on registration pledge on right together with power of attorney 10.500 thd. PLN								
Registration pledge on enterprise 13,500 thd. PLN								
Agreement on cession for security								
Power of attorney to dispose of the current account								
Agreement on support concluded between: BRE Bankiem SA, PP-U i P Comax sp. z o.o., PEP SA, and the borrower								
Guarantee agreement of Polish Energy Partners S.A. 10,500 thd. PLN, valid till 30.06.2007								
submission to execution 10,500 thd. PLN, valid till 31.12.2013								
submission to execution of assets with register pledge- valid till 31.12.2013.								
submission to execution of limited partner (Polish Energy Partners SA) - 10,500 thd. PLN, valid till 31.07.2007.								
Total				**266 005**				

(in thousands zlotys)

29. Short term liabilities

Short term liabilities			
	30.06.2007	31.12.2006	30.06.2006
a) bank loans and borrowings	27 838	25 888	19 943
b) trade payables	2 391	8 396	24 934
- to affiliates	2 391	8 396	24 934
c) income tax liabilities	1 775	152	-
d) other liabilities	3 461	2 237	2 619
- taxes, customs and social security liabilities	3 126	1 752	2 276
- other financial liabilities	196	191	190
- payroll liabilities	58	249	51
- Special Funds	69	5	73
- other financial liabilities	12	40	29
Total short term liabilities	**35 465**	**36 673**	**47 496**

30. Short term liabilities from bank loans and borrowings

reported as of 30.06.2007

Short term liabilities from loans and borrowings							
Name of the Company with indication of	Seat	Loan/Credit limit as in the agreement		Amount of loan/credit to repay		Condition of interest	Repayment date
legal form		thousand zloty	currency	thousand zloty	currency		
BRE Bank S.A.	**Warszawa**	**11 851**	**PLN**	**1 720**	**PLN**	**long term debt (amount payable within one year time)**	
Collateral							
Presented in long-term liabilities note							
BRE Bank S.A.	**Warszawa**	**13 500**	**PLN**	**1 673**	**PLN**	**long term debt (amount payable within one year time)**	
Collateral							
Presented in long-term liabilities note							
PEKAO S.A.	**Warszawa**	**4 906**	**PLN**	**530**	**PLN**	**long term debt (amount payable within one year time)**	
Collateral							
Presented in long-term liabilities note							
BRE BANK	**Warszawa**	**equal amount in PLN of 453 thd. EUR**	**current account**	**-**	**-**	**WIBOR 1-month + bank margin**	**to 31.03.2008**
Collateral							
Security assignment of rights of the borrower from the Project documentation other than Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies							
German Guarantee Assignment Agreement of the borrower's rights to Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies							
In blanco bill of exchange issued by the borrower together with the bill of exchange declaration of the borrower							
Power of attorney for the Bank to dispose of all of the Bank accounts of the borrower held in Bank							
Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until March 31, 2008.							

(in thousands zlotys)

BRE BANK	**Warszawa**	**74.600 tys.EUR**	**investment debt**	**19 112**	**5 075 tys EUR**	**long term debt (amount payable within**	
Collateral							
Presented in long-term liabilities note							
Raiffeisen Bank Polska SA	**Warszawa**	**21 600**	**EUR**	**4 069**	**EUR**	**long term debt (amount payable within one year time)**	
Collateral							
Presented in long-term liabilities note							
Raiffeisen Bank Polska SA	**Warszawa**	**3.000**	**PLN**	**-**	**PLN**	**WIBOR 1-week + margin**	**to 30.06.2006**
Collateral							
agreement on transfer for collateral of receivables from insurance agreement							
agreement on cession for security of receivables and right from project agreements							
agreement on cession of receivables and rights from guarantee							
Power of attorney to dispose of the current account							
Power of attorney to dispose of the current accounts							
Agreement with Raiffeisen Bank Polska SA relating to registration pledge on receivables due from bank account							
Agreement with Raiffeisen Bank Polska SA relating to registration pledge on receivables due from bank accounts							
Agreement with Raiffeisen Bank Polska SA relating to registration pledge on assets							
submission to execution of the borrower							
two registration pledges on fixed assets of DIPOL sp. z o.o. For Raiffeisen Bank Polska SA							
registration pledge for Raiffeisen Bank Polska SA							
six registration pledges for Raiffeisen Bank Polska SA							
submission to execution of PEP SA							
submission to execution of PEP SA							
Registration plegde agreement on shares in DIPOL sp. z o.o. Concluded between PEP SA and Raiffeisen Bank Polska SA - value of the pledge depends on							
guarantee agreement between PEP SA and Raiffeisen Bank Polska SA.							
Raiffeisen Bank Polska SA	**Warszawa**	**17.000**	**PLN**	**-**	**PLN**	**WIBOR 1-month + bank margin**	**to 31.07.2007**
Collateral							
Disposition of the borrower submitted to the Tax Office in order to transfer VAT returns to the VAT account							
Agreement with Raiffeisen Bank Polska SA relating to registration pledge on receivables due from bank account							
Power of attorney to dispose of the VAT account in Raiffeisen Bank Polska SA							
Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until March 31, 2009.							
BRE BANK SA	**Warszawa**	**9 000**	**PLN**	**734**	**PLN**	**WIBOR 1-month + bank margin**	**repayment in instalments, last principal is paid on 26.02.2015**
Collateral							
Presented in long-term liabilities note							
Total				**27 838**			

(in thousands zlotys)

reported as of 31.12.2006

Short term liabilities from loans and borrowings

Name of the Company with indication of legal form	Seat	Loan/Credit limit as in the agreement		Amount of loan/credit to repay		Condition of interest	Repayment date
		thousand zloty	currency	thousand zloty	currency		
BRE Bank S.A.	**Warszawa**	**11 851**	**PLN**	**1 610**	**PLN**	**long term debt (amount payable within one year time)**	
Collateral							
Presented in long-term liabilities note							
BRE Bank S.A.	**Warszawa**	**13 500**	**PLN**	**1 573**	**PLN**	**long term debt (amount payable within one year time)**	
Collateral							
Presented in long-term liabilities note							
PEKAO S.A.	**Warszawa**	**4 906**	**PLN**	**553**	**PLN**	**long term debt (amount payable within one year time)**	
Collateral							
Presented in long-term liabilities note							
BRE BANK	**Warszawa**	**equal amount in PLN of 453 thd. EUR**	**current account**	**-**	**-**	**WIBOR 1-miesięczny + marża banku**	**do 31.03.2007**
Collateral							
Security assignment of rights of the borrower from the Project documentation other than Diligent Execution Guarantees, Warranties and Obligations of the							
German Guarantee Assignment Agreement of the borrower's rights to Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies							
In blanco bill of exchange issued by the borrower together with the bill of exchange declaration of the borrower							
Power of attorney for the Bank to dispose of all of the Bank accounts of the borrower held in Bank							
Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until March 31, 2008.							
BRE BANK	**Warszawa**	**3.500 thd. PLN**	**VAT**	**-**	**-**	**WIBOR 1-miesięczny + marża banku**	**do 31.03.2007**
Collateral							
Statement of the appropriate tax office, presented on borrower's request, including an obligation to return the VAT on VAT Account, and in case of not obtaining such statement a statement of the borrower including assurance of returning VAT on VAT account or, if obtaining such statements would not be possible, an obligation of the borrower to make transfers of the amounts acquired as VAT return on VAT account, according to the bank accounts agreement							
Security assignment of rights of the borrower from the Project documentation other than Diligent Execution Guarantees, Warranties and Obligations of the							
German Guarantee Assignment Agreement of the borrower's rights to Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies							
Cession of rights pertaning to PEP from Mondi Packaging Paper Świecie S.A. Relating to General Agreement							
Power of attorney for BRE Bank to dispose of all of the bank accounts of the borrower held in bank							
Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until March 31, 2008.							

(in thousands zlotys)

BRE BANK	**Warszawa**	**74.600 thd.EUR**	**investment debt**	**17 786**	**4.160 thd. EUR**	**long term debt (amount payable within one year time)**	
Collateral							
Presented in long-term liabilities note							
Raiffeisen Bank Polska SA	**Warszawa**	**21 600**	**EUR**	**2 057**	**EUR**	**- basic rate EURIBOR 1-month plus margin**	**repayment in instalments, last principal is paid on 31.12.2021**
Collateral							
Presented in long-term liabilities note							
Raiffeisen Bank Polska SA	**Warszawa**	**3.000**	**PLN**	**-**	**PLN**	**WIBOR 1-week + margin**	**to 30.06.2007**
Collateral							
agreement on transfer for collateral of receivables from insurance agreement							
agreement on cession for security of receivables and right from project agreements							
agreement on cession of receivables and rights from guarantee							
Power of attorney to dispose of the current account							
Power of attorney to dispose of the current accounts							
Agreement with Raiffeisen Bank Polska SA relating to registration pledge on receivables due from bank account							
Agreement with Raiffeisen Bank Polska SA relating to registration pledge on receivables due from bank accounts							
Agreement with Raiffeisen Bank Polska SA relating to registration pledge on assets							
submission to execution of the borrower							
two registration pledges on fixed assets of DIPOL sp. z o.o. For Raiffeisen Bank Polska SA							
registration pledge for Raiffeisen Bank Polska SA							
six registration pledges for Raiffeisen Bank Polska SA							
submission to execution of PEP SA							
submission to execution of PEP SA							
Registration plegde agreement on shares in DIPOL sp. z o.o. Concluded between PEP SA and Raiffeisen Bank Polska SA - value of the pledge depends on the way of use but not more than 33,525 thousand EUR							
guarantee agreement between PEP SA and Raiffeisen Bank Polska SA.							
Raiffeisen Bank Polska SA	**Warszawa**	**17.000**	**PLN**	**-**	**PLN**	**WIBOR 1-month + bank margin**	**to 31.03.2007**
Collateral							
Disposition of the borrower submitted to the Tax Office in order to transfer VAT returns to the VAT account							
Agreement with Raiffeisen Bank Polska SA relating to registration pledge on receivables due from bank account							
Power of attorney to dispose of the VAT account in Raiffeisen Bank Polska SA							
Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until March 31, 2009.							
BRE BANK SA	**Warszawa**	**9 000**	**PLN**	**2 309**	**PLN**	**WIBOR 1-month + bank margin**	**repayment in instalments, last principal is paid on 20.02.2010**
Collateral							
Presented in long-term liabilities note							
Total				**25 888**			

(in thousands zlotys)

31. Accrued cost and deferred income

Accruals and deferred income			
	30.06.2007	31.12.2006	30.06.2006
Long-term accruals and deferred income			
a) deferred income	5 753	5 901	-
Long-term accruals and deferred income, total	**5 753**	**5 901**	**-**
Short-term accruals and deferred income			
a) futures salaries and bonuses	599	1 091	595
b) costs of outsourced services	2 781	197	149
c) other	733	753	218
d) holiday pay accrual	63	51	40
d) deferred income - grant	79	1 924	81
Short-term accruals and deferred income, total	**4 255**	**4 016**	**1 083**

32. Assets and liabilities of social fund

SOCIAL FUND ASSETS AND LIABILITIES			
	30.06.2007	31.12.2006	30.06.2006
a) loans granted to employees	3	3	3
b) cash	64	23	101
c) liabilities to the fund	92	21	114
Net balance	**(25)**	**5**	**(9)**
fees due to the social funde in current year	121	122	100

33. Contingent liabilities

Contingent Liabilities to affiliates			
	30.06.2007	31.12.2006	30.06.2006
a) guarantees granted	21 484	21 572	21 859
b) other (due from limited liability sum in LLP):	39 310	39 310	39 310
- to subsidiaries	39 310	39 310	38 650
- to associates	-	-	660
c) court cases	-	-	-
Total contingent liabilities to affiliates	**60 794**	**60 882**	**61 169**

Guarantees granted:

PEP SA issued a guarantee for BRE BANK SA with seat in Warsaw. The guarantee issued amounts to 10.500.000 PLN and secures the liability of Mercury Energia Spółka z ograniczoną odpowiedzialnością i Wspólnicy Spółka komandytowa to BRE BANK SA which results from bank loan in the amount of 9.000.000 PLN. The liability of PEP SA ceases within the period of 2 years started from completion of Mercury project but not later than June 30, 2008 provided that the project meets the following covenants:

- debt service coverage ratio will be higher or equal to 1.25,

- sale revenue of Mercury Energia Spółka z ograniczoną odpowiedzialnością i Wspólnicy Spółka komandytowa will achieve 95% of the planned revenues.

Missing of the above covenants will result in of extension of the guarantee for the following years.

PEP SA did not receive any guarantee fee. PEP S.A. is a 94.1% shareholder in Mercury Energia Spółka z ograniczoną odpowiedzialnością i Wspólnicy Spółka komandytowa.

On November 23, 2005 PEP SA concluded with Raiffeisen Bank Polska with its registered office in Warsaw guarantee agreement. Pursuant to the guarantee agreement PEP granted to Raiffeisen Bank Polska guarantee which relates to the loan agreement concluded between Dipol Sp. Z o.o. as borrower and Raiffeisen Bank Polska as lender. The guarantee granted by PEP in the amount of up to 1,350,000 EURO can be exercised till July 31, 2007 and in the amount of up to 5,900,378 PLN can be exercised till the day which is six months from the date of statements issued by EkoFundusz Foundation about final settlement of the grant. PEP SA did not receive any reimbursement for the guarantee granting. PEP SA is 100% owner of Dipol Sp. Z o.o.

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

Court cases pending:

On May 16th 2002, the President of the URE issued a decision No. OWA 25/2002 on imposing a penalty of PLN 856,000 on the Company for failure to comply with the obligation to submit a tariff used by the Company for approval by the President of URE. As a result of the appeal filed by the Company against the President of URE's decision, on June 25th 2003 the Anti-Trust and Consumer Protection Court of the District Court in Warsaw modified the decision by reducing the amount of penalty to PLN 60,000. In May 2004, as a result of the last resort appeal filed by the President of URE, the Supreme Court reversed the judgment of the Anti-Trust and Consumer Protection Court of the District Court in Warsaw and referred the case for re-trial to the Anti-Trust and Consumer Protection Court of the District Court in Warsaw. On April 4th 2005 (after the date of this Prospectus' update), the Regional Court in Warsaw reversed URE's decision and referred the case for re-examination. On March 7, 2006 the Appealing Court reversed the judgment of the Regional Court and referred the case for re-examination by the Regional Court. According to the judgment date September 21, 2006 the fine for the Company has been lowered to the amount of 723 thousand zlotys. The Company appealed from the sentence of the Regional Court. Case in progress. On May 23, 2007 the Regional Court dismissed the appeal of the Company. The Company asked for written justification of the dismissal. After receiving the written justification the Company will consider cassation.

(in thousands zlotys)

34. Sales revenue

Net revenues from sales of goods (structure - by type)		
	30.06.2007	30.06.2006
revenues from sales of energy	7 286	80
revenues from sales of heat	9 337	13 087
revenues from consuliting projects	99	616
revenues from sales of over standard quality and guarantee of deliveries	177	278
revenues from cost reimbursement and reinvoicing	63	-
revenues from leasing and operating of the leased assets	22 355	17 977
sale of goods	37	6
net revenues from certificates of origin sale	4 495	-
revenues from CO2 emission rights sale	274	-
other revenues	-	83
Total net revenues from sales of goods	**44 123**	**32 127**

35. Costs by kind

Costs by kind		
	30.06.2007	30.06.2006
a) depreciation	4 584	1 439
b) material and energy used	8 031	9 849
c) external services	3 844	2 709
d) taxes and fees	2 085	1 863
e) payroll, including:	7 538	7 041
management options	1 365	758
f) social security and payroll related charges	1 356	1 154
g) other costs by kind	432	282
Total costs by kind	**27 870**	**24 337**
Value of sold goods and materials (positive amount)	-	6
Change in value of work in progress and finished goods	(574)	(1 012)
Cost of asset construction for own purposes (negative amount)	-	-
Selling costs (negative amount)	-	-
General and administration costs (negative amount)	(7 189)	(6 999)
Cost of goods sold	**20 107**	**16 332**
Total cost of goods sold	**20 107**	**16 332**

(in thousands zlotys)

36. Other operating income

Other operating income		
	30.06.2007	30.06.2006
a) reversal of impairment wrtie-downs and release of provisions	195	2
- provisions for doubtful debt	18	-
-release of provision for litigation	177	-
- other write-offs	-	2
b) other, including:	327	1 088
-received penalties and compensation	162	35
-accelerated grant settlement	30	1 020
-other	135	34
Total other operating income	**522**	**1 091**

37. Other operating expense

Other operating expense		
	30.06.2007	30.06.2006
a) revaluation of assets, including:	4	15 625
-receivables	4	4 657
-liquidation costs	-	3
-impairment of fixed assets	-	10 959
- other write offs	-	6
b) other, including:	28	1 092
-donations	9	2
-provisions	-	1 062
-other	19	28
Total other operating expense	**32**	**16 716**

38. Financial income

Financial income		
	30.06.2007	30.06.2006
a) financial income from dividends and share in profit	-	-
b) due from loans granted	171	636
c) other interest - leasing	7 198	5 069
interest due from lease of assets	1 574	994
d) foreign exchange	2 759	2 113
-unrealized	(3 720)	2 878
-realized	6 479	(765)
e) reversal of provision for doubtful debt	-	-
f) gain on securities trade	-	29
g) other financial income	273	286
Financial income, total	**10 401**	**8 133**

(in thousands zlotys)

39. Financial costs

Financial costs		
	30.06.2007	30.06.2006
a) financial costs from interest	9 135	4 919
b) foreign exchange	486	-
-unrealized	455	-
-realized	31	-
c) increase of revaluation provision	-	-
d) provisons and other costs od credits	202	110
e) other financial costs	42	62
Total financial costs	**9 865**	**5 091**

(in thousands zlotys)

40. Current income tax

Current income tax expense		
	30.06.2007	30.06.2006
1. Consolidated gross profit (loss)	39 704	10 557
2. Consolidation adjustements	(22 492)	(15 580)
3. Differences between gross profit and tax base for corporate income tax	-	-
a) Income	7 020	(13 473)
- revenue to be recognized in next fiscal period	4 290	2 361
- revaluation of cash	20	(7 013)
- unpaid interest on loans	(667)	(495)
- interest on investment	1	64
- dywidendy od spółek komandytowych	0	-
- dividends from limited liabilities companies	(160)	-
- release of provisions	(899)	(86)
- received grants	(359)	(1 046)
- settlement of temporary differences from previous years	(19)	-
- repayment of principal in financial lease payment	8 244	7 654
- settlement of revenues included in prior period	887	1 002
- foreign exchange from balance sheet valuation	(4 274)	(15 557)
- różnice kursowe od pożyczki	-	-
- other income	(847)	9
- valuation of receivables	-	(366)
- revenue in construction period	-	-
- valuation of liabilities	803	-
b) costs	(6 212)	24 433
- undocumented costs	10	12
- costs not related to revenues	99	19
- costs from other period	11	12
- payments to PFRON	40	38
- payment for non obligatory societies	15	25
- expense for owners and members of SB	1 418	806
- insurance policy of management board	34	-
- accounting depreciation	4 536	1 389
- tax depreciation	(16 238)	(12 301)
- costs - liquidation costs	12	21
- costs - capital part of lease	(80)	(124)
- costs - revaluation of cash	-	6 078
- costs - reserves	1 312	902
- costs - valuation of receivables	-	4 615
- costs - revaluattion of settlements	-	-
- costs - salaries paid in due date	(205)	97
- costs - tax deductible from sales of heat and electricity	(2 167)	(1 417)
- costs - loans revaluation	-	95
- costs - losses	447	-
- costs - provisiosn for bonuses	(467)	(86)
- costs - provisiosn for fixed assets	-	10 959
- costs - interest paid	21	-
- costs - revaluation write offs	-	1 151
- costs - financial capitalized in assets leased in financial lease	65	207
- costs - other capitalized in assets leased in financial lease	-	-
- costs - settlement of costs related to assets in financial lease	(808)	(2 407)
- costs - movment of other costs in accordance with payment date	-	75
- other costs	598	89
- costs - interest on loan	108	52
- costs - interest and fees not tax deductible	(11)	177
- costs - balance sheet valuation of loans	(49)	14 250
- costs - settlement of costs incurred in prior period	-	(303)
- costs related to revenues during construction period	5 029	-
- costs - foreign exchange from balance sheet valuation	58	-

(in thousands zlotys)

4. Tax Basis before tax loss from previous years	18 020	5 937
4a.Tax loss settlement from previous years (negative number)	-	-
Donations	-	-
4b.Tax basis after tax loss	18 020	5 937
5.Income tax at current tax rate 19%	3 424	1 128
6.Increase, lowering, tax deductions	45	-
7.Current income tax expense in the declaration to tax authority	3 379	1 128
8.Income tax at effective tax rate 19%	15	(71)
9.Tax at 19% rate (2006: 19%)	3 394	1 057

	30.06.2007	30.06.2006
Current income tax expense	3 394	1 057
Change in deferred tax balance	408	(1 227)
Income tax reported in profit and loss account	3 802	(170)

41. Cash flows – explanatory notes

Cash flows from operation activity - other adjustements

	30.06.2007	30.06.2006
management options	1 365	759
fixed assets impairment write down		10 959
bonds included in financial assets valued in fair value through profit and loss		(1 265)
Total other adjustements	**1 365**	**10 453**

Other investment inflows

	30.06.2007	30.06.2006
Repayment of principal and interest from financial lease	15 367	12 788
Total	**15 367**	**12 788**

Other investment outflows

	30.06.2007	30.06.2006
Outflows for leased fixed assets	7 169	4 095
Total	**7 169**	**4 095**

restricted cash

	30.06.2007	30.06.2006
Social fund	49	62
cash restricted for letter of credit	268	
Total	**317**	**62**

(in thousands zlotys)

Reasons for differences between balance sheet changes of praticular items and changes presented in cash flow statement

Receivables:	**30.06.2007**
Balance sheet change in long and short term receivables net	23 920
Changes in receivables due from financial lease after provisions	(7 856)
Changes in investment receivables	119
Changes in receivables presented in cash flow statement	**16 183**

Accruals and deferals	**30.06.2007**
Balance sheet change in acrcruals and deferals	(746)
Changes in other assets	(844)
Lease interest accrued	(6)
Changes in accruals and deferals in cash flow statement	**(1 596)**

Liabilities:	**30.06.2007**
Balance sheet change in short and long term liabilities	(4 862)
changes in investment liabilities	(230)
Changes in liabilities due from financial lease	74
Changes in liabilities in cash flow statement	**(5 018)**

42. Financial Risk Management – goals and rules

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

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

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

42.1 Interest Rate Risk

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

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

The table below presents sensitivity of earnings before tax in yearly period to the rational potential changes of interest rate provided other factors remain unchanged (in relation to the variable interest rate bearing liabilities). There is no presentation of impact on the net assets of the Group.

(in thousands zlotys)

	Increase / decrease by percentage points	***Impact on earnings before tax in the period of next 12 months in thd. zlotys***
Period ended June 30, 2007		
PLN	+ 1%	(262)
EUR	+1%	(3 029)
PLN	- 1%	262
EUR	- 1%	3 029
Period ended December 31, 2006		
PLN	+ 1%	(282)
EUR	+1%	(2 636)
PLN	- 1%	282
EUR	- 1%	2 636
Period ended June 30, 2006		
PLN	+ 1%	(208)
EUR	+1%	(2 326)
PLN	- 1%	208
EUR	- 1%	2 326

42.2 Currency Risk

The currency risk refers mainly to the changes in EUR foreign exchange rate in relation to the open asset currency position in the financial lease transaction. This risk is described in detail in Note 47 relating to leases. The position is not hedged in order to eliminate the exchange rate volatility.

The table below presents the sensitivity of earnings before tax (due to changes in fair value of monetary assets and liabilities) on rational possible changes to the foreign exchange of Euro provided that other factors remain unchanged.

	Increase/ decrease of foreign exchange	***Impact on earnings before tax in the period till the next balance sheet valuation of assets and liabilities***
30 June 2007 – EUR	+ 0,01 PLN/EUR	(130)
	- 0,01 PLN/EUR	130
31 December 2006 - EUR	+ 0,01 PLN/EUR	(2)
	- 0,01 PLN/EUR	2
30 June 2006 - EUR	+ 0,01 PLN/EUR	83
	- 0,01 PLN/EUR	(83)

42.3 Credit Risk

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

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

(in thousands zlotys)

There is no significant credit risk concentration in the Group.

43. Information on financial instruments

43.1 Fair values of particular classes of financial instruments

The table below presents comparison of carrying values and fair values of all financial instruments, broken down into classes and categories of assets and liabilities.

	Category	***Carrying value***		***Fair value***	
	according to IAS 39	30 June 2007	31 December 2006	30 June 2007	31 December 2006
Financial assets					
Long term financial assets available for sale, including:	DDS	253	355	253	355
- bonds	DDS				
Other long term financial assets	DDS	96	161	96	161
Trade and other receivables	PiN	8 901	17 962	8 901	17 962
Derivatives including:	WwWGpWF				
- currency forward contracts	WwWGpWF				
- …	WwWGpWF				
Cash and cash equivalents	PiN	48 231	25 079	48 231	25 079
Financial liability					
Interest bearing loans and borrowings, including:	PZFwgZK	327 253	291 893	327 253	291 893
- long term variable interes rate bearing	PZFwgZK	327 253	291 893	327 253	291 893
Trade and other liabilities	PZFwgZK	6 033	10 895	6 033	10 895

Abbreviations:
UdtW – Financial assets held to maturity
WwWGpWF –Financial assets/liability valued in fair vlaue through profit and loss
PiN – Originated loans and receivables
DDS –Financial assets available for sale
PZFwgZK –Other financial liabilities valued in amortised cost

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

As of June 30, 2007 the Capital Group PEP had the following financial instruments classified into the following groups (in thousand zlotys):

(in thousands zlotys)

	Cash equivalents (bonds, treasury bills, open end funds)	Originating loans and receivables	Available for sale (shares)	Fair value through profit and loss
Opening Balance	**-**	**161**	**355**	**-**
Increase, including::	-			-
Purchase of treasury bills and bonds	-			-
Loans granted	-			-
Interest	-			-
Purchase of shares	-			-
Decrease, including:	-	65	102	-
Sale of treasury bills and bonds	-			-
Interest reclassification	-			-
Shares return	-			-
Revaluation	-			-
Interest received	-			-
Consolidation of EWG in the first half of 2007		65	102	
Closing Balance	**-**	**96**	**253**	**-**

The value of other financial instruments reflects their fair value. In case of loans granted it is practically impossible to establish their fair value as the loans were granted to associate.

The detailed description of valuation methods of financial instruments in discussed in Note 5.27 in the Notes to the Consolidated Financial Statements.

(in thousands zlotys)

Reported as of December 31, 2006

	Cash equivalents (bonds, treasury bills, open end funds)	Originating loans and receivables	Available for sale (shares)	Fair value through profit and loss
Opening Balance	**3 519**	**5 439**	**954**	**1 319**
Increase, including::	-	161	254	51
Purchase of treasury bills and bonds	-	-	-	-
Loans granted	-	154		
Interest	-	7		51
Purchase of shares	-	-	254	-
Decrease, including:	3 519	5 439	853	1 370
Sale of treasury bills and bonds	3 519	-	-	1 266
Interest reclassification	-	-	-	-
Shares return	-	-	28	-
Revaluation	-	-	-	-
Interest received	-	-	-	104
Consolidation adjustments due to control takeover in 2006	-	5 439	825	-
Closing Balance	**-**	**161**	**355**	**-**

The value of available for sale financial instruments consists of shares in affiliates. These shares are using the equity pick up method. The value of other assets except fro originating loans reflects their fair value. In case of originated loans it is practically impossible to measure in fair value because these loans were given to affiliate.

The detailed description of valuation methods of financial instruments in discussed in Note 5.27 in the Notes to the Consolidated Financial Statements.

(in thousands zlotys)

Reported as of June 30, 2006

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

44. The characteristics of financial instruments

The fair value of financial assets and liabilities is equal to its carrying value except for investment into not listed financial instruments.

a) Fair value through profit and loss financial assets

As of the balance sheet date the Group did not have any financial assets valued in fair value thorough profit and loss:

b) Financial assets available for sale

In the period of 6 months ended June 30, 2007 there were no changes in financial assets available for sale, except for decrease for 103 thousand zlotys.

(in thousands zlotys)

45. Interest Rate Risk

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

6 months period ended June 30, 2007:

Variable interest rate

	<1year	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank loans amounting 26,158 thousands zlotys	4 657	5 055	3 850	3 849	4 111	4 636	26 158
Bank loans in EURO amounting 301,095 thousands zlotys	23 181	25 191	27 040	29 004	31 117	165 562	301 095

Fixed interest rate

	<1year	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	48 231						48 231
Loans granted						94	94

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

Year ended December 31, 2006:

Variable interest rate

	<1year	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank loans amounting 28,246 thousands zlotys	6 045	13 117	6 007	2 191	886	-	28 246
Bank loans in EURO amounting 263,647 thousands zlotys	19 843	28 547	30 911	33 482	29 515	121 349	263 647

Fixed interest rate

	<1year	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	25 079						25 079
Loans granted						162	162

6 months period ended June 30, 2006:

Variable interest rate

	<1year	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	34 839						34 839
Bank loans amounting 20,835 thousands zlotys	3 124	3 609	3 945	2 740	2 739	4 678	20 835

(in thousands zlotys)

Bank loans in EURO amounting 232,699 thousands zlotys	16 819	18 798	20 263	21 848	23 564	131 407	232 699

Fixed interest rate

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

46. Equity management

The main purpose of Group equity management is to maintain proper credit rating and safe capital ratios, which should enhance operational activity of the Group and increase shareholders' value.

The Group manages the capital structure and as a result of changing economic conditions applies necessary adjustments. In order to maintain or adjust capital structure the Group can change the dividend payment to shareholders, do a share buy-back or issue new shares. In the period ended June 30, 2007 and December 31, 2006 there were no changes applied to the goals, rules and process regulating this area.

	30 czerwca 2007	**31 grudnia 2006**
Interest bearing loans and borrowings	327 253	291 893
Trade and other liabilities	6 033	10 895
less cash and cash equivalents	(48 231)	(25 079)
Net debt	285 055	277 709
Preferred convertible shares	-	-
Shareholders equity	122 288	106 742
Reserve capital from unrealized net profit	-	-
Total equity	-	-
Total equity and debt	**407 343**	**384 451**
Leverage ratio	30%	28%

(in thousands zlotys)

47. Capital Group as lessor

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

in PLN Exchange rate PLN/EUR **3.7658**	as of 30.06.2007 in total	to 1 year	from 1 to 5 years	over 5 years
Gross investment lease	324 769	26 138	122 150	176 481
Net lease investment	246 904	19 364	97 692	129 839
Minimum lease payments	324 769	26 138	122 150	176 481
Unrealized financial revenues	77 865	6 774	24 458	46 592
Unguaranteed residual accruing to the lessor				
Conditional lease payments	77 325	12 400	38 539	26 386

Conditional lease payments recognized in the profit and loss account for the period January 1, 2007–June 30, 2007 amounted to 6,158 thousands zlotys.

in PLN Exchange rate PLN/EUR **3.8312**	as of 31.12.2006 in total	to 1 year	from 1 to 5 years	over 5 years
Gross investment lease	355 296	26 693	124 994	203 609
Net lease investment	254 407	17 989	93 093	143 325
Minimum lease payments	355 296	26 693	124 994	203 609
Unrealized financial revenues	100 889	8 704	31 901	60 284
Unguaranteed residual accruing to the lessor				
Conditional lease payments	58 465	9 436	29 399	19 630

Conditional lease payments recognized in the profit and loss account for the period January 1, 2006 – December 31, 2006 amounted to 15,014.

47.2 Description of risks related to the financial lease transaction:

Market Risks

a/ foreign exchange risk

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

b/ fair value risk related to the interest rate

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

c/ price risk

The price risk is nonexistent in this transaction.

Credit Risk

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

Liquidity risk (financing)

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

Cash flow risk related to the interest rate

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

Description of key points in the lease agreements:

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

- Financing and construction of a new CFB by SM on the premises of the Saturn CHP Plant (the CFB has been successfully constructed and handed over), as well as execution by SM of the Facility Upgrading Programme, and enhancing the Facility's operational efficiency to reduce electricity and heat expenses over the next 20 years,
- Sharing of profits and risks related to the operation and maintenance of the Facility and ensuring energy security for MONDI through failure-free and continuous generation of electricity and heat, with agreed volumes and parameters,
- Improvement of the environmental protection conditions through the use of the bio fuels produced by MONDI.

Energy Alliance

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

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

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

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

a) Contingent liabilities are presented in Note 33

b) Tax settlements

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

The tax settlements may be subject of control over 5 years period started from the end of year in which the tax liability was paid. As a result of such control the tax liability of the group may be increased. According to the Group as at June 30, 2007 all provisions for recognized and countable tax risks were calculated

c) Investment liabilities

As of June 30, 2007 the Group plans to incur capital expenditure in second half of 2007 for tangible fixed assets and capital investments in the amount of approximately 29 millions zloty. The funds will be spent on purchase of new machines and equipment.

49. Profit distribution

On May 28, 2007 the General Shareholders Meeting of the Parent Company voted the resolution on distribution of the net profit reported by the Company for the year 2006 in the amount of 325,000 zlotys in total to the reserve capital with the purpose of dividend payment or advance for expected dividend.

50. Information on significant related party transactions

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

(in thousands zlotys)

Balance as at June 30, 2007

	Saturn Management Spółka z ograniczoną odpowiedzialnością i Wspólnicy, Spółka komandytowa*	ENERGOPEP Spółka z ograniczona odpowiedzialnością EC Jeziorna Spółka komandytowa *	Dipol Sp. z o.o.*	Interpep Spółka z ograniczoną odpowiedzialnością EC Wizów Spółka Komandytowa*)	Interpep EC Zakrzów Spółka z ograniczoną odpowiedzialnością Spółka Komandytowa*)	Mercury Energia Spółka z ograniczoną odpowiedzialnością, Spółka komandytowa*)	Saturn Management Sp. z o.o.*	ENERGOPEP Sp. z o.o.*	Interpep EC Zakrzów Spółka z o.o.*	EWG Sp. Z o.o.*	BETA Sp. Z o.o.*	Mercury Energia Spółka z o.o.*	Total affiliates
Purchases	19	127	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**146**
Sale of products	262	1 045	8	3	2 032	119	-	-	2	-	-	2	**3 473**
Sale of materials and goods	-	3 544	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**3 544**
Total Sales	262	4 589	8	3	2 032	119	-	-	**2**	**-**	**-**	**2**	**7 017**
Receivables except for loans	94	9 197	4	1 774	2 320	247	-	4	**5**	**-**	**-**	**5**	**13 650**
Liabilities except for loans	6	544	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**550**
Loans granted (in balance sheet)	-	-	-	-	-	12 165	-	-	**-**	**1 910**	**50**	**-**	**14 125**
Interest due(P&L)	-	-	-	-	-	699	-	-	**-**	**72**	**-**	**-**	**771**
Interest received (P&L)	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**
Dividends received	21 743	-	-	-	-	-	160	-	**-**	**-**	**-**	**-**	**21 903**

* financial statements unaudited

(in thousands zlotys)

Balance as at December 31, 2006

	Saturn Management Spółka z ograniczoną odpowiedzialnością i Wspólnicy, Spółka komandytowa	ENERGOPEP Spółka z ograniczona odpowiedzialnością EC Jeziorna Spółka komandytowa	Dipol Sp. z o.o.	Interpep Spółka z ograniczoną odpowiedzialnością EC Wizów Spółka Komandytowa*)	Interpep EC Zakrzów Spółka z ograniczoną odpowiedzialnością Spółka Komandytowa*)	Mercury Energia Spółka z ograniczoną odpowiedzialnością, Spółka komandytowa*)	Saturn Management Sp. z o.o.*	ENERGOPEP Sp. z o.o.*	INTERPEP Sp. z o.o.*	Interpep EC Zakrzów Spółka z o.o.*	Mercury Energia Spółka z o.o.*	Total affiliates
Purchases	44	309	-	-	-	-	-	-	-	-	-	**353**
Sale of products	823	2 001	37	2 218	4 239	156	-	1	-	1	1	**9 477**
Sale of materials and goods	-	7 629	-	-	-	-	-	-	-	-	-	**7 629**
Total Sales	823	9 630	37	2 218	4 239	156	-	1	-	**1**	**1**	**17 106**
Receivables except for loans	114	8 899	11	2 356	2 102	102	-	3	-	**3**	**3**	**13 593**
Liabilities except for loans	12	421	-	-	-	-	-	-	-	-	-	**433**
Loans granted (in balance sheet)		-	-	-	-	11 865	-	-	-	-	-	**11 865**
Interest due(P&L)	71	-	52	-	-	896	-	-	-	-	-	**1 019**
Interest received (P&L)	71	-	52	-	-	-	-	-	-	-	-	**123**
Dividends received	20 363	-	-	-	-	-	54	-	-	-	-	**20 417**

(in thousands zlotys)

51. Information on joint ventures

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

On March 13, 2006 the Company concluded with EPA Sp. z o.o. an annex to an agreement of 15th March 2004 for economic cooperation with regard to development of wind farm projects. Under the Agreement, the Company and EPA jointly develop projects of wind farms and share the costs of development. The Agreement shall remain in effect by December 31, 2010 (originally, the Agreement was to be effective for three years after the date of the conclusion of the Agreement.) Under the Agreement, the Company has the pre-emptive right of purchase to all projects developed with regard to the Agreement. Moreover, pursuant to the Annex, the price of the next projects for the total nominal capacity of 150MW to be purchased by the Company has been set. On May 23, 2007 another Annex to the Agreement date March 15, 2004 was signed. Based on this annex the acquisition price of the next projects for the Company has been established, till the total installed capacity of 300MW and the term of the Agreement were prolonged till 2013.

The investment expense is agreed between the partners of the joint venture in yearly periods. Up to the June 30, 2007 the parent company incurred expense of approximately PLN 1.6m. The parent company plans to expense for next wind farm projects the amount of approximately PLN 5m till December 31, 2007.

The current effect of the joint venture is the preparation for construction wind farm project of capacity of 22MW located near Puck. The Company completed development process of wind farm Suwałki with estimated capacity of 38MW. The development of the 32MW project has prolonged due to tardiness of authorities responsible for issuing grid connection terms. The completion of the development of the mentioned project is planned for end 2007/early 2008. Also completion of development of another 20MW wind farm project is planned for end 2007/early 2008.

Moreover, for the years 2008 and 2009 the Company expects to complete development of wind farms with total capacity of 74MW and 118 MW respectively.

52. Employment

In the periods ended June 30, 2007 and June 30, 2006 the average employment in the Capital Group classified into groups, calculated as the average of the end of month levels, amounted to:

Number of employees	**30.06.2007**	**30.06.2006**
Blue collar employees	114	108
White collar employees	48	34
Total employment	**162**	**142**

(in thousands zlotys)

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

In the periods ended June 30, 2007 and June 30, 2006 the remuneration of the Management Board amounted to:

	30.06.2007	30.06.2006
Management Board		
Stephen Klein	447	297
Anna Kwarcińska	186	186
Michał Kozłowski	189	168

In the periods ended June 30, 2007 and June 30, 2006 the Management Board Members and Supervisory Board Members of the parent company did not receive any remuneration resulting from being in the management boards of related companies.

Till June 30, 2007 the members of the Supervisory Bodies received remuneration in accordance with the table below:

Supervisory Board Members	Remuneration paid in the period of 6 months ended June 30, 2007
Kaczmarczyk Krzysztof	14
Olszewski Artur	15
Prokopowicz Zbigniew	169
Sędziowski Krzysztof	15
Sierka Wojciech	14
Sobolewski Krzysztof	14

(in thousands zlotys)

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

In the period ended June 30, 2007 there were no transactions with Management Board Members and Supervisory Board Members.

55. Presentation of changes in Company's shares or rights to these shares (options) held by managing and supervising persons in the period of 612 months ended June 30, 2007

Managing and supervisory persons as of June 30, 2007 have the following number of shares of the parent company:

Shares	31.12.2006	Increase as a result of motivational programs	Increase as a result of share purchase	Decrease	**30.06.2007**
Management	78 362	117 026	0	195 388	**0**
Supervisory Board	48 244	30 000	0	38 457	**99 936**
Total	**126 606**	**147 026**	**0**	**233 845**	**99 936**

As of June 30, 2007 there were following option programs for Management Board, supervisory person and key employees:

I Option program is described in the table below:

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

(in thousands zlotys)

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

Options September 30, 2005 – 5.87 PLN

Options December 31, 2005 – 5.90 PLN

Options September 30, 2006 – 5.94 PLN

Options December 31, 2006 – 5.96 PLN

In order to meet the Company's obligations resulting from Management Option Program implemented in the Company in relation to Ms. Anna Kwarcińska – Vice-president of the Management Board , Stephen Klein - President of the Management Board, Michał Kozłowski - Management Board Member and Mr Zbigniew Prokopowicz – Supervisory Board Chairman there was a private offer, which means without public offer and admission of the shares to the public trade, of 147,026 ordinary registered shares of the Company of class S. The offer of the Company's shares was structured in the way that Anna Kwarcińska purchased 12,515 shares, Stephen Klein purchased 70,000 shares, Michał Kozłowski purchased 34,511 shares and Zbigniew Prokopowicz purchased 30,000 ordinary registered shares class S. The issue price of class S shares was 2PLN per share and was paid in full on issue.

The option program for CEO - Mr. Stephen Klein

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

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

Option plan beneficiaries	Mr Stephen Klein
Grant Date	3.11.2005
Vesting date	30.06.2006 30.06.2007 10.06.2008
Expiry date	01.07.2008
No of shares in the program	358 000
No of options granted	358 000
Exercise price/share	7,8 PLN
Type of settlement	Share issue

Conditions of exercise	Conditions relating to the June30, 2006 tranche - none. The loss of right to options in case of resignation or dismissal before June 30, 2006. Conditions relating to the June30, 2007 and June 10, 2008 tranches - the managing person is in Management Board - the managing person has received vote of acceptance from the general shareholders meeting for the proper financial year

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

Options June 30, 2006 – 1.27PLN

Options June 30, 2007 – 1.43PLN

Options June 10, 2008 – 1.49 PLN

Due to the fact that on July 1, 2006 Mr. Stephen Klein received the right to purchase 89,500 shares based on the share option program, the Management Board of the Company voted on August 18, 2006 the resolution to conditionally increase the share capital of the Company by the amount of 179,000 zlotys in order to issue subscription warrants on shares of P class. The mentioned conditional increase of share capital has been registered by the Registry Court. Till the date of this report Mr. Stephen Klein exercised his right to exchange the subscription warrants for Company's shares in relation to 49,500 shares class P. The P class share price amounted to 7.8 PLN ands was covered in full.

<u>II Option program</u>

On January 10, 2007 which is after the balance sheet date the General Shareholders Meeting voted the resolution relating to issue of subscription warrants of class 2 and conditional increase of share capital through shares issue of class T excluding drawing right of current shareholders in order to enable purchase the shares to the eligible persons included in the management option program.

The results of the voting of the above management option program will be incurred in the profit and loss account for the year 2007 and following years.

The description of the program is presented in the table below:

Option plan beneficiaries	Ms Anna Kwarcińska, Mr Stephen Klein, Mr Michał Kozłowski, Mr Zbigniew Prokopowicz, key employees
Grant Date	10.01.2007, 01.03.2007
Vesting date	01.07.2007 01.07.2008 01.07.2009
Expiry date	30.09.2010

(in thousands zlotys)

No of shares in the program	945 800
No of options granted	895 210
Exercise price/share	11.41PLN
Type of settlement	Share issue after subscription warrants issue
Conditions of exercise	The option program includes 12 tranches, Tranches 1,4,7, 10 – have vesting date from 01.07.2007 Tranches 2, 5, 8, 11 – have vesting date from 01.07.2008 Tranches 3, 6 ,9, 12 – have vesting date from 01.07.2009 Purchase of subscription warrants depends on fulfillment of the following necessary conditions: Conditions to vest tranches 1,2,3 and conditions to vest tranches 10,11,12 in respective years. After fulfillment of the above mentioned conditions it is possible for tranches 4-9 to vest. The condition to vest of tranches 1,2,3 is to achieve the higher relation of the Company's share price for the period of 6 months proceeding the year of vesting to the share price for the period of 6 months proceeding the year of vesting the rights by two years to the relation of WIG index for the same periods. The conditions to vest of tranches 4,5,6 is to achieve the higher relation of the Company's share price for the period of 6 months preceding the year of vesting to the share price for the period of 6 months preceding the year of vesting the rights by two years to the relation of WIG index for the same periods multiplied by 1.07 The condition to vest of tranches 7,8,9 is to achieve EBITDA per share higher than 1.64 PLN in 2007 for tranche 7, 1.97 PLN in 2008 for tranche 8 and 2.36 PLN in 2009 for tranche 9. The condition to vest of tranches 10,11,12 is to achieve EPS not lower than 0.78 PLN in 2007 for tranche 10, 0.92 PLN in 2008 for tranche 11 and 1.08 PLN in 2009 for tranche 12. In case the vesting conditions are not met in 2007 and/or in 2008 the option program assumes the possibility of vesting these options in after meeting additional criteria in subsequent years. The detailed rules of the option program were published in the current report no. 3/2007

(in thousands zlotys)

The table below presents changes in option programs in the period of first half year of 2007:

	I option program	Option program for CEO	II option program
Total number of options granted in the program	325 416	358 000	895 410
Number of options available for exercise in quarters 2 2007	147 026	40 000	0
Number of options exercised as of January 1, 2007	178 390	49 500	0
Number of options exercised in the period of quarters 2 2007	147 026	0	0
Number of options exercised as of June 30, 2007	325 416	49 500	0
Number of options available for exercise till the end of the program	0	308 500	0
Average strike price of the options exercised	2	7,8	11,41

The charge into the profit and loss account for the two quarters of 2007 ended June 30, 2007 resulting from the above mentioned option programs amounted to 1 365 thousand zlotys.

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

In the 6 months period ended June 30, 2007 there were no events relating to prior periods recognized in the current financial statements.

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

Up to the date of preparation of these consolidated financial statements i.e. till August 6, 2007, there were no events that were not, but should have been, disclosed in the consolidated financial statements.