POLISH ENERGY PARTNERS CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR 6 MONTHS PERIOD

ENDED JUNE 30, 2005

TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

PREPARED IN ACCORDANCE WITH INETRNATIONAL FINANCIAL REPORTING STANDARDS

Stephen Klein – President of the Management Board in charge from 10 June 2005

Zbigniew Prokopowicz – Supervisory Board Member designated to temporarily act as President of the Management Board of the parent company in charge from 21 November 2004 till 10 June 2005

Grzegorz Skarżyński – Vice - President of the Management Board of the Parent Company

Wojciech Cetnarski – Vice - President of the Management Board of the Parent Company in charge from 10 June 2005

Anna Kwarcińska – Member of the Management Board of the Parent Company

Agnieszka Grzeszczak – person responsible for preparation of the consolidated financial statements

Warsaw, August 12, 2005

Consolidated Balance Sheet

(in thousands zlotys)

CONSOLIDATED BALANCE SHEET	Note	30.06.2005	31.12.2004	30.06.2004
Assets				
I. Fixed Assets		**271 732**	**282 758**	**294 179**
1. Intangible fixed assets	10	615	650	702
2. Goodwill of the Subsidiary companies	11	132	-	-
3. Tangible fixed assets	12	33 330	33 879	30 508
4. Long-term receivables	13	233 792	243 651	260 767
4.1. From affiliates		259	-	-
4.2. From others	41	233 533	243 651	260 767
5. Long- term investments	14	3 843	4 045	1 190
5.1. Real estate		-	-	-
5.2. Intangible fixed asset		-	-	-
5.3. Long-term financial assets		3 843	4 045	1 190
a) in subsidiaries and jointly controlled entities		3 843	4 045	1 190
-shares in associates which are valued at equity method		744	751	-
-shares in subsidiaries and jointly controlled entities which are not consolidated		258	168	1 030
b) in other companies		-	-	-
5.4. Other long-term investments			-	-
6. Long-term prepayments and deferred costs	15,23	20	533	1 012
6.1. Deferred tax assets			533	906
6.2. Other prepayments and deferred costs		20	-	106
II. Current assets		82 382	57 925	60 967
1. Inventory	16	1 746	1 891	1 366
2. Short-term receivables	17	22 945	16 013	12 256
2.1. Receivables from affiliates		37	75	58
2.2. Receivables from others	41	22 908	15 938	12 198
incl. Tax, social security receivables		174	413	29
incl. CIT receivable		172	13	-
incl. trade		8 680	4 366	2 453
3. Short-term investments	18	52 222	36 602	45 840
3.1. Short-term financial assets		52 222	36 602	45 840
a) in affiliates		-	-	-
b) in other companies		-	-	154
c) cash and cash equivalents		52 222	36 602	45 686
3.2. Other short-term investments			-	-
4. Short-term prepayments and deferred costs	48	5 469	3 419	1 505
T o t a l A s s e t s		354 114	340 683	355 146

Consolidated Balance Sheet

(in thousands zlotys)

CONSOLIDATED BALANCE SHEET				Note	30.06.2005	31.12.2004	30.06.2004
Total equity and Liabilities							
I.	**Shareholders' Equity**				**109 151**	**101 512**	**100 057**
	1.	Share capital		19	36 230	35 865	35 865
	2.	Unpaid share capital (negative amount)			(365)	-	-
	3.	Treasury shares (negative amount)			-	-	-
	4.	Reserve capital		20	28 321	36 459	36 459
	5.	Reserve capital from option valuation		21	700	-	-
	6	Other reserve capital		22	28 267	9 392	9 392
	7	FX differences from recalculation of affiliates			-	-	-
		a)	positive FX differences				-
		b)	negative FX differences				-
	8.	Profit/loss from previous years			9 057	13 179	13 179
	9.	Profit/loss for the period			6 941	6 617	5 162
	10.	Appropriation of profit during the year (negative amount)			-		-
II.	**Minority Interest**				**-**		**-**
III	**Negative goodwill**				**-**		**-**
IV.	**Liabilities and provisions**				**244 963**	**239 171**	**255 089**
	1.	Provisions and Long Term Accruals and Deferred income			4 119	3 678	3 466
		1.1.	Deferred tax provision	15,23	311	-	-
		1.2.	Provision for retirement and similar obligations	23	619	470	424
		1.3.	Other provisions	23	2 050	2 030	1 700
		1.4	Accruals and deferred income		1 139	1 178	1 342
	2.	Long-term liabilities		24	217 444	210 906	226 637
		2.1.	To affiliates		-	-	-
		2.2.	To other companies		217 444	210 906	226 637
			incl. Bank loans		217 444	210 906	226 637
	3.	Short-term liabilities		25	20 363	21 014	22 580
		3.1.	To affiliates		11	-	69
		3.2.	To other companies		20 158	20 927	22 299
			short term bank loans		473	7 090	8 516
			long term bank loans due in one year		15 893	11 842	9 237
			trade liabilities		1 499	2 690	1 623
			tax, social security liabilities		2 102	1 212	1 735
			CIT liability		-	-	49
		3.3	Special Funds		194	87	212
	4.	Provisions and Accruals			3 037	3 573	2 406
		4.1.	Provision for retirement and similar obligations	23	146	60	33
		4.2.	Other provisions	23	1 806	1 584	1 727
		4.3.	Accruals and deferred income		1 085	1 929	646
Total Capital and Liabilities					**354 114**	**340 683**	**355 146**

Book Value		109 151	101 512	100 057
Weighted average number of shares		17 953 906	17 932 392	747 183
Book value per one share (in zł)	35	6	6	134
Weighted average diluted number of shares		17 953 906	17 932 392	747 183
Diluted book value per one share (in zł)	35	6	6	134

OFF BALANCE SHEET ITEMS		30.06.2005	31.12.2004	30.06.2004
1. Contingent Assets				
2. Contingent Liabilities	26	49 810	49 710	39 210
2.1. For affiliates		49 810	49 710	39 210
- guarantees given		49 810	49 710	39 210
- issued bills of exchange				
2.2. for other entities		-	-	-
3. Other				42
Total off-balance sheet items		49 810	49 710	39 252

Consolidated Profit and Loss Account

(in thousands zlotys)

CONSOLIDATED PROFIT AND LOSS STATEMENT	Note	30.06.2005	30.06.2004
I. Sales of products, goods for resale and materials, including:		33 075	28 001
- from affiliates		74	1
1. Sales of products	27	33 075	27 999
2. Sales of goods for resale and materials		-	2
II. Cost of sold products, goods for resale and materials, incl.		(18 744)	(16 729)
- from affiliates		(172)	-
1. Cost of products sold	28	(18 744)	(16 729)
2. Cost of sold goods for resale and materials		-	-
III. Gross profit/loss on sales (I-II)		14 331	11 272
IV. Cost of sales	28	-	(19)
V. General management costs	28	(6 151)	(5 645)
VI. Profit/loss on sales (III-IV-V)		8 180	5 608
VII. Other operating income		603	2 218
1. Profit from the sale of fixed assets		73	-
2. Grants received		39	161
3. Other operating income	29	491	2 057
VIII. Other operating expenses		(467)	(90)
1. Loss on the sale of fixed assets		(3)	-
2. Revaluation of fixed assets		(14)	-
3. Other operating expenses	30	(450)	(90)
IX. Operating profit/loss (VI+VII-VIII)		8 316	7 736
X. Financial income	31	6 677	7 012
1. Dividends and profit shares, including:		118	-
- from affiliates		118	-
2. Interest, including:		5 940	6 405
- from affiliates		146	-
3. Profit from the sale of investments			-
4. Revaluation of investments			-
5. Other		619	607
XI. Financial expense	32	(6 265)	(8 170)
1. Interest, including:		(5 161)	(5 530)
- from affiliates		-	-
2. Loss from the sale of investments			-
3. Revaluation of investments		-	-
4. Other		(1 104)	(2 640)
XII. Profit/loss on sale of subordinate units or part of them		-	-
XIV. Profit before tax (XII+/-XIII)		8 728	6 578
XV. Corporate income tax	33	(1 781)	(1 416)
a) current income tax expense		(937)	(735)
b) deferred tax		(844)	(681)
XVI. Other obligatory charges		-	-
XVII. Udział w zyskach (stratach) netto jednostek podporządkowanych wycenianych metodą praw własności		(6)	
XVIII. (Zyski) straty mniejszości			
XVII. Net Profit (XIV-XV-XVI)	34	6 941	5 162
		-	
Net Profit (Loss)		6 941	5 162
Weighted average number of shares		17 953 906	747 183
Basic earnings per share	35	0,4	7
Weighted average diluted number of shares		17 953 906	747 183
Diluted earnings per share	35	0,4	7

Changes in Consolidated Shareholders' Equity

(in thousands zlotys)

Changes in Consolidated Shareholders' Equity	30.06.2005	31.12.2004	30.06.2004
I Equity at the beginning of the period	101 512	94 897	94 897
a) zmiany przyjętych zasad (polityki) rachunkowości	-	-	-
- adjustements to opening balance	-	-	-
Ia Equity at the beginning of the period restated to comparable data	101 512	94 897	94 897
1. Share capital at the beginning of the period	35 865	35 865	35 865
1.1. Changes in share capital	365	-	-
a) increase	365	-	-
- share issue	365	-	-
b) decrease	-	-	-
1.2. Share capital at the end of the period	36 230	35 865	35 865
2. Unpaid share capital at the beginning of the period	-	-	-
2.1. Changes in unpaid share capital	(365)	-	-
a) increase	(365)	-	-
b) decrease	-	-	-
2.2. Unpaid share capital at the end of the period	(365)	-	-
3. Treasury shares at the beginning of the period	-	-	-
3.1. Changes in treasury stocks	-	-	-
a) increase	-	-	-
b) decrease	-	-	-
3.2. Treasury shares at the end of the period	-	-	-
4. Reserve capital at the beginning of the period	36 459	36 459	36 459
4.1. Changes in reserve capital	(8 138)	-	-
a) increase	-	-	-
b) decrease	(8 138)	-	-
- coverage of unallocated losses	(8 138)	-	-
4.2. Reserve capital at the end of the period	28 321	36 459	36 459
5. Reserve capital from option valuation at the beginning of the period	-	-	-
5.1. Changes in reserve capital from option valuation	700	-	-
a) increase	700	-	-
- option valuation	700	-	-
b) decrease	-	-	-
5.2. Reserve capital from option valuation at the end of the period	700	-	-

Changes in Consolidated Shareholders' Equity

(in thousands zlotys)

6.	**Other reserve capital at the beginning of the period**	9 392	9 392	9 392
6.1.	Changes in other reserve capital	18 875	-	-
	a) increase	18 875	-	-
	b) decrease	-	-	-
6.2.	**Other reserve capital at the end of the period**	28 267	9 392	9 392
7.	**FX differences from recalculation of affiliates**	-	-	-
7.	**Zysk (strata) z lat ubiegłych na początek okresu**	19 796	13 562	13 562
7.1.	**Undistributed profits (unallocated losses) from previous years at the**	19 796	13 562	13 562
	a) changes in accounting policies	-	-	-
	- adjustements to opening balance	-	(383)	(383)
7.2.	**Undistributed profits (unallocated losses) from previous years at the beginning of the period, restated**	19 796	13 179	13 179
	a) increase	8 138	-	-
	- distrbution of retained earnings	8 138		
	b) decrease	(18 875)	-	-
	- coverage of previous losses	-	-	-
	- increase in other reserve capital	(18 875)	-	-
7.3.	**Undistributed profit from previous years at the end of the period**	9 057	13 179	13 179
7.4.	**Unallocated losses from previous years at the beginning of the period**	-	-	-
	- adjustements to opening balance	-	-	
7.5	**Unallocated losses from previous years at the beginning of the period, restated to comparable data**	-	-	-
	a) increase	-	-	-
	- movement of unallocated losses	-	-	-
	b) decrease	-	-	-
	- coverage of unallocated losses	-	-	-
7.6	**Unallocated losses from previous years at the end of the period**	-	-	-
7.7	**Undistributed profits/unallocated losses from previous years at the end**	9 057	13 179	13 179
8.	**Net result**	6 941	6 617	5 162
a)	**net profit**	6 941	6 617	5 162
b)	**Net loss**	-	-	-
c)	**profit distribution**	-	-	-
II.	**Equity at the end of the period**	109 151	101 512	100 057
III.	**Equity after proposed profit appropriation/loss cover age**	109 151	101 512	100 057

Consolidated Cash Flow Statement

(in thousands zlotys)

Consolidated Cash Flow Statement	30.06.2005	30.06.2004
A. Cash flow from operating activities - indirect method		
I. Net profit	6 941	5 162
II. Adjustments for:	(4 224)	15 601
1. Minority profit/loss	-	-
2. Profit/ loss from associates and jointly controlled entities which are companies	-	-
3. Depreciation	1 522	1 129
4. Foreign exchange gains/losses	330	5 059
5. Interest and dividends received and paid	(496)	660
6. Result on investment activity	(70)	(151)
7. Change in provisions	788	105
8. Change in inventory	145	1 492
9. Change in receivables	1 326	8 752
10. Change in short term liabilities, without loans and credits	(6 161)	(2 641)
11. Change in deferred income and accruals	(2 308)	1 196
12. Other changes	700	-
III. Net cash flow from operating activities (I+/-II)	2 717	20 763
B. Net cash flow from investing activities	-	
I. Inflows due to investing activities	13 256	7 528
1. Sale of intangible and tangible fixed assets	1 517	-
2. Sale of investments in tangible fixed assets and intangible assets	-	
3. Sale of other financial assets, including:	117	-
a) in affiliates	117	-
- sale of financial assets	-	
- dividends and shares in profit	117	
- repayment of granted long term loans	-	
- interest	-	
- other inflows from financial assets	-	
b) in other companies	-	-
- sale of financial assets	-	
- dividends and shares in profit	-	
- repayment of granted long term loans	-	
- interest	-	
- other inflows from financial assets	-	
4. . other investment inflows	11 622	7 528
II. Outflows due to investing activities	(3 522)	(24 851)
1. Purchase of intangible and tangible fixed assets	(2 271)	(2 016)
2. Investments in property and intangibles	-	-
3. Purchase of other financial assets, including:	(180)	(1 050)
a) in affiliates	(180)	(1 050)
- purchase of financial assets	(180)	(890)
- long-term loans granted	-	(160)
b) in other companies	-	-
- purchase of financial assets	-	-
- long-term loans granted	-	-
4. Dividends and other payments paid to minority shareholders,	-	-
5. Other investing outflows	(1 071)	(21 785)
III. . Net cash flow from investing activitiesj (I-II)	9 734	(17 323)

Consolidated Cash Flow Statement should be analyzed together with the additional notes, which are the integral part of the financial statement

Consolidated Cash Flow Statement

(in thousands zlotys)

C. Net cash flow from financing activities	-	
I. Inflows from financing activities	17 510	25 239
1. Issue of shares and capital instruments	-	-
2. Loans and credits	17 510	25 239
3. Issue of bonds	-	-
4. Other	-	-
II. Outflows due to financing activities	(14 341)	(16 311)
1. Purchase of treasury shares	-	-
2. Dividends and others payments to shareholders	(68)	-
3. Share issue related expenditure	-	-
4. Repayments of loans and credits	(8 862)	(10 731)
5. Repayments of bonds	-	-
6. Repayments of other financial liabilities	-	-
7. Finance lease payments	(89)	(57)
8. Interest paid	(5 322)	(5 523)
9. Other	-	-
III. Net cash flow from financing activitiesj (I-II)	3 169	8 928
Net change in cash and cash equivalents (A.III+/-B.III+/-C.III)	15 620	12 368
Balance sheet change in cash and cash equivalents, including:	15 620	12 368
- changes in cash and cash equivalents resulting from foreign exchange gains/losses	-	-
Cash and cash equivalents at the beginning of the period	36 602	33 318
Cash and cash equivalents at the end of the period (F+/- D), including :	52 222	45 686
- restricted cash and cash equivalents*	6 266	7 044

1. General information

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

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

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

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

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

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

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

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

(in thousands zlotys)

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

Consolidated financial statements of the Capital Group were prepared for the 6 months period ended June 30, 2005. Consolidated financial statements include the comparative financial data for the 6 months period ended June 30, 2004 and the financial year ended December 31, 2004.

1.3 Management Board Member and Supervisory Board Members

The Management Board as of June 30, 2005 comprised of:

Stephen Klein	President of the Management Board
Grzegorz Skarżyński	Vice - President of the Management Board
Wojciech Cetnarski	Vice - President of the Management Board
Anna Kwarcińska	Member of the Management Board

On June 10, 2005 Mr. Stephen Klein was appointed to the position of President of the Management Board and Mr. Wojciech Cetnarski was appointed to the position of Vice - President of the Management Board. On the same date pursuant to the Supervisory Board resolution no. 8/III/2005 dated April 10, 2005, the delegation of Supervisory Board Chairman Mr. Zbigniew Prokopowicz to act as President of the Management Board has ended.

Members of the Company's Management Board as at June 30, 2005 were as follows:

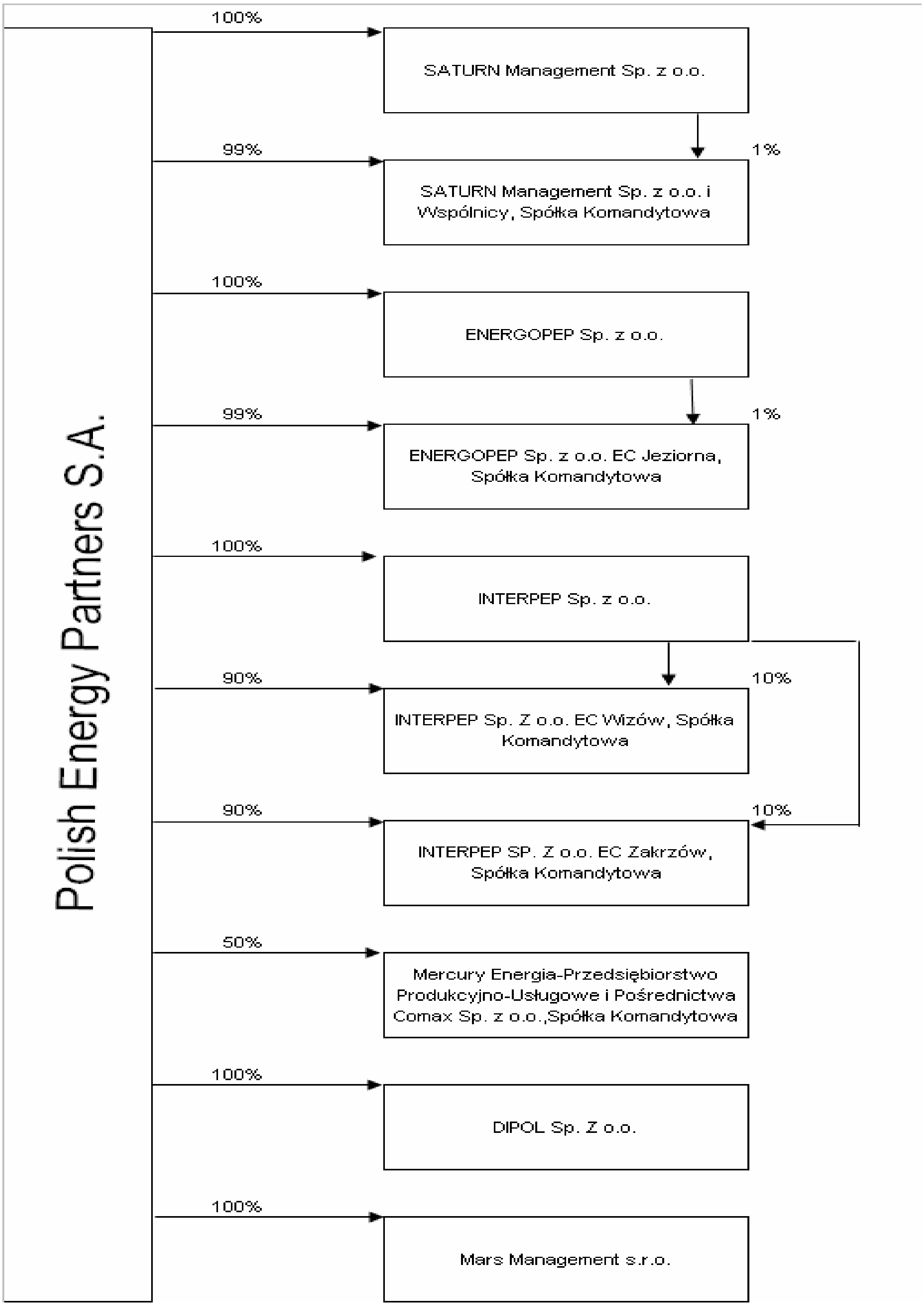
Zbigniew Prokopowicz	Chairman of the Supervisory Board
Michał Rusiecki	Vice-president of the Supervisory Board
Aleksander Kacprzyk	Supervisory Board Member
Andrew Cowley	Supervisory Board Member
Terry Williams	Supervisory Board Member
Neven Dujic	Supervisory Board Member

2. Going concern assumption

The financial statements of subsidiaries, associates and joint ventures included in the consolidated financial statements were prepared on the basis that these companies will be going concerns for the period of at least twelve months subsequent to June 30, 2005. As at the date of signing the 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.

Within the period of 6 months ended June 30, 2005 one of the subsidiaries Energopep Sp. z o.o., Warszawa ul. Wiertnicza 169 reported loss which made the net assets negative. As of June 30, 2005 the total capital of that company was negative and amounted to PLN 3,262 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 the limitation sum which is PLN 50 thousand.

3. Group's Structure



(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 controlled Subsidiaries. The detailed information regarding these entities has been presented below.

Name of the entity	**Seat**	**Type of business activity**	**District Court**
Polish Energy Partners S.A.	Warszawa, ul. Wiertnicza 169	Energy sector services	District Court for the city of Warsaw, XX Economic Department of the National Court Register
Saturn Management Sp. z i.e. I Wspólnicy Spółka komandytowa	Warszawa, ul. Wiertnicza 169	Energy sector services	District Court for the city of Warsaw, XX Economic Department of the National Court Register
Energopep Sp. z o.o., EC Jeziorna, Spółka komandytowa	Warszawa, ul. Wiertnicza 169	Energy sector services	District Court for the city of Warsaw, XX Economic Department of the National Court Register
Dipol Sp. z o.o.	Szczecin, Al. Wojska Polskiego 156,	Energy sector services	District Court for the city of Szczecin, XVII Economic Department of the National Court Register

Indirectly and directly the parent company owns 100% of shares in the consolidated subsidiaries. On May 23, 2005 the Company purchased the remaining 50% of shares in Dipol Sp. z o.o.

3.2 Associates included in the consolidated financial statements

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

(in thousands zlotys)

3.3 Entities excluded in the consolidated financial statements

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

Name	Seat	Type of business activity	Percentage share in equity
Subsidiaries			
1. Interpep Sp. z o.o.	Warszawa, ul. Wiertnicza 169	- management, supervision and advisory in conducting business activities	100%
2. Energopep Sp. z o.o.	Warszawa, ul. Wiertnicza 169	- heat and electricity generation	100%
3. Saturn Management Sp. z o.o.	Warszawa, ul. Wiertnicza 169	- management, supervision and advisory in conducting business activities, - market and public opinion research	100%
4. Mars Management s.r.o.	Ostrawa	Financial, economic and organizational advisory services, wholesale activities, service and sales intermediary	100 %
5. Interpep Sp. z ograniczoną odpowiedzialnością EC Wizów Sp. Komandytowa	Warszawa, ul. Wiertnicza 169	- heat and electricity generation	100 %
6. Interpep Sp. z ograniczoną odpowiedzialnością EC Zakrzów Sp. Komandytowa	Warszawa, ul. Wiertnicza 169	- heat and electricity generation	100 %

On February 3, 2005 the Group purchased 100% shares in Interpep Sp. z ograniczoną odpowiedzialnością EC Wizów Sp. Komandytowa

On February 3, 2005 the Group purchased 100% shares in Interpep Sp. z ograniczoną odpowiedzialnością EC Zakrzów Sp. Komandytowa

(in thousands zlotys)

	Interpep Sp. z o.o.	*Energopep Sp. z o.o.*	*Saturn Management Sp. z o.o.*	Interpep Sp. z ograniczoną odpowiedzialnością EC Wizów Sp. Komandytowa	Interpep Sp. z ograniczoną odpowiedzialnością EC Zakrzów Sp. Komandytowa
Description of activity	- management and advisory in the area of performing economic activities	- - management and advisory in the area of performing economic activities	- production of heat and generation of electrical energy	- production of heat and generation of electrical energy	- production of heat and generation of electrical energy
Equity	50	50	50	50	50
% shareholding	100%	100%	100%	90%	90%
Reason for which the entity is not consolidated	Immaterial financial data	Immaterial financial data	Immaterial financial data	Immaterial financial data	Immaterial financial data
Sales of products and goods	-	-	-	-	-
Financial income	-	-	95	-	-
Net profit	(1)	(2)	74	-	-
Total assets	49	32	186	50	50

The data relating to the Mars Management s.r.o. are not included in the above table because the company was established in September 2004 and till June 30, 2005 did not start operating.

** Financial data was presented in PLN thousands and are related to the financial period ended June 30, 2005. The information was not subject to independent auditors' review*

*** The data as at June 30, 2005 was not subject to independent auditors' review*

4. Comparability of the data presented

The consolidated financial statements as at June 30, 2004 and December 31, 2004 were prepared in accordance with Accounting Act (Journal of Laws 76 dated June 17, 2002) with amendments and were restated to International Financial Reporting Standards in order to assure comparability of data. The reconciliation and explanation of the differences which are the result of the adjustments is presented in section 6.

5. Accounting policies

Starting from January 1, 2005 the Group applies accounting standards approved by the International Accounting Standards Board („IASB"). In relation to the statutory standalone and consolidated financial statements the Company applies International Financial Reporting Standards („IFRS") starting from January 1, 2005. Pursuant to IAS 1 "Presentation of financial statements" IFRS include International Financial Reporting Standards („IFRS"), International Accounting Standards ("IAS") and International Financial Reporting Interpretation Committee („IFRIC").

The IASB issued IFRS 1 „First adoption of IFRS" which applies starting from January 1, 2004 or later. IFRS 1 requires from the Company to account for every asset and liability in its financial statements which is required in IFRS. Pursuant to IFRS 1 the Company can value its property plant and equipment at fair value as of the date of first adoption of IFRS and treat this fair value as deemed cost of these assets as at that date.

The disclosures in these consolidated financial statements are in accordance with IAS 34 Interim financial statements.

Starting from January 1, 2005 the Group Polish Energy Partners S.A., according to the resolution no.3 of General Shareholders Meeting dated April 13, 2005 (approved based on art 45.1.c of Accounting Act) prepares its standalone statutory financial statements in accordance with IFRS approved by European Commission for 2005.

According to IFRS 1 the consolidated financial statements were prepared in such a way as if the Group always applied IFRS. The Group used two allowed exemptions from restatement which are mentioned in the IFRS 1:

- The entities comprising the Group established the deemed cost of property, plant and equipment through fair value valuation as of the first adoption of IFRS;
- The parent company did not restate its settlements with subsidiaries which were made based on Polish Accounting Standards and arose before the first adoption of IFRS.

5.1 Format and the basis of preparing the financial statements included in the report

The consolidated financial statements were prepared in accordance with the provisions of International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS) and covers the period from January 1, 2005 till June 30, 2005 and comparatives for the period from January 1, 2004 till June 30, 2004.

The consolidated financial statements were prepared in accordance with the historical cost principle which was modified in case of:

- Fixed assets
- Investments
- Financial Instruments

5.2 Compliance representation

As of January 1, 2005 the Accounting Act requires that the Group prepares its consolidated financial statements in accordance with IAS, IFRS and with interpretations related to them published in form of a decree of European Commission.

At the moment, 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.

The Group applied the IFRS ruling as at June 30, 2005 and expects no material changes as at December 31, 2005.

The presented financial statements comply with all IFRS requirements, so they present a complete and fair view of financial situation of the Company as of June 30, 2005 and December 31, 2004.

The consolidated financial statements as at June 30, 2005 were prepared based on the consolidated financial statements prepared in accordance with the provisions of Accounting Act as at June 30, 2004 and December 31, 2004 audited by an independent auditor which were then restated to meet the IFRS requirements as described in Section 6 of these consolidated financial statements.

5.3 Estimates

The preparation of financial statements in accordance with IFRS requires from the Management to prepare several estimates which impact the value of assets and liabilities presented in the financial statements. The estimates base on the best knowledge of the Management but however the real results may differ from expectations.

5.4 Functional currency and the reporting currency

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

5.5 The principles of consolidation

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

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

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

Shares in associates are valued with equity method. Associates are entities which are significantly influenced by the parent company and which are neither subsidiaries of parent company nor joint ventures. The financial statements of associates are the basis for valuation of shares owned by the parent company using equity method. The financial year of associates is equal to the financial year of the parent company. Associates apply accounting policies prescribed in the Accounting Act dated September 29, 2004 (Journal of Laws No. 76 dated June 17, 2002) with amendments. Before calculating the proportionate share of parent company in the financial result of such companies the financial statements of associates are restated to IFRS applied by the Group.

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

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

5.6 Goodwill

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

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

5.7 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.

Following the initial recognition, intangible assets are valued at their purchase price or manufacturing cost less accumulated depreciation and write-down due to permanent loss of value. Initially, intangible assets acquired as a business combination are valued at fair value.

After initial recognition the intangible asset are valued using the historical cost model.

Intangible assets are tested every year against impairment. The estimated useful lives are also verified each year and restated in the following year if necessary.

Expected economic useful lives are as follows:

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

5.8 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.

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

Perpetual usufruct to land	14 years
Buildings, premises and other civil and water engineering structures	14 years
Plant and machinery	2.5-14 years
Transport	2.5-5 years
Other fixed assets	5-7 years

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

The Group performed valuation to fair value and treated this value as deemed cost as of January 1, 2004 which is the date of transfer to IFRS (see point 6)

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

5.9 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.

5.10 Leasing

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.

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.

5.11 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.

5.12 Short- and long-term receivables

Trade receivables except for receivables described in 5.1 are recognized and carried at original invoice amount less an allowance for any doubtful and uncollectible amounts.

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

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

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

Receivables include also receivables from financial lease.

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

(in thousands zlotys)

5.13 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:

	30.06.2005	**31.12.2004**
USD	3,3461	2,9904
EUR	4,0401	4,0790
CAD	2,7185	2,4827
CHF	2,6072	2,6421
GBP	6,0251	-

5.14 Cash and cash equivalents

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

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand and deposits in banks and treasury bills if they have a maturity of three months or less that were not part of investment activities.

5.15 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.

5.16 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.

5.17 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.

5.18 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.

5.19 Loans and borrowings

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

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

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

5.20 Borrowing costs

Borrowing costs including foreign exchange resulting from loans denominated in foreign currencies are expensed as incurred which is in accordance with benchmark treatment of IAS 23.

5.21 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 after considering the conditions allowing for such netting.

5.22 Finacial instruments

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

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

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

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

Originating loans and receivables are valued using amortized cost method.

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

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

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

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

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

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

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

5.23 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.

5.24 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.

5.25 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.

5.26 *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.

5.27 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.

5.28 Dividends

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

5.29 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.

5.30 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.

5.31 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.

5.32 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. The cost of such equity transactions with management board members is valued at fair value at the date of granting of such rights. The cumulated cost resulting from such equity transactions as at each balance sheet date till the date of obtaining the rights reflects the flow of rights, number of awards to which right – in the opinion of management board as at that date based on best estimate of number of equity instruments – will finally be acquired.

As of the date of these financial statements the share options do not have dilutive effect on the earnings per share.

(in thousands zlotys)

6. Effect of new standards application and canges in accounting policies

Types of adjustements which the Group had to made in order to fully apply IFRS and thier impact on the Net Profit and Net Assets of the comparable period are presented below:

		Net Assets as at December 31, 2004	Net Assets as at June 30, 2004	Net Assets as at January 1, 2004	Net Profit for the year ended December 31, 2004	Net Profit for the 6 months period ended June 30, 2004
Data presented in the consolidated financial statements prepared in accordance with Polish Accounting Standards (PAS)		**102.025**	**98.678**	**93.398**	**8.627**	**5.280**
6.1.	Effect of IFRS 1 application:	(513)	1 379	1 497	(2 010)	(118)
6.1.1.	Fixed Assets costs	(592)	1.342	1 500	(2.092)	(156)
6.1.2.	Decapitalization of financial costs	(516)	(532)	(548)	32	16
6.1.3	Fixed Assets valuation	516	532	548	(32)	(16)
6.1.4	Leasing classification	-	(2)	(3)	3	(1)
6.1.5	Grants received	79	39		79	39
Data presented in the consolidated financial statements prepared in accordance with International Financial reporting Standards (IFRS)		101.512	100.057	94. 895	6.617	5.162

The amounts for the adjustments include the impact of deferred tax. As a result of IFRS 1 application the deferred tax asset increased by the amount of 26 thousands zlotys and 139 thousands zlotys as at June 30, 2004 and December 31, 2004, respectively.

		Total Assets as at December 31, 2004	Total Assets as at June 30, 2004	Total Assets as at January 1, 2004
Data presented in the consolidated financial statements prepared in accordance with Polish Accounting Standards (PAS)		**341.274**	**353.799**	**352.688**
6.1.	Effect of IFRS 1 application:	(591))	1 347	1 507
6.1.1.	Fixed Assets costs	(591)	1.342	1.500
6.1.2.	Decapitalization of financial costs	(516)	(532)	(548)
6.1.3	Fixed Assets valuation	516	532	548
6.1.4	Leasing classification	–	5	7
6.1.5	Grants received	–	–	–
Data presented in the consolidated financial statements prepared in accordance with International Financial reporting Standards (IFRS)		340.683	355.146	354.195

(in thousands zlotys)

6.1 Effect of IFRS 1 adoption

The Group plans to adopt the IFRS 1 in the financial statements for the year ended December 31, 2005. IFRS 1 requires that the Group recognizes all the assets and liabilities which fulfill the criteria of IFRS 1 and values these assets in accordance with each IFRS. The transition date will be January 1, 2004. The Company prepared the consolidated financial statements in accordance with these IFRS which are expected to be valid on December 31, 2005 within the choice left for the Group. Due to the fact that the International Accounting Standards Board is in the process of changing the standards and preparing new standards and due to the fact of the prolonged process of acceptance of IFRS by the European Union, the scope of solutions which will be in force as at December 31, 2005 may differ from the accounting treatment adopted to these financial statements prepared for the 6 months period ended June 30, 2005.

The last consolidated financial statements prepared by the Group in accordance with Accounting Act were the consolidated financial statement for the year ended December 31, 2004.

6.1.1 Fair Value of Tangible Fixed Assets

Pursuant to IFRS 1, as of the date of first adoption of IFRS the entity can value the tangible, intangible fixed assets, real estate investments at the fair value and claim this fair value as the cost at that date.

The Group established the fair value of the selected tangible fixed assets as of January 1, 2004 which is the IFRS first adoption date and treats this value as the cost at that date.

The effect of the deemed cost of tangible fixed assets is presented in the table below:

	Carrying value in accordance with PAS January 1, 2004	**Carrying value in accordance with IFRS January 1, 2004**	**Value adjustement**	**Including fair value adjustement**
Land and Buildings	4.994	6.494	1.500	–
Machines and Fixtures	19.182	19.182	–	548
	24.176	25.676	1.500	548

Pursuant to IAS 16 the parent company recognized the costs of renovation, removal of fixed asset. The company is obliged to incur these costs due to usage of the fixed asset for certain period of time for the purposes other than finished goods production.

6.1.2 Borrowing Costs

In 2001 the parent company capitalized the foreign exchange differences in the gross book value of tangible fixed asset. The costs of loans, including foreign exchange differences resulting from loans drawn in foreign currencies, according to the benchmark treatment of IAS 23 are expensed in the profit and loss account in the period they relate to.

(in thousands zlotys)

6.1.3 Leasing classification

The leasing contracts concluded by the parent company were classified in accordance with IAS 17 as financial leases.

6.1.4 Government grant

Grants received are settled in accordance with IAS 20. Grants are presented as deferred income which is in a rational and systematic manner recognized as revenue over the period of estimated useful life of the asset.

7. Information on business segment and geographical segment reporting

PEP S.A. is operating in one business segment on one specific market and does not recognize different business segments. The company performed an analysis in order to identify potential business segments. Pursuant to IAS 14.9 the business segment is distinguishable component of the entity dedicated to produce particular products or deliver particular services and which is subject to risks and returns that are different form those of other components. The activity of the company is homogeneous in relation to the products, production process, key accounts of the Group and legal environment.

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.

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

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

	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Exchange rate as at the balance sheet date
30.06.2005	4,0805	3,8839	4,2756	4,0401
30.06.2004	4,6804	4,5422	4,9149	4,5422

(in thousands zlotys)

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

CONSOLIDATED BALANCE SHEET	30.06.2005		31.12.2004		30.06.2004	
	thd. zł	thd. EURO	thd. zł	thd. EURO	thd. zł	thd. EURO
Total Assets	354 114	87 650	340 683	83 521	355 146	78 188
I. Fixed Assets	271 732	67 259	282 758	69 320	294 179	64 766
II. Current assets	82 382	20 391	57 925	14 201	60 967	13 422
Total Equity and Liabilities	354 114	87 650	340 683	83 521	355 146	78 188
I. Shareholders' Equity	109 151	27 017	101 512	24 886	100 057	22 028
II. Minority Interest	-	-	-	-	-	-
III. Liabilities and provisions	244 963	60 633	239 171	58 635	255 089	56 160

(in thousands zlotys)

CONSOLIDATED PROFIT AND LOSS STATEMENT	30.06.2005		30.06.2004	
	thd. zł	thd. EURO	thd. zł	thd. EURO
I. Sales of products, goods for resale and materials	33 075	8 106	28 001	5 983
II. Cost of sold products, goods for resale and materials	(18 744)	(4 594)	(16 729)	(3 574)
III. Gross profit/loss on sales	14 331	3 512	11 272	2 408
IV. Cost of sales	-	-	(19)	(4)
V. General management costs	(6 151)	(1 507)	(5 645)	(1 206)
VI. Profit/loss on sales	8 180	2 005	5 608	1 198
VII. Other operating income	603	148	2 218	474
VIII. Other operating expenses	(467)	(114)	(90)	(19)
IX. Operating profit/loss	8 316	2 038	7 736	1 653
X. Financial income	6 677	1 636	7 012	1 498
XI. Financial expense	(6 265)	(1 535)	(8 170)	(1 746)
XII. Profit/loss on sale of subordinate units or part of them	-	-	-	-
XIII.Operating profit/loss	8 728	2 139	6 578	1 405
XIV. Profit before tax	8 728	2 139	6 578	1 405
XV. Corporate income tax	(1 781)	(436)	(1 416)	(303)
XVI. Share in profits in associates valued with equity method	(6)	(1)	-	-
XVII. Profits/Losses of Minority Interest	-	-	-	-
XVIII. Net Profit	6 941	1 701	5 162	1 103

(in thousands zlotys)

Consolidated Cash Flow Statement	30.06.2005		30.06.2004	
	thd. zł	thd. EURO	thd. zł	thd. EURO
I. Net profit	6 941	1 701	5 162	1 103
II. Adjustments	(4 224)	(1 035)	15 601	3 333
A. Net cash flow from operating activities	2 717	666	20 763	4 436
B. Net cash flow from investing activities	9 734	2 385	(17 323)	(3 701)
C. Net cash flow from financing activities	3 169	777	8 928	1 908
D. Net change in cash and cash equivalents	15 620	3 828	12 368	2 643

The above financial data was recalculated to EURO using the following rules:

- Each balance sheet item – using the average exchange rates published by NBP for June 30, 2004 and June 30, 2005 and presented in section 8 of this introduction.
- Each profit and loss item and cash flow statement item – using the arithmetical mean of average exchange rates published by NBP as at the last date of each ended month in the first half of 2004 and 2005 presented in the section 8 of this introduction

(in thousands zlotys)

Note 10

reported as at 30.06.2005

Movements in intangible fixed assets (in group of assets)	a	b		
	Goodwill	patents, licences, concessions and similar assets	computer software	Total intangible fixed assets
a) Gross book value of intangible fixed assets at the beginning of the period	704	585	264	1 289
b) increase, inluding:	-	14	14	14
- purchase	-	14	14	9
c) decrease, including:	-	-	-	-
d) Gross book value of intangible fixed assets at the end of the period	704	599	278	1 303
e) Accumulated amortization at the beginning of the period	-	546	248	546
f) Amorization in the period	-	32	17	32
increase, inluding:	-	32	17	32
- Amorization in the period	-	32	17	32
decrease, including:	-	-	-	-
g) Accumulated amortization at the end of the period	-	578	265	578
h) Impairment write-downs at the beginning of the period	92	-	-	-
i) Impairment write-downs at the end of the period	110	-	-	110
j) Net book value of intangible fixed assets at the beginning of the period	612	39	16	651
k) Net book value of intangible fixed assets at the end of the period	594	21	13	615

reported as at 30.06.2004

Movements in intangible fixed assets (in group of assets)	a	b		
	Goodwill	patents, licences, concessions and similar assets	computer software	Total intangible fixed assets
a) Gross book value of intangible fixed assets at the beginning of the period	704	518	246	1 222
b) increase, inluding:	-	56	8	56
- purchase	-	56	8	56
c) decrease, including:	-	-	-	-
d) Gross book value of intangible fixed assets at the end of the period	704	574	254	1 278
e) Accumulated amortization at the beginning of the period	-	440	202	440
f) Amorization in the period	-	62	29	62
increase, inluding:	-	62	29	62
- Amorization in the period	-	62	29	62
decrease, including:	-	-	-	-
g) Accumulated amortization at the end of the period	-	502	231	502
h) Impairment write-downs at the beginning of the period	56	-	-	56
- increase	18	-	-	18
- decrease	-	-	-	-
i) Impairment write-downs at the end of the period	74	-	-	74
j) Net book value of intangible fixed assets at the beginning of the period	648	78	44	726
k) Net book value of intangible fixed assets at the end of the period	630	72	23	702

Note 11.1

Goodwill of the Subsidiary companies	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) Goodwill - subsidiaries	132	-	-
b) Goodwill - jointly controlled entities	-	-	-
c) Goodwill - associates	-	-	-
Goodwill of the Subsidiary companies, total	132	-	-

Note 11.2

Change in Goodwill of the Subsidiary companies - subsidiaries	30.06.2005	30.06.2004
a) Gross book value at the beginning of the period	-	-
b) increase	132	-
c) decrease	-	-
d) Gross book value at the end of the period	132	-
e) Impairment write down at the beginning of the period	-	-
f) impairment write down in the period	-	-
g) sale of subsidiary	-	-
h) Impairment write down at the end of the period	-	-
h) Net book value at the end of the period	132	-

(in thousands zlotys)

Note 12.1

reported as at 30.06.2005

Movements in tangible fixed assets (in group of assets)	- land (including usufruct)	- buildings and constructions	- plant and machinery	- vehicles	- other tangible fixed assets	- construction in progress	**Total tangible fixed assets**
1. Gross book value of tangible fixed assets at the beginning of the period	42	9 484	25 974	798	565	2 951	39 814
a) increase, inluding:	396	-	34	-	20	2 874	3 324
- purchase	396	-	34	-	20	2 874	3 324
b) decrease, including:	-	-	(38)	-	-	(2 379)	(2 417)
- sale and liquidation	-	-	(38)	-	-	(1 500)	(1 538)
- other	-	-	-	-	-	(879)	(879)
2. Gross book value of tangible fixed assets at the end of the period	438	9 484	25 970	798	585	3 446	40 721
3. Accumulated depreciation at the beginning of the period	3	713	3 143	328	424	-	4 611
a) Depreciation in the period	1	301	1 004	110	35	-	1 451
- increase, inluding:	1	301	1 025	110	35	-	1 472
- Depreciation in the period	1	301	1 025	110	35	-	1 472
- decrease, including:	-	-	(21)	-	-	-	(21)
- sale and liquidation	-	-	(21)	-	-	-	(21)
4. Accumulated depreciation at the end of the period	4	1 014	4 147	438	459	-	6 062
5. Impairment write-downs at the beginning of the period	-	-	1 329	-	-	-	1 329
- increase	-	-	-	-	-	-	-
- decrease	-	-	-	-	-	-	-
6. Impairment write-downs at the end of the period	-	-	1 329	-	-	-	1 329
7. Net book value of intangible fixed assets at the beginning of the period	39	8 771	21 502	470	141	2 951	33 874
8. Net book value of intangible fixed assets at the end of the period	434	8 470	20 494	360	126	3 446	33 330

(in thousands zlotys)

reported as at 30.06.2004

Movements in tangible fixed assets (in group of assets)

	- land (including usufruct)	- buildings and constructions	- plant and machinery	- vehicles	- other tangible fixed assets	- construction in progress	**Total tangible fixed assets**
1. Gross book value of tangible fixed assets at the beginning of the period	324	8 984	25 431	526	506	10 598	46 369
a) increase, inluding:	-	-	2	-	22	22 746	22 770
- purchase	-	-	2	-	22	22 746	22 770
b) decrease, including:	-	-	(6)	-	(3)	(28 306)	(28 315)
- sale and liquidation	-	-	(6)	-	(3)	-	(9)
- other	-	-	-	-	-	(28 306)	(28 306)
2. Gross book value of tangible fixed assets at the end of the period	324	8 984	25 427	526	525	5 038	40 824
3. Accumulated depreciation at the beginning of the period	22	136	1 094	176	342	-	1 770
a) Depreciation in the period	9	214	704	76	36	-	1 039
- increase, inluding:	9	214	706	76	39	-	1 044
- Depreciation in the period	9	214	706	76	39	-	1 044
- decrease, including:	-	-	(2)	-	(3)	-	(5)
- sale and liquidation	-	-	(2)	-	(3)	-	(5)
4. Accumulated depreciation at the end of the period	31	350	1 798	252	378	-	2 809
5. Impairment write-downs at the beginning of the period	-	2 354	5 153	-	-	-	7 507
- increase	-	-	-	-	-	-	-
- decrease	-	-	-	-	-	-	-
6. Impairment write-downs at the end of the period	-	2 354	5 153	-	-	-	7 507
7. Net book value of intangible fixed assets at the beginning of the period	302	6 494	19 184	350	164	10 598	37 092
8. Net book value of intangible fixed assets at the end of the period	293	6 280	18 476	274	147	5 038	30 508

(in thousands zlotys)

Note 12.2

Tangible fixed assets (Ownership structure)	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) owned	29 531	30 461	25 339
b) used based on lease agreement	353	462	131
Total Tangible fixed assets	29 884	30 923	25 470

Note 13.1

Long term receivables	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) r From affiliates	259	-	-
- from subsidiaries	8	-	-
- from associates	251	-	-
b) From others	233 533	243 651	260 767
Long term receivables, net	233 792	243 651	260 767
c) Provisions for long term receivables	-	-	-
Long term receivables, gross	233 792	243 651	260 767

Note 13.2

Movements in long term receivables	**30.06.2005**	**30.06.2004**
a) Opening balance	243 651	255 207
b) increase	1 350	20 409
loans granted	-	24
lease receivables	1 204	20 385
interest	146	-
c) decrease	(11 209)	(14 849)
loand granted	(6)	-
lease receivables	(11 316)	(14 849)
transfer to short term receivables	113	
d) Closing balance	233 792	260 767
Total long term receivables	233 792	260 767

Note 14.1

Long-term financial assets	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) in subsidiaries	349	168	300
- shares	349	168	140
- loans granted	-	-	160
b) in jointly controlled entities	-	-	-
c) in associates	3 494	3 877	890
- shares	744	841	890
- loans graned	2 750	3 036	-
d) in significant investor	-	-	-
e) in parent company	-	-	-
f)in other entities	-	-	-
Total long-term financial assets	3 843	4 045	1 190

(in thousands zlotys)

Note 14.2

Movements in long-term financial assets (in group of assets)	30.06.2005	30.06.2004
a) Opening balance	4 045	140
- shares	1 009	140
- loans granted	3 036	-
b) increase	90	1 050
- purchase of shares	90	890
- loans granted	-	160
- revaluation of loans	-	-
c) decrease	(292)	-
- equity method valuation	(6)	-
- loan revaluation due to consolidation	(172)	-
- transfer to short term investment	(114)	-
d) Closing balance	3 843	1 190
- shares	1 093	1 030
- loans granted	2 750	160

(in thousands zlotys)

Note 14.3

reported as at 30.06.2005

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

(in thousands zlotys)

reported as at 30.06.2005

Shares in affiliates

No.	a	h	i	j	k	l	m						
	Name of the Company with indication of legal form	revaluation adjustements	book value of shares	percentage share in capital	share in votes in shreholders meeting	indication of other sources of control/jointly control/ sgnificant influence than stated in section j) or k)	total equity of the entity	Share capital	Unpaid share capital (negative amount)	Reserve capital	other equity including:		
												Profit/loss from previous years	Net profit/loss
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością *)	-	45	100	100	no	32	50	-	-	(18)	(17)	(1)
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	-	50	100	100	no	49	50	-	-	(1)	-	(1)
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	-	45	100	100	no	196	50	-	-	146	(24)	170
4	Mercury Energia - Przedsiebiorstwo Produkcyjno Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością , Spółka komandytowa *)	(56)	744	50	50	no	1 600	1 501	-	-	(99)	0	(99)
5	Mars Management, s.r.o*)	-	28	100	100	no	28	28	**)	**)	**)	**)	**)
6	Interpep Sp. z o.o. EC Wizów Spółka Komandytowa	-	45	100	100	no	28	28	**)	**)	**)	**)	**)
7	Interpep Sp. z o.o. EC Zakrzów Spółka Komandytowa	-	45	100	100	no	28	28	**)	**)	**)	**)	**)

(in thousands zlotys)

reported as at 30.06.2005

Shares in affiliates

No.	a	n			o			p	r	s	t
	Name of the Company with indication of legal form	Liabilities and provisions of the entity, including:			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
		provisions	long term liabilities	short term liabilities		long term receivables	short term receivables				
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością *)	1	-	1	-	-	-	32	-	-	-
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	-	-	-	-	-	-	49	-	-	-
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	60	-	60	10	5	5	265	-	-	-
4	Mercury Energia - Przedsiebiorstwo Produkcyjno Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością , Spółka komandytowa *)	8 713	6 474	2 239	841	-	841	10 214	-	-	-
5	Mars Management, s.r.o*)	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)
6	Interpep Sp. z o.o. EC Wizów Spółka Komandytowa	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)
7	Interpep Sp. z o.o. EC Zakrzów Spółka Komandytowa	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)

(in thousands zlotys)

reported as at 31.12.2004

Shares in affiliates							
	a	b	c	d	e	f	g
No.	Name of the Company with indication of legal form	Seat of the company	Description of activity	Affiliate type (subsidiary, jointly controlled entity, associate), with description of direct and indirect relations	consolidation method used (equity method or indication that the company is excluded from consolidation)	date of effective control/ jointly control/ signifcant influence	vaule of shares at historical cost
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością *)	ul. Wiertnicza 169, 02-952 Warszawa	rendering of services in the energy sector	subsidiary	exluded from consolidation due to immaterial financial data	28.03.2002	45
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	ul. Wiertnicza 169, 02-952 Warszawa	rendering of services in the energy sector	subsidiary	exluded from consolidation due to immaterial financial data	29.07.2003	50
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	ul. Wiertnicza 169, 02-952 Warszawa	rendering of services in the energy sector	subsidiary	exluded from consolidation due to immaterial financial data	24.09.2001	45
4	Mercury Energia - Przedsiebiorstwo Produkcyjno Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością , Spółka komandytowa *)	ul. Wandy 16, 40-322 Katowice	rendering of services in the energy sector	associate	consolidated by the equity value method	23.01.2004	800
5	DIPOL Spółka z ograniczoną odpowiedzialnościa*)	ul. Chrobrego 6, 83-000 Pruszcz Gdański	rendering of services in the energy sector	associate	exluded from consolidation due to immaterial financial data	20.05.2004	90
6	Mars Management, s.r.o	Ostrava, 28.rijna 270/854 kod 709 00	Financial, economic and organizational advisory services, wholesale activities, service and sales intermediary	subsidiary	exluded from consolidation due to immaterial financial data	20.09.2004	28

*) unaudited financial statements

**) no data

(in thousands zlotys)

reported as at 31.12.2004

Shares in affiliates

No.	a	h	i	j	k	l	m						
	Name of the Company with indication of legal form	revaluation adjustements	book value of shares	percentage share in capital	share in votes in shreholders meeting	indication of other sources of control/jointly control/ sgnificant influence than stated in section j) or k)	total equity of the entity	Share capital	Unpaid share capital (negative amount)	Reserve capital	other equity including:		
												Profit/loss from previous years	Net profit/loss
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością *)	-	45	100	100	no	32	50	-	-	(18)	(17)	(1)
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	-	50	100	100	no	49	50	-	-	(1)	-	(1)
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	-	45	100	100	no	196	50	-	-	146	(24)	170
4	Mercury Energia - Przedsiebiorstwo Produkcyjno Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością , Spółka komandytowa *)	(49)	751	50	50	no	1 600	1 501	-	-	(99)	0	(99)
5	DIPOL Spółka z ograniczoną odpowiedzialnościa*)	-	90	50	50	no	75	75	**)	**)	**)	**)	**)
6	Mars Management, s.r.o	-	28	100	100	no	28	28	**)	**)	**)	**)	**)

*) unaudited financial statements

(in thousands zlotys)

reported as at 31.12.2004

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
		provisions	long term liabilities	short term liabilities		long term receivables	short term receivables				
1	ENERGOPEP Spółka z ograniczoną odpowiedzialnością *)	1	-	1	-	-	-	32	-	-	-
2	INTERPEP Spółka z ograniczoną odpowiedzialnością *)	-	-	-	-	-	-	49	-	-	-
3	SATURN MANAGEMENT Spółka z ograniczoną odpowiedzialnością *)	60	-	60	10	5	5	265	-	-	-
4	Mercury Energia - Przedsiebiorstwo Produkcyjno Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością , Spółka komandytowa *)	8 713	6 474	2 239	841	-	841	10 214	-	-	-
5	DIPOL Spółka z ograniczoną odpowiedzialnościa*)	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)
6	Mars Management, s.r.o	**)	**)	**)	**)	**)	**)	**)	**)	**)	**)

*) unaudited financial statements

(in thousands zlotys)

Note 14.4

Securities, shares and other long term financial assets (marketability)	**30.06.2005**	**31.12.2004**	**30.06.2004**
A. unrestricted marketability, listed on stock exchanges (book value)	-	-	-
B. unrestricted marketability, listed on other markets than stock exchanges (book value)	-	-	-
C. unrestricted marketability, not listed on regulated markets (book value)	-	-	-
D. restricted marketability (book value)	1 093	1 009	1 030
a) shares (book value)	1 093	1 009	1 030
- revaluation adjustments (in the period)	84	(49)	-
- value at the beginning of the period	1 009	140	1 030
-value at purchase price		918	-
Value at purchase price, total	-	918	-
Value at the beginning of the period, total	1 009	140	1 030
Revaluation adjustments (in the period), total	84	(49)	-
Book value, total	1 093	1 009	1 030

(in thousands zlotys)

Note 15

Movements in the deferred tax asset	30.06.2005	30.06.2004
1. Deferred tax asset at the beginning of the period, including:	994	2 892
a) incurred in the profit and loss account in previous years	994	2 892
2. Increase	918	81
a) reported in the profit and loss accounbt due to negative temporary differences, inlcuding:	918	81
- provision for outsourced services	-	36
- holiday pay accrual	19	11
- salaries and similar accruals	1	2
- assets revaluation adjustements	483	-
- proviosions for assets in dispute	20	19
- unrealised foreign exchange	5	-
- provision for liquidation costs	366	-
- resulting from temporary differences in affiliates	24	13
3. Decrease	390	1 301
a) reported in the profit and loss accounbt due to negative temporary differences, inlcuding:	390	506
- provision for outsourced services	-	15
- holiday pay accrual	45	-
- provision for receivables	54	387
- realised foreign exchange	140	4
- tangible and intangible fixed assets value	139	80
- provision for liabilities	12	20
b) reported in profit and loss account due to tax loss	-	795
- tax loss carried forward from previous years	-	795
- change in CIT rate	-	-
4. Deferred tax asset at the end of the period, including:	1 522	1 672
a) incurred in the profit and loss account in current year	528	(1 220)
b) incurred in the profit and loss account in previous years	994	2 892
c) incurred in goodwill or negative goodwill	-	-

Note 16

Inventory	30.06.2005	31.12.2004	30.06.2004
a) raw materials	2	859	1 015
b) work in progress	-	-	-
c) finished products	-	-	-
d) goods for resale	1 699	593	-
e) inventory prepaid	45	439	351
Total inventory	1 746	1 891	1 366

(in thousands zlotys)

Note 17.1

Short term receivables	30.06.2005	31.12.2004	30.06.2004
a) from affiliates	37	75	58
- trade receivables, due	3	15	-
- up to 12 months	3	15	-
- over 12 months	-		-
- other	34	60	58
- in dispute	-		-
b) from other entities	22 908	15 938	12 198
- trade receivables, due	8 680	4 366	2 453
- up to 12 months	8 680	4 366	2 453
- over 12 months	-		-
- tax and social security receivables	174	413	29
- other	14 054	11 159	9 716
including financial lease	13 636	11 012	9 460
- in dispute	-	-	-
Total short term receivables, net	22 945	16 013	12 256
c) provisions for doubtful receivables	1 655	751	563
Total short term receivables, gross	24 600	16 764	12 819

Note 17.2

Movements in provisions for doubful short term receivables	30.06.2005	30.06.2004
Opening balance	1 924	2 596
a) creation	14	-
- for trade receivables	14	-
b) use	-	-
b) release	(283)	(2 033)
- for trade receivables	(283)	(2 033)
Closing balance in provisions for doubful short term receivables	1 655	563

Note 18.1

Short-term financial assets	30.06.2005	31.12.2004	30.06.2004
a) in subsidiaries	-	-	-
b)in jointly controlled entities	-	-	-
c) in associates	-	-	-
d) in significant investor	-	-	-
e) in parent company	-	-	-
f) in other entities	-	-	154
g) cash and other cash equivalents	52 222	36 602	45 686
- cash in hand and at bank	40 688	19 569	33 470
-deposits and open end fund shares	11 534	17 033	12 216
Total short-term financial assets	52 222	36 602	45 840

(in thousands zlotys)

Note 18.2

Short-term financial assets (currency structure)	30.06.2005	31.12.2004	30.06.2004
a) in Polish currency	23 520	25 232	32 803
b) in foreign currencies	28 702	11 370	12 883
b1. unit/currency 1 / USD	1 707	1 427	1 429
in thousand zlotys	5 711	4 270	5 355
b2. unit/currency 1 / EUR	5 669	1 766	1 657
in thousand zlotys	22 902	7 100	7 528
b3. other currencies in thousand zlotys	89	-	-
Total short-term financial assets	52 222	36 602	45 686

(in thousands zlotys)

Note 19

reported as at 30.06.2005

Share capital (structure)								
Class/ issue	Type of share	Type of preferrence	Limitation of rights	number of shares	Value of the class/issue in nominal value	Type of payment	Registration date	Right to dividend (from date)
A	to the bearer*	no preferrence shares	no limitations	2 213 904	4 428	cash payment	19-07-2001***	01-01-1998 ****
B	to the bearer	no preferrence shares	no limitations	2 304 960	4 610	cash payment	19-07-2001*	01-01-1998
C	to the bearer	no preferrence shares	no limitations	515 256	1 031	cash payment	19-07-2001*	01-01-1999
D	to the bearer	no preferrence shares	no limitations	566 064	1 132	cash payment	19-07-2001*	01-01-1999
E	to the bearer	no preferrence shares	no limitations	1 338 960	2 678	cash payment	19-07-2001*	01-01-1999
F	to the bearer	no preferrence shares	no limitations	544 800	1 090	cash payment	19-07-2001*	01-01-2000
G	to the bearer	no preferrence shares	no limitations	683 376	1 367	cash payment	19-07-2001*	01-01-2001
H	to the bearer	no preferrence shares	no limitations	288 000	576	cash payment	20-08-2001	01-01-2001
I	to the bearer	no preferrence shares	no limitations	856 704	1 713	cash payment	15-04-2002	01-01-2002
J	to the bearer	no preferrence shares	no limitations	3 835 056	7 670	cash payment	09-08-2002	01-01-2002
K	to the bearer	no preferrence shares	no limitations	1 640 688	3 281	cash payment	22-08-2002	01-01-2002
L	to the bearer	no preferrence shares	no limitations	3 144 624	6 289	cash payment	22-08-2002	01-01-2002
M	individual	no preferrence shares	do momentu całkowitego opłacenia akcji, akcje uprawniają jedynie do części dywidendy	182 359	365	cash payment	09-06-2005	01-01-2004
Total number of shares				18 114 751				
Total share capital					36 230			
Nominal value of one share in zlotys					2	**		

*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

*** 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

Dividend is paid bsaed on the financial results presented in the standalone financial statements of companies comprising the Capital Group.

(in thousands zlotys)

According to the registration list on General Shareholders Meeting from July 4, 2005 shareholders of parent company with at least 5% of votes on General Shareholders Meeting are presented below:

No.	shareholder	seat	No. of shares	No. of votes	% shares	% votes
1	Polish Enterprise Fund L.P.	Jersey City, USA	8 666 049	6.340.163*****	47,83%	35,00%*****
2	Polenergy Investments B.V.	Amsterdam, Holandia	3 499 871	3 499 871	19,32%	19,32%

***** - pursuant to art. 5.2a of Company's Statute one shareholder is not permitted to execute more than 35% of votes on General shareholders Meeting regardless of shares owned and registered.

(in thousands zlotys)

reported as at 31.12.2004

Share capital (structure)								
Class/ issue	Type of share	Type of preferrence	Limitation of rights	number of shares	Value of the class/issue in nominal value	Type of payment	Registration date	Right to dividend (from date)
A	to the bearer*	no preferrence shares	no limitations	2 213 904	4 428	cash payment	19-07-2001***	01-01-1998 ****
B	to the bearer	no preferrence shares	no limitations	2 304 960	4 610	cash payment	19-07-2001*	01-01-1998
C	to the bearer	no preferrence shares	no limitations	515 256	1 031	cash payment	19-07-2001*	01-01-1999
D	to the bearer	no preferrence shares	no limitations	566 064	1 132	cash payment	19-07-2001*	01-01-1999
E	to the bearer	no preferrence shares	no limitations	1 338 960	2 678	cash payment	19-07-2001*	01-01-1999
F	to the bearer	no preferrence shares	no limitations	544 800	1 090	cash payment	19-07-2001*	01-01-2000
G	to the bearer	no preferrence shares	no limitations	683 376	1 367	cash payment	19-07-2001*	01-01-2001
H	to the bearer	no preferrence shares	no limitations	288 000	576	cash payment	20-08-2001	01-01-2001
I	to the bearer	no preferrence shares	no limitations	856 704	1 713	cash payment	15-04-2002	01-01-2002
J	to the bearer	no preferrence shares	no limitations	3 835 056	7 670	cash payment	09-08-2002	01-01-2002
K	to the bearer	no preferrence shares	no limitations	1 640 688	3 281	cash payment	22-08-2002	01-01-2002
L	to the bearer	no preferrence shares	no limitations	3 144 624	6 289	cash payment	22-08-2002	01-01-2002
Total number of shares				17 932 392				
Total share capital					35 865			
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)

Note 20

Reserve Capital	30.06.2005	31.12.2004	30.06.2004
a) agio from sales of shares above the nominal value	28 321	36 459	36 459
Total reserve capital	28 321	36 459	36 459

Note 21

Reserve capital from option valuation	30.06.2005	31.12.2004	30.06.2004
a) option valuation	700	-	-
Reserve capital from option valuation	700	-	-

Note 22

Other Reserve Capital	30.06.2005	31.12.2004	30.06.2004
a) other (dedicated for investments in accordance with resolution of shareholders)	28 267	9 392	9 392
Total other reserve capital	28 267	9 392	9 392

Note 23.1

Movements in deferred tax liability provision	30.06.2005	30.06.2004
1. Deferred tax liability provision at the beginning of the period, including:	462	1 305
a) incurred in the profit and loss account in previous years	462	1 305
2. Increase	1 395	487
a) reported in the profit and loss accounbt due to positive temporary differences, inlcuding:	1 395	487
- tangible and intangible fixed assets value	24	-
- unrealised foreign exchange	28	-
- resulting from temporary differences in subsidiaries	1 110	226
- other	233	261
3. Decrease	24	1 026
a) reported in the profit and loss accounbt due to negative temporary differences, inlcuding:	24	1 026
- tangible and intangible fixed assets value	-	-
- unrealised foreign exchange	24	348
- resulting from temporary differences in subsidiaries	-	678
b) reported directly in equity as a result of temporary negative differences	-	-
4. Deferred tax liability provision at the end of the period, including:	1 833	766

(in thousands zlotys)

Note 23.2

Movements in long term provision for jubilee and similar payments	30.06.2005	30.06.2004
a) Opening balance	470	434
b) increase	164	-
c) use	(9)	-
d) release	(6)	(10)
e) Closing balance	619	424
Total long term provision for jubilee and similar payments	619	424

Note 23.3

Movements in short term provision for jubilee and similar payments	30.06.2005	30.06.2004
a) Opening balance	60	28
b) increase	110	10
c) use	(12)	(5)
d) release	(12)	-
e) Closing balance	146	33
Total short term provision for jubilee and similar payments	146	33

Note 23.4

Movements in other long term provisions	30.06.2005	30.06.2004
a) Opening balance	2 030	1 700
b) increase	20	-
- future liabilities from cession of receivables	-	-
- expected costs	20	-
c) use	-	-
d) release	-	-
d) Closing balance	2 050	1 700
Total other long term provisions	2 050	1 700

Pursuant to IAS 37 and IAS 16 the company should create a provision for liabilities related to decomissioning, deconstruction of a fixed assets and include these costs in the value of these assets. these costs were capitalized and increased the value of fixed assets.

(in thousands zlotys)

Note 23.5

Movements in other short term liabilities	**30.06.2005**	**30.06.2004**
a) Opening balance	1 583	1 617
b) increase	340	158
- holiday pay accrual	340	158
c) use	(117)	(48)
- holiday pay accrual	(117)	(48)
d) release	-	-
e) Closing balance	1 806	1 727
Total other short term liabilities	1 806	1 727

The parent company presents provisions for expected lawsuit costs created in prior periods:

109 tys. zł - Court proceedings initiated by former employee, for declaring the notice of termination of an employment contract as ineffective. the Court of first instance in the sentence dated February 9, 2005 rejected the claim. The plaintiff announced that he would appeal against the ruling. There is no stated term of the next trail in the second instance court.

796 tys. zł -- 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 Both parties announced that they would appeal the ruling. No new trial set.

Court proceedings initiated by PKP CARGO SA of Warsaw as the plaintiff, against PEP SA for payment of PLN 148,546.28 with interest. The litigation was raised on October 24th 2003. On November 10th 2004, the Regional Court in Katowice issued a judgment whereby the Issuer was obliged to pay the disputed amount. On November 25, 2004 PEP appealed against the ruling and motioned for it to be reversed and for the claim against the Issuer to be overruled, or for the judgment to be reversed and for the case to be submitted for re-examination.

As at each balance sheet date the Group creates provision for holiday pay accrual.

(in thousands zlotys)

Note 24.1

Long term liabilities due within:	30.06.2005	31.12.2004	30.06.2004
a) from 1 year to 3 years	38 095	34 413	42 242
b) from 3 years to 5 years	42 573	39 439	49 498
c) over 5 years	136 776	137 054	134 897
Total long term liabilities	217 444	210 906	226 637

Note 24.2

Long term liabilities (currency structure)	30.06.2005	31.12.2004	30.06.2004
a) in Polish currency	15 360	16 581	17 721
b) in foreign currencies (in currency and recalculated into thousand zlotys	202 084	194 325	208 916
b1. unit/currency 1 / EUR	50 020	47 640	45 994
in thousand zloty	202 084	194 325	208 916
Total long term liabilities	217 444	210 906	226 637

(in thousands zlotys)

Note 24.3

reported as at 30.06.2005

Long term liabilities from loans and credits

Name of the Company	Seat	Loan/Credit limit as in the agreement		Amount of loan/credit to repay		Condition of interest	Repayment date	Collateral	
		thousand zloty	currency	thousand zloty	currency				
BRE Bank S.A.	Warszawa	11 851	PLN	5 600	PLN	WIBOR 1-month plus margin	July 2009	Mortgage amounting to	600 thousnad PLN
								Own bill of exchangei - value: amount of debt plus interest plus other costs	-
								Registration Pledge on boilers– its value according to the base agreement equals USD 1,142.0 thousand	-
								Registration Pledge on gas turbine– its value according to the base agreement equals USD 5,300 thousand	-
								cession of receivables related to the project - from the contract up to the level of debt outstanding plus interest plus other costs and from insurance (value of the insurnce as of 30 June 2004 amounts to 4,200 thousand zlotys	-
BRE Bank S.A.	Warszawa	17 332	PLN	9 760	PLN	WIBOR 1-month plus margin dependant on Company's results	June 2012	Power of attorney to dispose of the current account and debt servicing account in BRE Bank S.A.	-
								Agreement for security assignment (applying to the Polar investment)	-
								Registration Pledge up to the amount of	35.000 thousnad PLN
								Mortgage securing an existing or future claim up to the amount of PLN 17,332.0 thousand set up on the real estate belonging to Polar S.A. in Wrocław until the day of purchase of this real estate from Polar SA by the borrower	17.332 thousnad PLN

(in thousands zlotys)

BRE Bank S.A.	Warszawa		63.600 tys. EUR	202.084	50.020 tys. EUR	- basic rate EURIBOR 1-month plus margin	repayment in instalments, last principal is paid on 20.12.2015	Agreement for securing assignment of all current and future claims	90.000 thousand EUR total and each of the agreements up to 90.000 thousnad EUR
								Agreement for pledge over shares in the Saturn Management Sp. z o.o. together with the transfer of PEP S.A. rights	
								Pledge on PEP S.A. rights as the limited partner of the Subsidiary and PEP S.A. rights	
								Agreement with BRE relating to the pledge over bank account together with the power of attorney for this account	
								agreement between PEP S.A. and BRE Bank S.A. realting to securing assignment - Saturn project	
								Agreement for pledge over assets incorporated in the company's enterprise - value of the pledge depends on the way of its consumption but not more than	90.000 thousnad 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:	90.000 thousnad EUR
								Submission to execution to BRE Bank S.A.	-
								Agreement on transfer for security, covering all current and future receivables up to the amount	90.000 thousnad EUR
								Guarantees assignment Agreement for transfer of rights and claims from granted by the business partner	-
								Agreement for security transfer of title to BRE Bank SA of the ownership of the tangible fixed assets purchased from Frantschach Świecie based on the Purchase / Sale Agreement together with all the relating rights from guarantees and warranties, including those granted by the producer.	-
								Agreement on mortgage on perpetual usufruct and onwership of the buildings for BRE Bank	-
								Mortgage for BRE and Kreditanstalt fur Wiederaufbau in the amount of amounting to EUR 45 million each.	90.000 thousnad EUR
								Agreement on cession of rights from General Agreement up to the amounts resulting from debt outstanding	-
								Agreement on cession of rights from agreements with Frantschach, Construction agreement and significant agreements with construction companies, insurance agreements up to the amounts resulting from debt outstanding	-
								Registration Pledge on the rights of SM Sp. z o.o. As unlimited partner of Saturn Management Sp.z o.o. I Wspólnicy, spółka komandytowa together with bank transfer - value of the pledge dependant on the way to use the pledge but no more than	90.000 thousnad EUR
								guarantee of Farntschach Świecie S.A. up to the amount being minimum of : amount of three months costs of debt	3.000 thousnad PLN

(in thousands zlotys)

reported as at 31.12.2004

Long term liabilities from loans and credits

Name of the Company	Seat	Loan/Credit limit as in the agreement		Amount of loan/credit to repay		Condition of interest	Repayment date	Collateral	
		thousand zloty	currency	thousand zloty	currency				
BRE Bank S.A.	Warszawa	11 851	PLN	6 311	PLN	WIBOR 1-month plus margin	July 2009	Mortgage amounting to	600 thousnad PLN
								Own bill of exchangei - value: amount of debt plus interest plus other costs	-
								Registration Pledge on boilers– its value according to the base agreement equals USD 1,142.0 thousand	-
								Registration Pledge on gas turbine– its value according to the base agreement equals USD 5,300 thousand	-
								cession of receivables related to the project - from the contract up to the level of debt outstanding plus interest plus other costs and from insurance (value of the insurnce as of 30 June 2004 amounts to 4,200 thousand zlotys	-
BRE Bank S.A.	Warszawa	17 332	PLN	10 269	PLN	WIBOR 1-month plus margin dependant on Company's results	June 2012	Power of attorney to dispose of the current account and debt servicing account in BRE Bank S.A.	-
								Agreement for security assignment (applying to the Polar investment)	-
								Registration Pledge up to the amount of	35.000 thousnad PLN
								Mortgage securing an existing or future claim up to the amount of PLN 17,332.0 thousand set up on the real estate belonging to Polar S.A. in Wrocław until the day of purchase of this real estate from Polar SA by the borrower	17.332 thousnad PLN

(in thousands zlotys)

BRE Bank S.A.	Warszawa		63.600 tys. EUR	194.325	47.640 tys. EUR	- basic rate EURIBOR 1-month plus margin	repayment in instalments, last principal is paid on 20.12.2015	Agreement for securing assignment of all current and future claims	90.000 thousand EUR total and each of the agreements up to 90.000 thousnad EUR
								Agreement for pledge over shares in the Saturn Management Sp. z o.o. together with the transfer of PEP S.A. rights	
								Pledge on PEP S.A. rights as the limited partner of the Subsidiary and PEP S.A. rights	
								Agreement with BRE relating to the pledge over bank account together with the power of attorney for this account	
								agreement between PEP S.A. and BRE Bank S.A. realting to securing assignment - Saturn project	
								Agreement for pledge over assets incorporated in the company's enterprise - value of the pledge depends on the way of its consumption but not more than	90.000 thousnad 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:	90.000 thousnad EUR
								Submission to execution to BRE Bank S.A.	-
								Agreement on transfer for security, covering all current and future receivables up to the amount	90.000 thousnad EUR
								Guarantees assignment Agreement for transfer of rights and claims from granted by the business partner	-
								Agreement for security transfer of title to BRE Bank SA of the ownership of the tangible fixed assets purchased from Frantschach Świecie based on the Purchase / Sale Agreement together with all the relating rights from guarantees and warranties, including those granted by the producer.	-
								Agreement on mortgage on perpetual usufruct and onwership of the buildings for BRE Bank	-
								Mortgage for BRE and Kreditanstalt fur Wiederaufbau in the amount of amounting to EUR 45 million each.	90.000 thousnad EUR
								Agreement on cession of rights from General Agreement up to the amounts resulting from debt outstanding	-
								Agreement on cession of rights from agreements with Frantschach, Construction agreement and significant agreements with construction companies, insurance agreements up to the amounts resulting from debt outstanding	-
								Registration Pledge on the rights of SM Sp. z o.o. As unlimited partner of Saturn Management Sp.z o.o. I Wspólnicy, spółka komandytowa together with bank transfer - value of the pledge dependant on the way to use the pledge but no more than	90.000 thousnad EUR
								guarantee of Farntschach Świecie S.A. up to the amount being minimum of : amount of three months costs of debt	3.000 thousnad PLN

(in thousands zlotys)

Note 25.1

Short term liabilities	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) to subsidiaries	-	-	69
- from dividend	-	-	69
b) to ther related companies	11	-	-
c) to other entities	20 158	20 927	22 299
- loans and credits, including:	16 366	16 244	15 818
-long term loans due within one year	15 893	14 085	11 355
- trade payables	1 499	2 690	1 623
- up to 12 months	1 499	2 690	1 623
- taxes, customs and social security liabilities	2 102	1 212	1 735
- payroll liabilities	71	309	255
- other	120	472	2 868
d) Special Funds	194	87	212
- Companys Social Fund	137	28	153
- other funds	57	59	59
Total short term liabilities	20 363	21 014	22 580

(in thousands zlotys)

Note 25.2

Reported as at 30.06.2005

Short term liabilities from loans and credits

Name of the Company	Seat	Loan/Credit limit as in the agreement		Amount of loan/credit to repay		Condition of interest	Repayment date	Collateral
		thousand zloty	currency	thousand zloty	currency			
BRE Bank S.A.	Warszawa	11 851	PLN	1 370	PLN	long term debt (amount payable within one year time)		Presented in the long term liabilities
BRE Bank S.A.	Warszawa	17 332	PLN	991	PLN	long term debt (amount payable within one year time)		Presented in the long term liabilities
BRE BANK	Warszawa	453	current account EURO	-	-	WIBOR 1-month + bank margin	to 31.03.2006	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, 2006.
BRE BANK	Warszawa	1.500	VAT in EUR	474	-	WIBOR 1-month + bank margin	to 31.03.2006	Statement of the appropriate tax office, presented on borrower's request, including an obligation to return the VAT on VAT Account, and in case of not obtaining such statement a statement of the borrower including assurance of returning VAT on VAT account or, if obtaining such statements would not be possible, an obligation of the borrower to make transfers of the amounts acquired as VAT return on VAT account, according to the bank accounts agreement Security assignment of rights of the borrower from the Project documentation other than Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies German Guarantee Assignment Agreement of the borrower's rights to Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies 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, 2006.
BRE BANK	Warszawa	63.600 thd. EUR	investment in EUR	13.531	3.349 thd. EUR	long term debt (amount payable within one year time)		

(in thousands zlotys)

Reported as at 31.12.2004

Short term liabilities from loans and credits

Name of the Company	Seat	Loan/Credit limit as in the agreement		Amount of loan/credit to repay		Condition of interest	Repayment date	Collateral
		thousand zloty	currency	thousand zloty	currency			
BRE Bank S.A.	Warszawa	11.851	PLN	1.310	PLN	long term debt (amount payable within one year time)		
BRE Bank S.A.	Warszawa	17.332	PLN	933	PLN	long term debt (amount payable within one year time)		
BRE BANK	Warszawa	453 thd.	current account EURO	-	-	WIBOR 1-month + bank margin	to 31.03.2005	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, 2006.
BRE BANK	Warszawa	3.500 thd. EUR	VAT	2.165	-	WIBOR 1-month + bank margin	to 31.03.2005	Statement of the appropriate tax office, presented on borrower's request, including an obligation to return the VAT on VAT Account, and in case of not obtaining such statement a statement of the borrower including assurance of returning VAT on VAT account or, if obtaining such statements would not be possible, an obligation of the borrower to make transfers of the amounts acquired as VAT return on VAT account, according to the bank accounts agreement Security assignment of rights of the borrower from the Project documentation other than Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies German Guarantee Assignment Agreement of the borrower's rights to Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies 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, 2006.
BRE BANK	Warszawa	63.600 thd. EUR	investment in EUR	11.836	2.902 thd. EUR	long term debt (amount payable within one year time)		

(in thousands zlotys)

Note 26

Contingent Liabilities to affiliates	30.06.2005	31.12.2004	30.06.2004
a) guarntees granted	10 500	-	-
- for associates	10 500		-
b) other (due from limited liability sum in LLPj), :	39 310	49 710	39 210
- to subsidiaries	38 650	38 550	38 550
- to associates	660	11 160	660
- to significant investor	-		-
- to parent company	-		-
c) other			42
Total contingent liabilities to affiliates	49 810	49 710	39 252

Note 27.1

Net revenue from sales - by type	30.06.2005	30.06.2004
a) revenues from sales of energy	582	1 432
b) revenues from sales of heat	11 935	13 513
c) revenues from consulting projects	1 500	-
d) revenues from re-invoicing and cost refunding	417	854
- from affiliates	74	1
e) revenues from maintaining and operating of the leased assets	18 425	12 200
f) revenues from deliveries guarantee and overstandarized quality of deliveries	216	-
g) revenues from other services	-	-
- from affiliates	-	-
Total revenues from products	33 075	27 999
- from affiliates	74	1

Note 27.2

Net revenue from sales - by geography	30.06.2005	30.06.2004
a) domestic	33 075	27 999
- from affiliates	74	1
b) export	-	-
- from affiliates	-	-
Total revenues from products	33 075	27 999
- from affiliates	74	1

(in thousands zlotys)

Note 28

Costs by kind	30.06.2005	30.06.2004
a) depreciation	1 522	1 124
b) material and energy used	9 885	9 667
c) external services	5 463	3 199
d) taxes and fees	1 547	764
e) payroll	5 936	5 982
f) social security and payroll related charges	1 247	1 331
g) other costs by kind	531	503
Total costs by kind	26 131	22 570
Change in value of work in progress and finished goods	(1 236)	(177)
Selling costs (negative number)	-	(19)
General and administration costs (negative number)	(6 151)	(5 645)
Cost of goods sold	18 744	16 729

Note 29

Other operating income	30.06.2005	30.06.2004
a) reversal of impairment wrtie-downs and release of provisions	329	2 033
- provisions for doubtful receivables	283	2 033
- other write-offs	46	-
b) other, including:	162	24
- received penalties and compensation	220	9
- other	(58)	15
Total other operating income	491	2 057

Note 30

Other operating expense	30.06.2005	30.06.2004
a) revaluation of assets, including:	-	-
b) other, including:	450	90
- fines and compenstaions	-	10
- donations	3	9
- other	447	71
Total other operating expense	450	90

Note 31.1

Financial Income from dividends and share in profits	30.06.2005	30.06.2004
a) from affiliates	118	-
- from subsidiaries	118	
Financial Income from dividends and share in profits	118	-

(in thousands zlotys)

Note 31.2

Financial income from interest	30.06.2005	30.06.2004
a) due from loans granted	146	-
- from affiliates	146	-
- from associates	146	-
b) other interest	5 794	6 405
- from affiliates	-	-
- from other entities	5 794	4 950
- interest due from lease of assets	-	1 455
Przychody finansowe z tytułu odsetek, razem	5 940	6 405

Note 31.3

Other financial income	30.06.2005	30.06.2004
a) foreign exchange	188	-
- unrealised	(272)	-
- realised	460	-
b) decrease in impairment write offs and provisions for assets	18	-
- interest related to receivables	-	-
- other	18	-
b) other	413	607
- profit on securities	413	322
- other	-	285
Total other financial income	619	607

Note 32.1

Financial expense resulting from interest	30.06.2005	30.06.2004
a) from loans and credits	5 160	5 529
- from other entities	5 160	5 529
b) other interest	1	1
- from other entities	1	1
Total financial expense resulting from interest	5 161	5 530

Note 32.2

Other financial expense	30.06.2005	30.06.2004
a) foreign exchange	456	2 469
- realised	178	1 079
- unrealised	278	1 390
b) increase in revaluation provision	2	-
- other	2	-
b) other, including:	646	171
- loan commissions	143	130
- other	503	41
Total other financial expense	1 104	2 640

(in thousands zlotys)

Note 33.1

Current income tax expense	30.06.2005	30.06.2004
1. Consolidated gross profit (loss)	8 728	6 578
2. Consolidation adjustements	-	-
3. Differences between gross profit and tax base for corporate income tax	-	-
a) **Income**	(10 651)	(12 040)
- revenue to be recognized in next fiscal period	1 134	-
- settlement of Ekofund subsidy	(39)	(83)
- interest on deposits	123	-
- valuation of cash	(2 010)	(3 180)
- valuation of treasury bills	-	(137)
- valuation of suboridnated loan (Saturn Management)	-	397
- valuation of receivables	-	(55)
- release of provisions	(283)	(2 033)
- unpaid interest due	(74)	-
- other	-	(101)
- accrued revenue non taxed at SM	-	(688)
- F/X on valuation SM	-	(9 008)
- valuation of bonds SM	-	129
- revenu for tax purposes - recognized in previous years	-	1 569
- fiscal revenue - capital instalments SM	-	1 329
-other SM	(9 502)	(177)
-other Energopep	-	(2)
b) **Costs**	3 778	13 622
- costs to be incurred in next fiscal period	(1 370)	-
- depreciation related to Ekofund grant	-	88
- depreciation (including goodwill)	518	(440)
- provision for doubtful debts	1 447	-
- interest accrued and budget interest	-	(161)
- representation and advertisement	700	-
- holiday pay accrual	113	59
- donations	566	-
-provisions for future liabilities	118	193
- cash valuation	1 598	2 610
- other costs	(18)	68
- foreign exchange on valuation SM	106	10 562
-interest accrued SM	-	147
- interest accrued in previous periods and paid in current period SM	-	(206)
- capitalized costs SM	-	3 708
- tax depreciation SM	-	(2 750)
- other SM	-	512
- usage of provisions SM	-	(719)
- other off balance sheet tax deductible SM	-	(489)
- non tax deductible interest SM	-	343
-other Energopep	-	99
-tax depreciation Energopep	-	(2)
4. Tax Basis before tax loss from previous years	1 855	8 160
Tax basis incurred by the parent company from lilited liability partnerships - subsidiaries	3 075	(110)
4a. Tax loss settlement from previous years (negative number)	-	(4 184)
Donations	-	-
4b. Tax basis after tax loss	4 930	3 866
5. Income tax at current tax rate	19%	19%
6. increase, lowering, tax deductions	-	-
7. current income tax expense in the declaration to tax authority	937	735
- current income tax expense in the profit and loss account	937	735

(in thousands zlotys)

Note 33.2

Deferred tax, reported in the profit and loss account:	**30.06.2005**	**30.06.2004**
- decrease (increase) due to creation and reversal of temporary differences	844	681
Total deferred tax	844	681

Note 33.3

Total tax charge	**30.06.2005**	**30.06.2004**
Current income tax expense	937	735
Deferred income tax expense	844	-
Income tax reported in the profit and loss account	1 781	735

Note 34

Net profit (loss)	**30.06.2005**	**30.06.2004**
a) net profit (loss) of parent company	2 875	18 592
b) net profit (loss) of affiliates	12 018	6 614
c) consolidation adjustements	(7 952)	(20 044)
Net profit (loss)	6 941	5 162

Note 35

Calculation of earnings per share	**30.06.2005**	**30.06.2004**
a) Net profit (loss)	6 941	5 162
b) Weighted average number of shares	17 953 906	747 183
c) Earnings per share (in zlotys)	-	7

On September 2, 2004 the decrease in nominal value of one share from PLN 48 to PLN was registered in Registry Court. Had the decrease been registered in 2003 the average number of shares as at June 30, 2004 would have amounted to 17 932 392 shares which is the same as on December 31, 2004.

Note 36

Breakdown of significant adjustements relaitng to cash flow from operations presented in the position "other adjustements".	**30.06.2005**	**30.06.2004**
Total adjustements - operating activity	(4 224)	15 601
5% of adjustements in operating activity	(211)	780
Other adjustements	700	-
Option valuation	700	-

(in thousands zlotys)

Breakdown of significant adjustements relaitng to cash flow from investment activities presented in the positions "other investment inflows" and "other investment outflows"	30.06.2005	30.06.2004
Total adjustements - investment activity	13 256	7 528
5% of adjustements in investment activity	663	376
Other inflows	11 622	7 528
Repayment of receivables and interest relating to financial lease	11 622	7 528
Other inflows		
Total adjustements - investment activity - other outflows	(3 522)	(24 851)
5% of adjustements in investment activity - other outflows	(176)	(1 243)
other expendtiure	(1 071)	(21 785)
Expenditure for leased fixed assets	-	(21 785)

Cash and cash equivalents structure in the consolidated financial statements	30.06.2005	30.06.2004
cash in hand and at bank	40 688	27 358
- on Bank accounts	40 683	27 354
- cash in hand	5	4
other cash and cash equivalents	11 534	18 328
Total cash and cash equivalents	52 222	45 686

Reconciliation of differences between consolidated balance sheet changes of specific items and consolidated cash flow statement changes	30.06.2005	30.06.2004
Receivables:		
Balance sheet change in long-term and short-term receivables	11 207	3 067
Receivables change resulting from the financial leasing presented as other investment costs	-	5 685
Change in leasing receivbales	(10 085)	
Other	204	
Change in receivables in cash flow statement	1 326	8 752
including change in receivables due from Tax Authority resulting from input VAT from capital expenditure	-	(3 913)
Liabilities:	-	-
Balance sheet change in short-term and long-term liabilities	(11 832)	(4 019)
Change in short-term and long-term loans	2 880	(6 118)
Change in investing liabilities	2 791	7 496
Other	-	-
Change in liabilities in cash flow statement	(6 161)	(2 641)

Accruals and Deferrals :	-	-
Balance sheet change in accruals and deferrals inc.:	(2 260)	1 152
Financial Lease	(48)	44
Other	-	-
Change in accruals and deferrals	(2 308)	1 196

(in thousands zlotys)

Provisions:	-	-
Balance sheet change in provisions	788	105
Provisions in companies consolidated for the first time in 2002		-
Change in provisions in cash flow statement	788	105

Inventory	-	-
Balance sheet change in inventory	145	1 492
Inventory in companies consolidated for the first time in 2002		-
Change in inventory in cash flow statement	145	1 492

Presentation of sources of external finance (cash flow statement)	**30.06.2005**	**30.06.2004**
pos. C.I.2 Inflows from loans and credits	17 510	25 239
pos. C.II.4 Repayment of loans and credits	(8 862)	(10 731)
Change in sources of external finance, including:	8 649	14 508
investment debt draw, net	10 335	18 421
drawing/repayment of VAT facility, net	(1 686)	(3 913)

37 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.

37.1 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.

37.2 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 41.1 relating to leases. The position is not hedged in order to eliminate the exchange rate volatility.

(in thousands zlotys)

37.3 Credit Risk

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

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

There is no significant credit risk concentration in the Group.

38 Information on financial instruments

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

As of June 30, 2005 the Capital Group PEP had the following financial instruments classified into the following groups (in thousand zlotys):

	Fair value through profit and loss (bonds, treasury bills, open end funds)	Originating loans and receivables	Available for sale (shares)
Opening Balance	17.034	3.036	1.018
Increase, including::	25.266	142	90
Purchase of treasury bills and bonds	25.110	-	-
Loans granted	-	-	-
Interest	156	-	-
Purchase of shares	-	-	90
Decrease, including:	30.766	286	15
Sale of treasury bills and bonds	30.766	-	-
Interest recalssification	-	114	-
Shares return	-	-	-
Revaluation	-	172	15
Closing Balance	11.534	2.750	1.093

(in thousands zlotys)

As of December 31, 2004 the Capital Group PEP had the following financial instruments classified into the following groups (in thousand zlotys):

	Fair value through profit and loss (bonds, treasury bills, open end funds)	Originating loans and receivables	Available for sale (shares)
Opening Balance	7.560	-	140
Increase, including::	148.409	3.036	919
Purchase of treasury bills and bonds	148.094	-	-
Loans granted	-	2.923	-
Interest	315	113	
Purchase of shares	-	-	919
Decrease, including:	138.935	-	41
Revaluation			41
Sale of treasury bills and bonds	138.935	-	-
Closing Balance	17.034	3.036	1.018

As of June 30, 2004 the Capital Group PEP had the following financial instruments classified into the following groups (in thousand zlotys):

	Fair value through profit and loss (bonds, treasury bills, open end funds)	Originating loans and receivables	Available for sale (shares)
Opening Balance	7.560	-	140
Increase, including::	86.186	160	890
Purchase of treasury bills and bonds	86.032	-	-
Loans granted	-	160	-
Revaluation	-	-	-
Purchase of shares	-	-	890
Forward contract fair value valuation	154	-	-
Decrease, including:	81.376	-	-

(in thousands zlotys)

Sale of treasury bills and bonds	81.376	-	-
Closing Balance	12.370	160	1.030

The value of available for sale financial instruments consists of shares in affiliates. These shares are not listed on any active market so their fair value can not be reliably measured. Due to this fact the shares are recognized in the balance sheet at cost.

The detailed description of valuation methods of financial instruments in discussed in Note 5.22 in the Notes to the Consolidated Financial Statements.

39 The characteristics of financial instruments

a) Fair value through profit and loss financial assets

As of the balance sheet date the Group had the following treasury bills:

200 bills with nominal value of 2,000 thousand zlotys – these bills were purchased by Saturn Management Sp. z o.o. i Wspólnicy, Spółka Komandytowa from BRE Bank on February 3, 2005 for the amount of 1,937 thousand zlotys. The date of repurchase these bills is August 10, 2005. Unrealized revenue resulting from discount amounts to 49 thousand zlotys as of the balance sheet date.

As of the balance sheet date the Company had the following shares in investment funds:

- Górnośląskie Towarzystwo Funduszy Inwestycyjnych S.A.:

7,196 shares purchased September 30, 2004 for the amount of 1,041 thousands zlotys,

9,872 shares purchased April 5, 2005 for the amount of 1,500 thousands zlotys,

26,066 shares purchased June 8, 2005 for the amount of 4,000 thousands zlotys,

Unrealized revenue resulting from the increase in value of shares in GTFI S.A. amounted to 81 thousand zlotys as of the balance sheet date.

- in AIG Towarzystwo Funduszy Inwestycyjnych S.A.:

19,194 shares purchased October 7, 2004 for the amount of 200 thousands zlotys,

Unrealized revenue resulting from the increase in value of shares in AIG Towarzystwo Funduszy Inwestycyjnych S.A. amounted to 8 thousand zlotys as of the balance sheet date.

- in ING Towarzystwie Funduszy Inwestycyjnych S.A.

5,561 shares purchased June 8, 2005 for the amount of 1,000 thousands zlotys,

9,444 shares purchased June 16, 2005 for the amount of 1,700 thousands zlotys,

Unrealized revenue resulting from the increase in value of shares in ING Towarzystwie Funduszy Inwestycyjnych S.A. amounted to 7 thousand zlotys as of the balance sheet date.

(in thousands zlotys)

b) Loans granted and receivables

The parent company granted the following loans to its affiliates:

1. the company Merkury Energia – Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną odpowiedzialnością, spółka komandytowa in the amount of 2,750 thousand zlotys.

   The loan agreement was signed on June 25, 2004. The borrower is obliged to repay the loan in two equal installments on March 31, 2010 and October 31, 2010.

   The borrower uses the loan to finance and refinance payments to domestic and foreign subcontractors including these payments which result from investment needs to complete the signed agreements i.e. with Zakłady Koksownicze „Wałbrzych" S.A.

   Interest is calculated on monthly basis. The interest on the loan amounts to 10%.

   The interest due as of June 30, 2005 amounts to 251 thousand zlotys.

Reported as at June 30, 2005

Borrower	Date of agreement	Total limit of the loan according to the agreement (thd. zlotys)	Balance of the amount due	Balance of interest due	Date of repayment	Interest	End of grace period	Collateral
Mercury Energia-Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa Comax Spółka z ograniczoną Odpowiedzialnościa Spółka komandytowa	25.06.2004	2.750	2.750	251	31.10.2010	fixed, 10%	Interest calculated till March 205 will be capitalized, and the interest repayment from April 2005 will be on monthly basis	No collateral
TOTAL			**2.750**	**251**				

(in thousands zlotys)

c) Interest on loans granted

In the half year ended June 30, 2005 the Group did not realize revenue from loans granted. In the profit and loss account the interest accrued was incurred for the first half of the year 2005.

In the half year ended June 30, 2005 the interest accrued and realized resulting from the loans granted by the Company was as follows:

	Interest realized	Unrealized due within					Total interest
Half year ended June 30, 2005		**Till 3 months**	**3-12 months**	**1 – 5 years**	**> 5 years**	**Total unrealized**	
Interest on long term financial receivables from affiliates	-	-	-	-	251	251	251
Total	**-**	**-**	**-**	**-**	**251**	**251**	**251**

d) Financial assets available for sale

In February 2005 the Company took up shares in Interpep Spółka z ograniczoną odpowiedzialnością, EC Wizów, Spółka Komandytowa for the amount of 45 thousands zlotys and Interpep Spółka z ograniczoną odpowiedzialnością, EC Zakrzów, Spółka Komandytowa for the amount of 45 thousands zlotys.

40 Interest Rate Risk

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

Period of 6 months ended June 30, 2005

Variable interest rate

	<1year	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash	52 220	–	–	–	–	–	52 220
Bank loans amounting 18,195 thousands zlotys	2 835	2 638	2 982	3 306	2 087	4 347	18 195
Bank loans in EURO amounting 215 615 thousands zlotys	13 531	15 689	16 787	17 962	19 218	132 428	215 615

Year ended December 31, 2004

Variable interest rate

	<1rok	*1–2 lat*	*2-3 lat*	*3-4 lat*	*4-5 lat*	*>5 lat*	*Ogółem*
Cash	36 603	–	–	–	–	–	36 603
Bank loans amounting 20,989 thousands zlotys	4 408	2 503	2 797	3 152	2 954	5 174	20 989
Bank loans in EURO amounting 206,162 thousands zlotys	11 837	14 064	15 049	16 104	17 229	131 879	206 162

(in thousands zlotys)

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

41 Capital Group as lessor

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

in PLN Exchange rate PLN/EUR 4.0401	as at 30.06.2005 total	to 1 year	from 1 to 5 years	over 5 years
Gross investment lease	330 056	19 212	94 580	216 264
Net lease investment	250 925	13 636	71 904	165 386
Minimum lease payments	330 056	19 212	94 580	216 264
Unrealized financial revenues	79 131	5 576	22 677	50 878
Unguaranteed residual accruing to the lessor	-	-	-	-
Total provisions for doubtful debts resulting form minimum lease payments	-	-	-	-
Conditional lease payments	104 950	6 692	27 299	74 726

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

in PLN exchange rate PLN/EUR 4.079	as at 31.12.2004 total	to 1 year	from 1 to 5 years	over 5 years
Gross lease investment	338 249	18 542	92 575	227 132
Net lease investment	258 417	11 961	69 747	176 709
Minimum lease payments	338 249	18 542	92 575	227 132
Unrealized financial revenues	79 832	6 582	22 827	50 423
Unguaranteed residual accruing to the lessor				
Total provisions for doubtful debts resulting form minimum lease payments				
Conditional lease payments	110 425	7 893	27 463	82 484

Conditional lease payments recognized in the profit and loss account for the period January 1, 2004 – December 31, 2004 amounted to 10,495 thousands zlotys.

41.2 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 optimising 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 modernisation 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,

(in thousands zlotys)

- 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 modernisation 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.

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

a) Contingent liabilities

Contingent Liabilities to affiliates	**30.06.2005**	**31.12.2004**	**30.06.2004**
a) guarntees granted	10 500	-	-
- for associates	10 500		-
b) other (due from limited liability sum in LLPj), :	39 310	49 710	39 210
- to subsidiaries	38 650	38 550	38 550
- to associates	660	11 160	660
- to significant investor	-		-
- to parent company	-		-
c) other			42
Total contingent liabilities to affiliates	49 810	49 710	39 252

The collateral for bank loans comprises additional contingent liability described below.

In 1999 the Parent Company drew a long-term credit in BRE Bank S.A. in amount of PLN 11,850.0 thousand. The final repayment date is in July 2009.

The collateral for the credit is:

a) Mortgage amounting to PLN 600.0 thousand,

b) Own bill of exchange,

c) Registration Pledge– its value according to the base agreement equals USD 1,142.0 thousand,

d) Registration Pledge– its value according to the base agreement equals PLN 5,300 thousand,

e) Claims Security Assignment relating to the project.

The interest is based on WIBOR 1 month plus bank margin.

The liability outstanding as at June 30, 2005 relating to the abovementioned credit agreement amounts to PLN 6,970 thousand. According to the credit repayment schedule the amount of PLN 650 thousand was repaid in period from January 1, 2005 to June 30, 2005.

In December 1999 the Parent Company drew a long term credit for the purpose of building the Polar heat and power generating plant which amounted to PLN 17,332.0 thousand.

The final repayment date is in June 2012

The collateral for the credit is:

a) Power of attorney to dispose of the current account and debt servicing account in BRE Bank S.A.,

b) Agreement for security assignment (applying to the Polar investment),

c) Registration Pledge,

d) 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.

The interest is calculated based on the WIBOR plus margin, which is calculated based on the financial ration of the Company.

Debt outstanding as at June 30, 2005 resulting from this credit agreement amounts to PLN 10,751 thousand. According to the credit repayment schedule the amount of PLN 452 thousand was repaid in period from January 1, 2005 to June 30, 2005

On April 10, 2002 BRE Bank S.A. granted to the Subsidiary an investment credit up to the amount of €63,600.0 thousand intended for financing the SATURN project costs. The credit balance as at June 30, 2005 amounted to 53,307 thousand EUR. Interest accrued as of the balance sheet date amounted to 61 thousand EUR. The valuation was made based on the NBP average exchange rate. The bank loan amounts to 215,367 thousand zlotys and the accrued interest 248 thousand zlotys.

The collateral for the credit is:

a) Power of attorney to dispose of the current account and debt servicing account in BRE Bank S.A.

b) Agreement with BRE Bank about current account relating to project Saturn,

c) Registration Pledge on shares in Saturn Management Sp. z o.o. together with transfer of PEP S.A. rights,

d) Agreement between PEP S.A. and BRE relating to the Registration Pledge on bank transfer basis,

e) Pledge on PEP S.A. rights as the limited partner of the Subsidiary and PEP S.A. rights,

f) Agreement between SM sp. kom. And BRE relating to Registration Pledge on the rights to bank account access together with power of attorney,

g) Submission to execution,

h) Power of attorney for BRE Bank to dispose of all of the bank accounts of the borrower held in bank,

i) Agreement for transfer of title to BRE Bank of guarantee resulting from EPC contract,

j) Agreement for security transfer,

k) Agreement between PEP S.A. and BRE Bank S.A. relating to securing assignment - Saturn project,

l) Agreement for pledge over assets incorporated in the company's enterprise

m) Agreement on transfer for security, covering all current and future receivables up to the maximum amount,

n) Agreement for security transfer of title to BRE Bank SA of the ownership of the tangible fixed assets purchased from MONDI based on the Purchase / Sale Agreement together with all the relating rights from guarantees and warranties, including those granted by the producer,

o) Agreement on mortgage on perpetual usufruct and ownership of the buildings for BRE Bank,

p) Mortgage for BRE and Kreditanstalt fur Wiederaufbau in the amount of amounting to EUR 45 million each,

q) Agreement on cession of rights from General Agreement up to the amounts resulting from debt outstanding,

r) 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,

r) Guarantee of MONDI up to the amount being minimum of: amount of three months costs of debt and 3,000 thousand zlotys.

In 2005 BRE Bank S.A. granted to subsidiary Saturn Management Sp. z o.o. i Wspólnicy, Spółka komandytowa VAT facility up to the amount of 1,500 thousand zlotys, to finance the costs of project Saturn.

As of June 30, 2005 the outstanding debt amounted to 473 thousand zlotys. Interest accrued as of the balance sheet date amounted to 1 thousand zlotys.

The collateral for the credit is:

a) 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,

b) Security assignment of rights of the borrower from the Project documentation other than Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies,

c) German Guarantee Assignment Agreement of the borrower's rights to Diligent Execution Guarantees, Warranties and Obligations of the Parent Companies,

d) Power of attorney for BRE Bank to dispose of all of the bank accounts of the borrower held in bank,

e) Submission to execution according to the Article 97 of the Banking Act as of August 29 1997 until March 31, 2006.

In 2004 BRE Bank S.A. granted to subsidiary Saturn Management Sp. z o.o. i Wspólnicy, Spółka komandytowa overdraft facility up to the amount of 453 thousand zlotys, to finance current working capital. Till June 30, 2005 the loan was not used.

As at the balance sheet date the Parent Company had contingent liabilities secured on its assets relating to the performance of the Saturn project by subsidiary Saturn Management Spółka z o.o. i Wspólnicy, Spółka komandytowa.

Moreover, as at the balance sheet day the Parent Company established a pledge on its assets relating to the long-term credits liabilities.

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, 2005 all provisions for recognized and countable tax risks were calculated.

43 Profit appropriation

On March 23, 2005 the General Shareholders Meeting voted the resolution stating that:

- Changes to the resolution dated June 3, 2004 regarding coverage of loss incurred in 2003 in the amount of 8,138 thousand zlotys from addtional paid in capital
- The profit of the parent company for the year 2004 in the amount of 18,875 thousand PLN will apportioned to the reserve capital for dividend payment or advance for dividend
- Apportion of reserve capital for dividend payment from the profit for 2002 which in 2005 will not be apportioned.

On April 28, 2005 the partners of subsidiary Saturn Management Sp. z o.o. i Wspólnicy, Spółka komandytowa accepted the resolution that the net profit for the year 2004 will be paid as dividend.

44 Liabilities to State Budget or local authority budgets

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

45 Information on revenue, costs and results of discontinued operations

Till June 30, 2005 the Group did not discontinue any activities and no plans exist to discontinue any significant activity in the next period.

46 Information on initial costs for fixed assets and construction in progress for own purposes

The Group does not construct any fixed assets or construction in progress for its own purposes.

47 Information on significant related party transactions

As of the end of June 2005 the Capital Group reported sales to entities excluded from consolidation in the amount of 72 thousand zlotys.

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

(in thousands zlotys)

As at June 30, 2005

	Saturn Management Spółka z ograniczoną odpowiedzialnością i Wspólnicy , Spółka komandytowa	ENERGOPEP Spółka z ograniczona odpowiedzialnością EC Jeziorna Spółka komandytowa	Dipol Sp. z o.o.*	Razem jednostki podlegające konsolidacji	Saturn Management Sp. z o.o.*	ENERGOPEP Sp. z o.o.*	INTERPEP Sp. z o.o.*	Mercury Energia Przedsiębiorstwo Produkcyjno - Usługowe i Pośrednictwa Comax Sp. z o.o., Spółka komandytowa*	Interpep Spółka z ograniczoną odpowiedzialnością EC Wizów Spółka Komandytowa*	Interpep Spółka z ograniczoną odpowiedzialnością EC Wizów Spółka Komandytowa*	Total entities excluded from consolidation	Total related companies
Purchases	9	-	-	**9**	**-**	-	-	-	-	-	-	**9**
Sale of products	744	863	-	**1.607**	-	-	-	72	-	-	72	**1.679**
Sale of materials and goods	-	4.582	-	**4.582**	-	-	-	-	-	-	-	**4.582**
Total Sales	753	5.445	-	**6.198**	-	-	-	72	-	-	72	**6.270**
Receivables except for loans	292	3.529		**3.821**	-	-	-	-	-	-	-	**3.821**
Liabilities except for loans	9	337		**346**	-	-	-	-	-	-	-	**346**
Loans granted (in balance sheet)	5.113	-	546	**5.659**	-	-	-	2.750	-	-	2.750	**8.409**
Interest due(P&L)	32	-	8	**40**	-	-	-	251	-	-	251	**291**
Interest received (P&L)	280	-	5	**285**	-	-	-	-	-	-	-	**285**
Dividends received	9.384	-	**-**	**9.384**	**118**	**-**	**-**	-	**-**	**-**	**118**	**9.502**

* financial statements unaudited

(in thousands zlotys)

As at June 30, 2004

	Saturn Management Spółka z ograniczoną odpowiedzialnością i Wspólnicy , Spółka komandytowa	ENERGOPEP Spółka z ograniczona odpowiedzialnością EC Jeziorna Spółka komandytowa	Razem jednostki podlegające konsolidacji	Saturn Management Sp. z o.o.	ENERGOPEP Sp. z o.o.	INTERPEP Sp. z o.o.	Mercury Energia Przedsiębiorstwo Produkcyjno - Usługowe i Pośrednictwa Comax Sp. z o.o., Spółka komandytowa	Total entities excluded from consolidation	Total related companies
Purchases	-	178	**178**	-	-	-	-	**-**	**178**
Sale of products	222	899	**1.121**	-	-	-	-	**-**	**1.121**
Sale of materials and goods	-	3.726	**3.726**	-	-	-	-	**-**	**3.726**
Total Sales	-		**-**	-		-	-	**-**	**-**
Receivables except for loans	**222**	**4.625**	**4.847**	**-**	**-**	**-**	**-**	**-**	**4.847**
Liabilities except for loans	37	3.141	**3.178**	-		-	-	**-**	**3.178**
Loans granted (in balance sheet)	-	100	**100**	-	-	-	-	**-**	**100**
Interest due(P&L)	16.238	-	**16.238**	-	-	-	-	**-**	**16.238**
Interest received (P&L)	343	-	**343**	-	-	-	-	**-**	**343**
Dividends received	20.044	-	**20.044**	-	-	-	-	**-**	**20.044**

(in thousands zlotys)

48 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.

The capital expenditure is agreed between the parties of joint venture on yearly basis. Till June 30, 2005 the parent company spent for capital expenditure 2,560 thousand zlotys. The parent company expects to spend about 5,800 thousand zlotys in the period from June 30, 2005 to June 30, 2006.

Share in profits amounts to 50% for each party of the joint venture.

49 Employment

In 2004- 2005 the average employment in the Capital Group classified into groups, calculated as the average of the end of month levels, amounted to:

Number of employees	30.06.2005	30.06.2004
Blue collar employees	108	128
White collar employees	48	41
Total employment	**156**	**169**

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

In 2004 and 2005 the remuneration of the Management Board amounted to:

	30.06.2005	30.06.2004
Management Board		
Stephen Klein	194	-
Grzegorz Skarżyski	198	184
Anna Kwarcińska	158	185
Wojciech Cetnarski	-	-
Robert Stelmaszczyk	-	218

In 2004 and 2005 the Management Board Members and Supervisory Board Members of the parent company did not receive any remuneration resulting from being in the management boards of related companies.

Members of the Supervisory Bodies received remuneration in 2004 in the amount of 122 thousand zlotys. In 2003 Members of the Supervisory Bodies did not receive the remuneration.

(in thousands zlotys)

Till June 30, 2005 Members of the Supervisory Bodies received remuneration in the amount of 172 thousand zlotys, including Mr. Zbigniew Prokopowicz in the amount of 172 thousand zlotys. Other Supervisory Board Members did not receive any remuneration.

51 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 half year ended June 30, 2005 there were no transactions with Management Board Members and Supervisory Board Members.

52 Presentation of changes in Company's shares or rights to these shares (options) held by managing and supervising persons in the period of 6 months ended June 30, 2005

During the period of first half year ended June 30, 2005 there was and option plan for the management and employees in the parent company. The option plan is described in the table below:

Option plan beneficiaries	**Management and supervisory persons**	**Employees, other persons rendering services for the company or its subsidiaries and supervising persons**
Grant Date	30.09.2005/ 31.12.2005 and 30.09.2006/ 31.12.2006	30.09.2005/ 31.12.2005 and 30.09.2006/ 31.12.2006
Expiry date	01.09.2007	01.09.2007
No of shares in the program	203 420	121 996
No of options granted	203 420	0
Exercise price/share	2 PLN	2 PLN
Type of settlement	Share emission	Share emission
Conditions of exercise	- 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 average share price for the 6 months as at 30.09.2005/ 31.12.2005 and 30.09.2006/ 31.12.2006 respectively amounts to 1.74 USD recalculated to Polish zloty or other payment currency binding in Poland	Option grant through resolution of Management Board after positive opinion of Supervisory Board

The estimated fair value of one option as at June 30, 2005 amounts to 7.45 PLN. The fair value was estimated based on the valuation of the Capital Group as at June 30, 2005. The emission price at which the shares will be issued when the option is exercised is equal to its nominal value and amounts to 2 zlotys per one share.

The table below presents the change of number of options granted and average exercise price in the period of the first half year June 30, 2005.

(in thousands zlotys)

	Number of options	Average price
Number of options as at January 1, 2005	-	-
Options granted	203 420	-
Options exercised	-	-
Number of options as at June 30, 2005	203 420	-

The charge into the profit and loss account for the period of 6 months ended June 30, 2005 amounts to 700 thousand zlotys.

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.

On June 10, 2005 the Supervisory Board of PEP S.A. voted the resolution in which it gave power of attorney to the Chairman of the Supervisory Board to sign management contract with Wojciech Cetnarski – Vice-president, in which it obliged to regulating the condition for CEO Stephen Klein in which the Supervisory Board obliged itself to establish till December 31, 2005 establish till December 31, 2005 detailed regulation about the Management Option for Wojciech Cetnarski. Wojciech Cetnarski will be entitled to purchase till June 30, 2008 not more than 47 969 shares of new issue at the exercise price equal to 2 zlotys per share.

Conditions to exercise these options are as follows:

- The managing person is member of management board as at the option grant date
- The managing person has received vote of acceptance from the GSM for the proper financial year,

And especially in case of Wojciech Cetnarski's option

- Average stock price of the Company on the WSE for the period of 3 months before June 30, 2006, June 30, 2007, and June 30, 2008 will amount at least 8.74 zloty, 9.78 zloty and 10.96 zloty, respectively.

In case if it is indicates the Management Option may be exercised through warrant issue or other financial instrument, which entitle to Option Shares.

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

In the period of first half year ended June 30, 2005 there were no events relating to prior periods recognized in the current financial statements.

54 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 12, 2005, there were no events that were not, but should have been, disclosed in the consolidated financial statements.

55 Financial statements under hyper inflation

The cumulative average inflation rate for the last 3 years for each of the periods presented in this consolidated financial statement does not exceed the level of 100%. Therefore there is no need to prepare the additional disclosures recalculated with the inflation rate.

56 Business combinations

Till June 30, 2005 there were no business combinations within the Capital Group structure.