Polish Energy Partners Capital Group

CONSOLIDATED QUARTERLY REPORT FOR Q3 FY07 ENDED ON 30 SEPTEMBER 2007 DRAWN UP IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Warsaw, 29 October 2007

CONSOLIDATED BALANCE SHEETS Assets	30.09.2007	30.06.2007	31.12.2006	30.09.2006
I. Fixed assets (long-term)	**376 529**	**377 189**	**342 374**	**339 780**
1. Tangible fixed assets (PP&E)	142 917	147 654	103 705	77 043
2. Intangible assets	347	357	369	61
3. Goodwill of related parties	569	710	569	132
4. Investment property	-	-	-	-
5. Financial assets	681	349	516	11 727
6. Financial assets accounted for under the equity method	3 835	-	-	327
7. Long-term receivables	227 731	227 540	236 418	250 025
8. Deferred income tax assets	-	-	-	-
9. Other fixed assets	449	579	797	465
II. Current assets (short-term)	**120 913**	**97 236**	**83 824**	**73 923**
1. Inventories	7 374	11 570	8 126	2 741
2. Trade receivables	13 707	8 901	17 962	12 344
3. Income tax receivables	667	217	1	-
4. Other short-term receivables	21 808	21 104	27 085	19 370
5. Prepaid expenses	1 937	2 286	1 449	1 093
6. Other short-term assets	5 837	4 927	4 122	2 125
7. Short-term financial assets	-	-	-	1 285
8. Cash and cash equivalents	69 584	48 231	25 079	34 964
Total assets	**497 442**	**474 425**	**426 198**	**413 702**

CONSOLIDATED BALANCE SHEETS Liabilities	30.09.2007	30.06.2007	31.12.2006	30.09.2006
I. Equity	**139 827**	**122 285**	**106 742**	**103 661**
1. Share capital	37 310	36 979	36 979	36 511
2. Unpaid share capital	-	-	(132)	(106)
3. Share premium	29 083	28 124	28 124	27 837
4. Treasury shares	-	-	-	-
5. Reserve capital from the pricing of options	4 630	3 948	2 583	2 187
6. Other reserves	19 532	19 532	19 210	19 210
7. Profit (loss) brought forward from previous years	18 716	18 716	18 493	18 493
8. Net profit (loss)	29 665	14 076	549	(471)
9. Minority interests	890	910	936	-
II. Long-term payables	**314 532**	**309 749**	**276 140**	**252 593**
1. Borrowings (bank credits and loans)	303 152	299 415	266 005	242 439
2. Deferred income tax provision	2 945	1 803	1 395	983
3. Provisions	2 598	2 597	2 577	2 570
4. Accruals and deferred income	5 680	5 753	5 901	5 962
5. Other payables	158	181	262	639
III. Short-term payables	**43 083**	**42 391**	**43 316**	**57 449**
1 . Borrowings (bank credits and loans)	29 662	27 838	25 888	22 242
2. Trade payables	1 683	2 391	8 396	30 538
3. Income tax liabilities	4 766	1 775	152	99
4. Other payables	2 501	3 461	2 237	848
5. Provisions	2 400	2 668	2 627	2 554
6. Accruals and deferred income	2 072	4 258	4 016	1 167
Total liabilities	**497 442**	**474 425**	**426 198**	**413 702**

CONSOLIDATED PROFIT AND LOSS (P&L) ACCOUNTS	**Q3 30.09.2007**	**Q3 30.09.2006**	**30.09.2007**	**30.09.2006**
CONTINUED OPERATIONS				
I. Revenues from sales	28 620	13 564	68 248	45 691
Ia. Revenues from certificates of origin	1 636	-	6 131	-
II. Selling costs	(11 647)	(6 036)	(31 754)	(22 365)
III. Gross profit on sales (I-II)	**18 609**	**7 530**	**42 625**	**23 326**
IV. Costs of sales	-	-	-	-
V. General administrative expenses	(3 311)	(2 944)	(10 501)	(9 943)
including: pricing of executive share options	(682)	(397)	(2 047)	(1 155)
VI. Profit on sales (III-IV-V)	**15 298**	**4 586**	**32 125**	**13 384**
VII. Other operating revenues	278	36	800	1 127
VIII. Other operating expenses	(128)	(11)	(160)	(16 728)
IX. Operating profit (VI+VII-VIII)	**15 448**	**4 610**	**32 765**	**(2 217)**
X. Financial revenues	8 710	2 823	19 111	10 956
including: profit recognised for the subsidiary SM	0	-	0	-
XI. Financial expenses	(4 766)	(2 832)	(14 631)	(7 923)
XII. Share in net profits (losses) of associates	(4)	(407)	(4)	(429)
XIII. Profit (loss) before tax (IX+X-XI+/-XII)	**19 388**	**4 194**	**37 241**	**385**
XIV. Income tax	3 819	1 026	7 621	855
XV. Net profit (loss) from continued operations	**15 568**	**3 169**	**29 619**	**(471)**
DISCONTINUED OPERATIONS				
XVI. Profits (losses) from discontinued operations			-	-
XVII. Net profit (loss) for the fiscal year	15 568	3 169	29 619	(471)
Net profit (loss) of:	**15 568**	**3 169**	**29 619**	**(471)**
Shareholders of the parent company	15 589	3 169	29 665	(471)
Minority shareholders	(21)	-	(46)	-
Net profit (loss)	15 568	3 169	29 619	(471)
Weighted average number of ordinary shares	18 467 914	18 255 581	18 467 914	18 255 581
Profit (loss) per ordinary share (EPS) (in PLN)	**0.84**	**0.17**	**1.60**	**(0.03)**
Weighed average diluted number of ordinary shares	18 467 914	18 255 581	18 467 914	18 255 581
Diluted profit (loss) per ordinary share (in PLN)	**0.84**	**0.17**	**1.60**	**(0.03)**

FINANCIAL REVENUES				
	Q3	Q3		
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
a) financial revenues from dividends and profit sharing	-	54	-	54
b) financial revenues from interest on loans granted	398	(11)	568	625
c) other interest	3 639	3 449	10 837	8 518
interest on leased/rented assets	707	509	2 281	1 503
d) foreign exchange differences	(246)	(568)	2 513	1 546
- unrealised	(1 230)	(647)	(4 950)	2 231
- realised	984	79	7 463	(686)
e) reduction of a revaluation write-down of receivables	-	-	-	-
f) income from securities	-	21	-	50
g) other financial revenues (including profit from the increase in share capital)	4 920	(123)	5 193	163
Total financial revenues	**8 710**	**2 823**	**19 111**	**10 956**

FINANCIAL EXPENSES				
	Q3	Q3		
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
a) financial expenses – interest	4 763	2 727	13 904	7 646
b) foreign exchange differences	(69)	-	417	-
- unrealised	(4 887)	-	(4 432)	-
- realised	4 818	-	4 849	-
c) increase of revaluation write-down	-	-	-	-
d) commissions and other loan fees	48	20	250	130
e) other financial expenses	24	85	60	147
Total financial expenses	**4 766**	**2 832**	**14 631**	**7 923**

CONSOLIDATED CASH FLOW STATEMENTS	Q3 30.09.2007	Q3 30.09.2006	30.09.2007	30.09.2006
A. Cash flow from operations – indirect method				
I. Gross profit (loss)	**19 388**	**4 194**	**37 241**	**385**
II. Total adjustments	**1 741**	**(5 968)**	**11 755**	**15 499**
1. Share in net profits (losses) of related parties accounted for under the equity method	4	407	4	429
2. Amortisation and depreciation	2 312	595	6 896	2 033
3. Foreign exchange (gains) losses	224	582	(2 402)	(282)
4. Interest and profit sharing (dividends)	752	(707)	3 185	(746)
5. Profit (loss) from investments	(31)	(3)	(33)	6
6. Income tax	(196)	(242)	(2 129)	(1 136)
7. Change in provisions	(267)	(119)	(206)	1 074
8. Change in inventories	4 196	(440)	752	(450)
9. Change in receivables	(4 223)	(4 900)	11 967	4 695
10. Change in short-term payables, excluding credits and loans	(962)	(4 607)	(5 980)	(2 030)
11. Change in prepaid expenses, accruals and deferred income	(2 381)	1 806	(3 977)	(207)
12. Other adjustments	2 314	1 660	3 679	12 113
III. Net cash flow from operations (I+/-II)	**21 128**	**(1 774)**	**48 996**	**15 884**
B. Cash flow from investments				
I. Inflows	**7 606**	**8 093**	**23 138**	**20 881**
1. Sale of intangible assets and tangible fixed assets	-	1 179	5	1 179
2. Sale of investments in real property and intangible assets	-	-	-	-
3. From financial assets, including:	(160)	54	-	54
- dividends and profit sharing	(160)	54	-	54
4. Other inflows from investments	7 766	6 860	23 133	19 648
II. Outflows	**8 531**	**22 170**	**61 849**	**36 804**
1. Acquisition of intangible assets and tangible fixed assets	94	1 169	46 096	6 188
2. Investments in real property and intangible assets	-	-	-	-
3. On financial assets, including:	3 754	434	3 901	5 827
- acquisition of financial assets	150	242	247	687
- long-term loans granted	3 604	192	3 654	5 140
4. Dividends and other shares in profits paid to the minority	-	-	-	-
5. Acquisition of a subsidiary after deduction of cash taken over	(120)	-	(120)	-
6. Other outflows on investments	4 803	20 567	11 972	24 789
III. Net cash flow from investments (I-II)	**(925)**	**(14 077)**	**(38 711)**	**(15 923)**
C. Cash flow from financial activity				
I. Inflows	**11 572**	**26 119**	**82 894**	**27 542**
1. Net inflows from the issue of shares and other equity instruments, as well as additional paid-in capital	1 289	105	1 421	694
2. Credits and loans	10 283	20 114	81 473	20 948
3. Issue of debt securities	-	-	-	-
4. Other financial inflows	-	5 900	-	5 900
II. Outflows	**10 671**	**8 696**	**48 544**	**34 012**
1. Buy-back of treasury shares	-	-	-	-
2. Dividends and other payments to owners	1	1	8	9 193
3. Outflows related to distribution of profit other than payments to owners	-	-	-	-
4. Repayment of credits and loans	5 880	5 725	34 450	16 802
5. Redemption of debt securities	-	-	-	-
6. Other financial payables	-	-	-	-
7. Payments arising from finance lease agreements	38	14	112	163
8. Interest	4 752	2 956	13 974	7 854
9. Other financial outflows	-	-	-	-
III. Net cash flow from financial activity (I-II)	**901**	**17 423**	**34 350**	(6 470)
D. Total net cash flow (A.III+/-B.III+/-C.III)	**21 104**	**1 572**	**44 635**	(6 509)
E. Total cash flow balance, including:	**21 355**	**1 401**	**44 535**	(6 644)
- change in cash – foreign exchange differences	251	(171)	(100)	(135)
F. Opening cash balance	**48 280**	**34 903**	**25 101**	**42 949**
G. Closing cash balance, including:	**69 636**	**36 304**	**69 636**	**36 304**
- restricted cash	307	68	307	68

	Q3	Q3		
Reconciliation of cash presented in the consolidated cash flow statement with items of the consolidated balance sheet	**30.09.2007**	**30.09.2006**	**30.09.2007**	**30.09.2006**
Short-term financial assets – balance sheet	-	1 285	-	1 285
Cash and cash equivalents – balance sheet	69 584	34 964	69 584	34 964
Cash – Company Social Fund	52	55	52	55
Total	69 636	36 304	69 636	36 304
	-	-		
Closing cash balance in the consolidated cash flow statement	69 636	36 304	69 636	36 304
Presentation of borrowings (cash flow statement)	**30.09.2007**	**30.09.2006**	**30.09.2007**	**30.09.2006**
C.I.2 Inflows from credits and loans	10 283	20 114	81 473	20 948
C.II.4 Repayments of credits and loans	(5 880)	(5 725)	(34 450)	(16 802)
Changes in borrowings, including:	**4 403**	**14 389**	**47 023**	**4 146**
net investment credits taken out	(381)	12 303	47 023	4 271
net VAT credit taken out/repaid	4 784	2 086	-	(125)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	**Share capital**	**Unpaid share capital**	**Share premium**	**Reserve capital from the pricing of options**	**Other reserves**	**Retained profit/accumulated loss brought forward from previous years**	**Net profit/loss**	**Minority interests**	**TOTAL**
Opening balance equity – 01.01.2007	**36 979**	**(132)**	**28 124**	**2 583**	**19 210**	**19 042**	**-**	**936**	**106 742**
Changes in equity in the period	**331**	**132**	**959**	**2 047**	**322**	**(325)**	**29 665**	**(46)**	**33 086**
a) increase	**331**	**-**	**959**	**2 047**	**322**	**-**	**29 665**	**-**	**33 324**
- net profit	-	-	-	-	-	-	29 665	-	29 665
- issue of shares	331	-	-	-	-	-	-	-	331
- share issue above share nominal value	-	-	959	-	-	-	-	-	959
- distribution of profit brought forward from previous years	-	-	-	-	322	-	-	-	322
- write-offs related to the executive share option scheme	-	-	-	2 047	-	-	-	-	2 047
b) reduction	**-**	**(132)**	**-**	**-**	**-**	**325**	**-**	**46**	**239**
- net loss	-	-	-	-	-	-	-	46	46
- payment of dividend	-	(132)	-	-	-	-	-	-	(132)
- offset of loss	-	-	-	-	-	-	-	-	-
- transfer to reserves	-	-	-	-	-	325	-	-	325
Closing balance equity – 30.09.2007	**37 310**	**-**	**29 083**	**4 630**	**19 532**	**18 717**	**29 665**	**890**	**139 827**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	**Share capital**	**Unpaid share capital**	**Share premium**	**Reserve capital from the pricing of options**	**Other reserves**	**Retained profit/accumulated loss brought forward from previous years**	**Net profit/loss**	**Minority interests**	**TOTAL**
Opening balance equity – 01.01.2007	**36 979**	**(132)**	**28 124**	**2 583**	**19 210**	**19 042**	**-**	**936**	**106 742**
Changes in equity in the period	**-**	**132**	**-**	**1 365**	**322**	**(326)**	**14 076**	**(26)**	**15 543**
a) increase	**-**	**-**	**-**	**1 365**	**322**	**-**	**14 076**	**-**	**15 763**
- net profit	-	-	-	-	-		14 076	-	14 076
- issue of shares	-	-	-	-	-	-	-	-	-
- share issue above share nominal value	-	-	-	-	-	-	-	-	-
- distribution of profit brought forward from previous years	-	-	-	-	322	-	-	-	322
- write-offs related to the executive share option scheme	-	-	-	1 365	-	-	-	-	1 365
b) reduction	**-**	**(132)**	**-**	**-**	**-**	**326**	**-**	**26**	**220**
- net loss	-	-	-	-	-	-	-	26	26
- payment of dividend	-	(132)	-	-	-	-	-	-	(132)
- offset of loss	-	-	-	-	-	-	-	-	-
- transfer to reserves	-	-	-	-	-	326	-	-	326
Closing balance equity – 30.06.2007	**36 979**	**-**	**28 124**	**3 948**	**19 532**	**18 717**	**14 076**	**911**	**122 286**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	**Share capital**	**Unpaid share capital**	**Share premium**	**Reserve capital from the pricing of options**	**Other reserves**	**Retained profit/accumulated loss brought forward from previous years**	**Net profit/loss**	**Minority interests**	**TOTAL**
Opening balance equity – 01.01.2006	**36 369**	**(378)**	**28 321**	**1 032**	**28 267**	**18 010**	**-**	**-**	**111 621**
Changes in equity in the period	**610**	**246**	**(197)**	**1 551**	**(9 057)**	**483**	**549**	**936**	**(4 879)**
a) increase	**610**	**(610)**	**286**	**1 551**	**-**	**-**	**549**	**966**	**3 352**
- net profit	-	-	-	-	-	-	549	-	549
- issue of shares	610	(610)	-	-	-	-	-	-	-
- transfer of share premium	-	-	286	-	-	-	-	-	286
- statutory distribution of profit	-	-	-	-	-	-	-	966	966
- write-offs related to the executive share option scheme	-	-	-	1 551	-	-	-	-	1 551
b) reduction	**-**	**(856)**	**483**	**-**	**9 057**	**(483)**	**-**	**30**	**8 231**
- net loss	-	-	-	-	-	-	-	30	30
- payment of dividend	-	-	-	-	9 057	-	-	-	9 057
- payments due	-	(856)	-	-	-	-	-	-	(856)
- offset of loss	-	-	483	-	-	(483)	-	-	-
Closing balance equity – 31.12.2006	**36 979**	**(132)**	**28 124**	**2 583**	**19 210**	**18 493**	**549**	**936**	**106 742**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	**Share capital**	**Unpaid share capital**	**Share premium**	**Reserve capital from the pricing of options**	**Other reserves**	**Retained profit/accumulated loss brought forward from previous years**	**Net profit/loss**	**Minority interests**	**TOTAL**
Opening balance equity – 01.01.2006	**36 369**	**(378)**	**28 321**	**1 032**	**28 267**	**18 010**	**-**	**-**	**111 621**
Changes in equity in the period	**142**	**272**	**(483)**	**1 155**	**(9 057)**	**483**	**(471)**	**-**	**(7 959)**
a) increase	**142**	**-**	**-**	**1 155**	**-**	**483**	**-**	**-**	**1 780**
- net profit	-	-	-	-	-	-	-	-	-
- issue of shares	142	-	-	-	-	-	-	-	142
- distribution of profit brought forward from previous years	-	-	-	-	-	483	-	-	483
- write-offs related to the executive share option scheme	-	-	-	1 155	-	-	-	-	1 155
b) decrease	**-**	**(272)**	**483**	**-**	**9 057**	**-**	**471**	**-**	**9 739**
- net loss	-	-	483	-	-	-	471	-	954
- payments to capital	-	(272)	-	-	-	-	-	-	(272)
- dividends	-	-	-	-	9 057	-	-	-	9 057
Closing balance equity – 30.09.2006	**36 511**	**(106)**	**27 837**	**2 187**	**19 210**	**18 493**	**(471)**	**-**	**103 661**

Condensed quarterly financial statement of PEP S.A. for Q3 ended on 30 September 2007

BALANCE SHEET **A s s e t s**	30.09.2007	30.06.2007	31.12.2006	30.09.2006
I. Fixed assets (long-term)	**101 929**	**100 460**	**104 622**	**106 085**
1. Tangible fixed assets (PP&E)	940	1 004	1 080	1 760
2. Intangible assets	326	335	353	43
3. Investment property	23 114	23 654	24 665	24 360
4. Financial assets	77 385	75 303	78 178	77 379
5. Long-term receivables	6	6	6	6
6. Deferred income tax assets	-	-	182	741
7. Other fixed assets	158	158	158	1 796
II. Current assets (short-term)	**50 474**	**35 782**	**18 779**	**12 015**
1. Inventories	5 588	8 496	7 591	561
2. Trade receivables	6 292	5 959	5 259	4 342
3. Income tax receivables	-	60	-	-
4. Other short-term receivables	206	1 153	1 158	181
5. Prepaid expenses	355	374	165	92
6. Short-term financial assets	-	-	-	-
7. Cash and cash equivalents	38 033	19 740	4 606	6 839
T o t a l a s s e t s	**152 403**	**136 242**	**123 401**	**118 100**

BALANCE SHEET **L i a b i l i t i e s**	30.09.2007	30.06.2007	31.12.2006	30.09.2006
I. Equity	**116 906**	**105 025**	**87 089**	**87 626**
1. Share capital	37 310	36 979	36 979	36 511
2. Unpaid share capital	-	-	(132)	(106)
3. Share premium	29 083	28 124	28 124	27 837
4. Treasury shares	-	-	-	-
5. Reserve capital from the pricing of options	4 630	3 948	2 583	2 187
6. Other reserves	19 532	19 532	19 210	19 210
7. Profit (loss) brought forward from previous years	-	-	-	-
8. Net profit (loss)	26 351	16 442	325	1 987
9. Minority interests	-	-	-	-
II. Long-term payables	**16 606**	**17 094**	**18 353**	**20 464**
1. Borrowings (bank credits and loans)	13 144	14 103	15 958	17 711
2. Deferred income tax provision	1 147	656	-	-
3. Provisions	2 156	2 153	2 132	2 113
4. Accruals and deferred income	1	1	1	1
5. Other payables	158	181	262	639
III. Short-term payables	**18 891**	**14 123**	**17 959**	**10 010**
1. Borrowings (bank credits and loans)	4 069	3 923	3 736	2 686
2. Trade payables	884	783	5 477	1 568
3. Income tax liabilities	4 766	1 775	152	99
4. Other payables	7 565	6 040	6 422	3 805
5. Provisions	1 152	1 152	1 275	1 243
6. Accruals and deferred income	455	450	897	609
T o t a l l i a b i l i t i e s	**152 403**	**136 242**	**123 401**	**118 100**

	Q3	Q3		
PROFIT AND LOSS ACCOUNT	**30.09.2007**	**30.09.2006**	**30.09.2007**	**30.09.2006**
CONTINUED OPERATIONS				
I. Revenues from sales	**22 819**	**3 596**	**29 931**	**14 098**
II. Selling costs	(6 123)	(2 275)	(11 260)	(7 940)
III. Gross profit on sales (I-II)	**16 696**	**1 321**	**18 671**	**6 158**
IV. Costs of sales	-	-	-	-
V. General administrative expenses (including: pricing of executive share options)	(2 689)	(2 370)	(8 210)	(7 794)
including: pricing of executive share options	(682)	(397)	(2 047)	(1 155)
VI. Profit on sales (III-IV-V)	**14 007**	**(1 049)**	**10 461**	**(1 636)**
VII. Other operating revenues	2	10	766	1 048
VIII. Other operating expenses	(605)	(739)	(758)	(16 925)
IX. Operating profit (VI+VII-VIII)	**13 404**	**(1 778)**	**10 469**	**(17 513)**
X. Financial revenues	653	343	23 665	21 509
including: profit recognised for the subsidiary SM	-	-	22 217	20 363
XI. Financial expenses	(470)	(335)	(1 155)	(2 164)
XII. Share in net profits (losses) of associates	-	-	-	-
XIII. Profit (loss) before tax (IX+X-XI+/-XII)	**13 587**	**(1 770)**	**32 979**	**1 832**
XIV. Income tax	3 678	886	6 628	(155)
XV. Net profit (loss) from continued operations	**9 909**	**(2 656)**	**26 351**	**1 987**

DISCONTINUED OPERATIONS				
XVI. Profits (losses) from discontinued operations				
XVII. Net profit (loss) for the fiscal year	**9 909**	**(2 656)**	**26 351**	**1 987**

Net profit (loss) of:	**9 909**	**(2 656)**	**26 351**	**1 987**
Shareholders of the parent company				
Minority shareholders				

Net profit (loss)	9 909	(2 656)	26 351	1 987
Weighted average number of ordinary shares	18 467 914	18 255 581	18 467 914	18 255 581
Profit (loss) per ordinary share (EPS) (in PLN)	**0.54**	**(0.15)**	**1.43**	**0.11**
Weighed average diluted number of ordinary shares	**18 467 914**	**18 255 581**	**18 467 914**	**18 255 581**
Diluted profit (loss) per ordinary share (in PLN)	**0.54**	**(0.15)**	**1.43**	**0.11**

CASH FLOW STATEMENT	Q3 30.09.2007	Q3 31.09.2006	30.09.2007	31.09.2006
A. Cash flow from operations – indirect method				
I. Gross profit (loss)	**13 587**	**(1 770)**	**32 979**	**1 832**
II. Total adjustments	**3 308**	**(1 004)**	**(22 254)**	**(6 075)**
1. Share in net profits (losses) of related parties accounted for under the equity method	-	-	-	-
2. Amortisation and depreciation	637	557	1 894	1 946
3. Foreign exchange (gains) losses	35	31	56	697
4. Interest and profit sharing (dividends)	(168)	(299)	(22 150)	(20 079)
5. Profit (loss) from investments	-	-	-	9
6. Income tax	(196)	(241)	(690)	(1 134)
7. Change in provisions	3	63	(99)	63
8. Change in inventories	1 348	(1 404)	2 005	(588)
9. Change in receivables	557	265	(182)	2 255
10. Change in short-term payables, excluding credits and loans	393	(1 462)	(4 503)	(1 560)
11. Change in prepaid expenses, accruals and deferred income	17	1 091	(630)	(942)
12. Other adjustments	682	395	2 045	13 258
III. Net cash flow from operations (I+/-II)	**16 895**	**(2 774)**	**10 725**	**(4 243)**
B. Cash flow from investments				
I. Inflows	**1 689**	**1 616**	**29 188**	**15 102**
1. Sale of intangible assets and tangible fixed assets	-	-	-	-
2. Sale of investments in real property and intangible assets	-	-	-	-
3. From financial assets, including:	1 689	1 616	29 188	15 102
- sale of financial assets	120	-	120	-
- dividends and profit sharing	1 569	1 687	23 279	15 102
- repayment of long-term loans granted	-	-	-	-
- interest	-	(71)	-	-
- other inflows from financial assets	-	-	5 789	-
4. Other inflows from investments	-	-	-	-
II. Outflows	**399**	**363**	**4 376**	**9 170**
1. Acquisition of intangible assets and tangible fixed assets	22	729	175	3 186
2. Investments in real property and intangible assets	-	-	-	-
3. On financial assets, including:	1 954	434	4 201	5 827
- acquisition of financial assets	150	242	247	687
- long-term loans granted	1 804	192	3 954	5 140
4. Dividends and other shares in profits paid to the minority	-	-	-	-
5. Other outflows on investments	(1 577)	(800)	-	157
III. Net cash flow from investments (I-II)	**1 290**	**1 253**	**24 812**	**5 932**
C. Cash flow from financial activity				
I. Inflows	**1 289**	**144**	**1 421**	**1 075**
1. Net inflows from the issue of shares and other equity instruments, as well as additional paid-in capital	1 289	105	1 421	414
2. Credits and loans	-	39	-	661
3. Issue of debt securities	-	-	-	-
4. Other financial inflows	-	-	-	-
II. Outflows	**1 144**	**896**	**3 475**	**12 090**
1. Buy-back of treasury shares	-	-	-	-
2. Dividends and other payments to owners	-	-	-	9 057
3. Outflows related to distribution of profit other than payments to owners	-	-	-	-
4. Repayment of credits and loans	812	437	2 481	1 815
5. Redemption of debt securities	-	-	-	-
6. Other financial payables	-	-	-	-
7. Payments arising from finance lease agreements	38	14	112	163
8. Interest	294	445	882	1 055
9. Other financial outflows	-	-	-	-
III. Net cash flow from financial activity (I-II)	**145**	**(752)**	**(2 054)**	**(11 015)**
D. Total net cash flow (A.III+/-B.III+/-C.III)	**18 330**	**(2 273)**	**33 483**	**(9 326)**
E. Total cash flow balance, including:	**18 293**	**(2 208)**	**33 427**	**(10 023)**
- change in cash – foreign exchange differences	(35)	65	(56)	(697)
F. Opening cash balance	**19 740**	**9 047**	**4 606**	**16 862**
G. Closing cash balance (F+/-D), including:	**38 033**	**6 839**	**38 033**	**6 839**
- restricted cash	-	-	-	-

STATEMENT OF CHANGES IN EQUITY	Share capital	Unpaid share capital	Share premium	Treasury shares	Reserve capital from the pricing of options	Other reserves	Retained profit/accumulated loss brought forward from previous years	Net profit/loss
in PLN '000								
Opening balance equity – 01.01.2007	**36 979**	**(132)**	**28 124**	**-**	**2 583**	**19 210**	**325**	**-**
Changes in equity in the period	**331**	**132**	**959**	**-**	**2 047**	**322**	**(325)**	**26 351**
a) increase	**331**	**-**	**959**	**-**	**2 047**	**322**	**(325)**	**-**
- net profit	-	-	-	-	-	-	(325)	-
- issue of shares	331		-	-	-	-	-	-
- share issue above share nominal value	-	-	959	-	-	-	-	-
- distribution of profit brought forward from previous years	-		-	-	-	322		-
- write-offs related to the executive share option scheme	-	-	-	-	2 047	-	-	-
b) reduction	**-**	**(132)**	**-**	**-**	**-**	**-**	**-**	**(26 351)**
- net loss	-	-	-	-	-	-	-	(26 351)
- payments to capital	-	(132)	-	-	-	-	-	-
- dividends	-	-	-	-	-	-	-	-
- offset of loss	-	-	-	-	-	-	-	-
- transfer to reserves	-	-	-	-	-	-	-	-
Closing balance equity – 30.09.2007	**37 310**	**-**	**29 083**	**-**	**4 630**	**19 532**	**-**	**26 351**

Opening balance equity – 01.01.2007	**36 979**	**(132)**	**28 124**	**-**	**2 583**	**19 210**	**325**	**-**
Changes in equity in the period	**-**	**132**	**-**	**-**	**1 365**	**322**	**(325)**	**16 442**
a) increase	**-**	**-**	**-**	**-**	**1 365**	**322**	**(325)**	**16 442**
- net profit	-	-	-	-	-	-	(325)	16 442
- issue of shares	-	-	-	-	-	-	-	-
- share issue above share nominal value	-	-	-	-	-	-	-	-
- distribution of profit brought forward from previous years	-	-	-	-	-	322	-	-
- write-offs related to the executive share option scheme	-	-	-	-	1 365	-	-	-
b) reduction	**-**	**(132)**	**-**	**-**	**-**	**-**	**-**	**-**
- net loss	-	-	-	-	-	-	-	
- payment of dividend	-	(132)	-	-	-	-	-	-
- offset of loss	-	-	-	-	-	-	-	-
- transfer to reserves	-	-	-	-	-	-	-	-
Closing balance equity – 30.06.2007	**36 979**	**-**	**28 124**	**-**	**3 948**	**19 532**	**-**	**16 442**

Opening balance equity – 01.01.2006	**36 369**	**(378)**	**28 321**	**-**	**1 032**	**28 267**	**(483)**	
Changes in equity in the period	**610**	**246**	**(197)**	**-**	**1 551**	**(9 057)**	**483**	**325**
a) increase	**610**	**-**	**287**	**-**	**1 551**	**-**	**483**	**325**
- net profit	-	-	287	-	-	-	-	325
- issue of shares	610	-	-	-	-	-	-	
- distribution of profit brought forward from previous years	-	-	-	-	-	-	483	
- write-offs related to the executive share option scheme	-	-	-	-	1 551	-	-	
b) reduction	**-**	**(246)**	**484**	**-**	**-**	**9 057**	**-**	
- net loss	-	-	484	-	-	-	-	
- payments to capital	-	(246)	-	-	-	-	-	
- dividends	-	-	-	-	-	9 057	-	
- offset of loss	-	-	-	-	-	-	-	
- transfer to reserves	-	-	-	-	-	-	-	
Closing balance equity – 31.12.2006	**36 979**	**(132)**	**28 124**	**-**	**2 583**	**19 210**	**-**	**325**

STATEMENT OF CHANGES IN EQUITY	**Share capital**	**Unpaid share capital**	**Share premium**	**Treasury shares**	**Reserve capital from the pricing of options**	**Other reserves**	**Retained profit/accumulated loss brought forward from previous years**	**Net profit/loss**
in PLN '000								
Opening balance equity – 01.01.2006	**36 369**	**(378)**	**28 321**	**-**	**1 032**	**28 267**	**(483)**	**-**
Changes in equity in the period	**142**	**272**	**(484)**	**-**	**1 155**	**(9 057)**	**483**	**1 987**
a) increase	**142**	**-**	**-**	**-**	**1 155**	**-**	**483**	**1 987**
- net profit	-	-	-	-	-	-	-	1 987
- issue of shares	142	-	-	-	-	-	-	-
- share issue above share nominal value	-	-	-	-	-	-	-	-
- distribution of profit brought forward from previous years	-	-	-	-	-		483	-
- write-offs related to the executive share option scheme	-	-	-	-	1 155	-	-	-
b) reduction	**-**	**(272)**	**484**	**-**	**-**	**9 057**	**-**	**-**
- net loss	-	-	484	-	-	-	-	
- payments to capital	-	(272)	-	-	-		-	-
- dividends	-	-	-	-	-	9 057	-	-
- offset of loss	-	-	-	-	-	-	-	-
- transfer to reserves	-	-	-	-	-	-	-	-
Closing balance equity – 30.09.2006	**36 511**	**(106)**	**27 837**	**-**	**2 187**	**19 210**	**-**	**1 987**

Notes to the financial statement for Q3 FY 2007 ended on 30 September 2007

1 Adopted accounting principles (policy)

1.1 Changes in the adopted accounting principles

The Company changed the presentation of costs of wind farms development. Following a detailed analysis of the operating cycle of the wind farm development process, the related costs whose usefulness was found probable were recognised in inventories; in the previous reporting periods, they were recognised as other fixed assets. The Group re-classified the comparative data accordingly.

The accounting principles adopted in the condensed interim financial statement are consistent with those applied in the Company's annual financial statement drawn up for the fiscal year ended on 31 December 2006, except for the following changes of standards and new interpretations effective for annual periods beginning on or after January 1, 2007:

- IAS 1 Presentation of Financial Statements – Equity-related disclosures. The Group applied the amended principles of IAS 1. New disclosures were presented in Note 17: Equity management.
- IFRS 7: Financial Instruments: disclosures and measurement. The Group applied IFRS 7. The key amendments were included in Note 6: Objectives and principles of financial risk management.
- IFRIC 7 Applying the Restatement Approach under IAS 29 “Financial Reporting in Hyperinflationary Economies”. The Group applied IFRIC Interpretation 7. Application of this Interpretation had no effect on the Group’s financial statement.
- IFRIC 8 Scope of IFRS 2. The Group adopted IFRIC Interpretation 8. The Group reviewed its transactions involving share-based payments (or liabilities incurred by the Group based on the value of equity instruments) in consideration of goods or services received, and identified no transactions which would require the amended recognition following the application of IFRIC 8.
- IFRIC 9 Reassessment of Embedded Derivatives. The Group applied IFRIC Interpretation 9. IFRIC 9 requires that an entity must assess whether a host contract includes an embedded derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the resulting cash flows. Application of this Interpretation had no significant effect on the disclosure of the Group’s embedded derivatives.
- IFRIC 10 Interim Financial Reporting and Impairment. The Group applied IFRIC Interpretation 10. According to this Interpretation, an entity shall not reverse an impairment loss recognised in an interim period in respect of goodwill or an investment in an equity instrument classified as available for sale. Application of this Interpretation had no effect on this financial statement.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – effective for annual periods beginning on or after 1 January 2008 – until this financial statement is approved; not endorsed by the EU.

According to the Board of Directors, application of the above standards and interpretations shall have no significant effect on the Group’s accounting principles (policy).

1.2 New standards and interpretations already published but not yet effective

The following new standards and interpretations have been published by the International Accounting Standards Board (IASB) or International Financial Reporting Standards Interpretation Committee (IFRIC), but have not come into effect yet:

- IFRS 8: Operating Segments – effective for annual periods beginning on or after 1 January 2009 until this financial statement is approved; not endorsed by the EU.
- IAS 23: Borrowing costs (amended in March 2007) – effective for annual periods beginning on or after January 2009 until this financial statement is approved; not endorsed by the EU.
- IFRIC Interpretation 11: Group and Treasury Share Transactions – effective for annual periods beginning on or after 1 March 2007.
- IFRIC Interpretation 12: Service Concession Arrangements – effective for annual periods beginning on or after 1 January 2008 until this financial statement is approved; not endorsed by the EU.
- IFRIC Interpretation 13 Customer Loyalty Programmes – effective for annual periods beginning on or after 1 January 2008 until this financial statement is approved; not endorsed by the EU.

According to the Board of Directors, application of the above standards and interpretations shall have no significant effect on the Group's accounting principles (policy).

1.3 Basis of the consolidated financial statement

The consolidated financial statement has been drawn up in compliance with the International Accounting Standards / International Financial Reporting Standards (IAS/IFRS) and covers the period from 1 January 2007 to 30 September 2007 and the comparative period from 1 January 2006 to 30 September 2006. The consolidated financial statement has been drawn up in accordance with the historical cost principle (modified for financial instruments carried at fair value).

This financial statement and comparative data for the 9-month period ended on 30 September 2006 was audited by a certified auditor (statutory review), and the comparative data for the fiscal year ended on 31 December 2006 was reviewed by a certified auditor.

1.4 Declaration of compliance with IFRS

This consolidated interim financial statement has been drawn up in compliance with the International Financial Reporting Standards (IFRS), in particular with IAS 34, and IFRS approved by the EU. As at the date of approval of this financial statement for publication, considering the IFRS implementation process currently in progress in the EU and taking into account the nature of the Group's business, there are no differences between the effective IFRS standards and IFRS standards approved by the European Union as far as the Group's accounting principles are concerned.

IFRS include standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretation Committee (IFRIC).

1.5 Critical accounting estimates and judgments

Certain information disclosed in the consolidated financial statement is based on the Groups accounting estimates and professional judgment. It may often happen that amounts so determined are not in line with the actual results. The key assumptions and estimates adopted for the measurement and recognition of assets and liabilities include:

- classification and measurement of lease – Group as the Lessor,
- classification of expenditure on wind farms development,
- executive share options,
- depreciation/amortisation rates,
- write-downs of PP&E,
- write-downs of receivables,
- provisions for disputed amounts.

1.6 Measurement currency and currency of the consolidated financial statements

PLN (Polish zloty) is the measurement currency used by the parent company and reporting currency of these consolidated financial statements.

1.7 Principles of consolidation

Subsidiaries are fully consolidated from the date of taking control by a parent company until the subsidiary remains under the control of a parent. Control by the parent company is presumed when the parent acquires more than half of the voting rights of the enterprise, directly or indirectly through subsidiaries, unless it can be demonstrated that this ownership does not constitute control. Control is also presumed when the parent has the power to govern the financial and operating policies of an enterprise.

Assets and liabilities of a subsidiary are carried at fair value as at the date when the subsidiary is consolidated. Any difference between the fair value of these assets and liabilities and the acquisition price (i.e. cost of acquisition) is recognised as goodwill in a separate item of the consolidated balance sheet.

All material intercompany balances and transactions between the Group's companies, including unrealised profits resulting from intragroup transactions were eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment.

1.8 Investments in associates

Investments (shares) in associates are accounted for using the equity method. Associates are enterprises in which the parent company has significant influence, directly or indirectly through its subsidiaries, but not control or joint control (i.e. they are not subsidiaries or jointly-controlled entities). Financial statements of associates are the basis for the measurement of investment of the parent in the associate using the equity method. The financial year of associates and the parent is the same. Associates apply accounting principles provided for in the Accounting Act of 29 September 1994 (Journal of Laws No. 76 of 17 June 2002, as amended). Before calculating the parent's share in net assets of associates, appropriate adjustments are made to bring their financial data in line with the IFRS applied by the Group.

Investments in associates are initially recorded at cost in the balance sheet and subsequently adjusted to reflect changes in the parent's share in the net assets of the associate, less impairment losses. Interest in profits or losses of an associate is reflected in the profit and loss account. If any change is recognised directly in the associate's equity, the parent's share of these changes is also recognised by the parent, with disclosure in the statement of changes in equity.

1.9 Goodwill

Goodwill on acquisition of a business entity is initially measured at cost being the excess of the cost of the business combination over the acquirer's share of the net fair values of the acquiree's identifiable assets, liabilities and contingent liabilities. After the initial recognition, goodwill is subsequently carried at cost less any accumulated impairment losses. Goodwill is tested for impairment at least annually or more frequently, if necessary. Goodwill is not amortised.

As at the acquisition date, goodwill is allocated to each cash-generating unit that is expected to benefit from the synergies of the business combination. Each cash-generating unit or group of units to which the goodwill is so allocated shall:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than a segment based on either the Group's primary or secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill was allocated. If the recoverable amount of the cash-generating unit is lower than its carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

1.10 Intangible assets

Intangible assets include assets that satisfy the following criteria:

- they are separable (capable of being separated from the entity and sold, transferred, licensed, rented, or exchanged with a third party, either individually or as part of a package with underlying contracts, elements of assets or liabilities), or
- arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity.

Intangible assets acquired separately are initially measured at cost (whether purchased or internally generated). Cost of acquisition of intangible assets acquired in a business combination is equal to their fair value at the date of acquisition. After the initial recognition, intangible assets are carried at cost less any amortisation and impairment losses. Any expenditure on internally-generated intangible assets, with the exception of capitalised development costs, are not capitalised and are recognised as an expense in the period in which the expenditure is incurred.

The Group must determine whether the useful lives of intangible assets are finite or indefinite.

Intangible assets with an indefinite useful life and intangible assets which are not used must be assessed for impairment annually, either individually or at the cash generating unit level. Other intangible assets should be annually reviewed for any circumstances which could indicate their impairment. Useful lives of intangible assets are also examined on an annual basis and adjustments are made where applicable (effective as of the beginning of a financial year just ended).

The expected useful lives are as follows:

Patents, licenses	1 year
Software	2-5 years
Other intangible assets	5 years

Changes in the expected useful lives of intangible assets or the expected use of economic benefits from individual intangible assets are recognised by changing the period or method of amortisation, respectively, and accounted for as a change in accounting estimates. The amortisation charge for individual intangible assets with finite useful lives is recognised in profit or loss under the relevant category (defined for the function of this asset).

1.11. Property, plant and equipment

Property, plant and equipment are carried at cost (whether purchased or internally generated), less depreciation and impairment losses. Cost of perpetual usufruct of land is equal to the cost of acquisition of this right defined in the relevant decision issued by the local authority as at the date when this right is granted.

The initial value of PP&E is equal to their cost increased by all costs directly related to the purchase and necessary to bring the asset to working condition for its intended use. This would also include the cost of replacing the parts of machinery and equipment when that cost is incurred if the recognition criteria are met. Costs incurred after the date when an asset was put into use, including costs of maintenance and repairs, are charged to the profit and loss account as they are incurred.

On acquisition, property, plant and equipment are divided into separate items of material value for which separate useful life can be determined. Major inspection or overhaul costs are also accounted for as a separate component of assets.

With the exception of land, PP&E are depreciated on a straight-line basis over their expected useful lives.

Perpetual usufruct of land	20 years
Buildings, facilities and civil- and hydro-engineering structures	20 years
Plant and machinery	2.5 – 20 years
Transport vehicles	2.5 – 5 years
Other PP&E	5 – 7 years

Individual items of PP&E are disclosed separately and depreciated over their expected useful lives.

If any circumstances indicate that the carrying amount of PP&E may not be recoverable, these assets are reviewed for impairment. If their impairment is probable, and their carrying amount exceeds their recoverable amount, the carrying amount of those assets or cash-generating unit to which they belong is reduced to the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell (net selling price) and value in use. When determining value in use, the estimated future cash flows are discounted to the present value based on the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the asset does not generate cash flows that are largely independent from other assets, the recoverable amount is estimated for the cash-generating unit to which the asset belongs. Impairment losses are recognised as selling costs in the P&L account.

An asset should be removed from the balance sheet on disposal or when no future economic benefits are expected from its continued use. The gain or loss resulting from the removal of an asset from the balance sheet (calculated as the difference between the net proceeds from sale and the carrying amount of this asset) should be recognised in the P&L account in the period when this asset is removed from the balance sheet.

1.12. Construction in progress

Construction in progress is carried in the total amount of costs directly related to their acquisition or construction, less impairment losses. This item includes also investment materials. Construction in progress is not depreciated until fully completed and brought into use.

1.13. Interests in joint ventures

The Group is involved in a joint venture – design of wind farms. Outlays related to the preparation of wind farm projects are recognised in the Group's assets and assets of the joint venture partner.

1.14. Leases

Group as a Lessee

Finance lease contracts that transfer substantially all the risks and rewards of ownership of the leased asset to the Group are recorded in the balance sheet at commencement of the lease term at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Finance lease payments should be apportioned between the finance charge and the reduction of the outstanding liability (the finance charge to be allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability). Finance charges are recognised directly in the profit and loss account.

Assets used under finance lease contracts should be depreciated over the shorter of the lease term or the estimated life of the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the P&L account on a straight-line basis over the lease term.

Group as a Lessor

One of the Capital Group companies is party to a lease contract whereby it leases tangible and intangible assets in exchange for a payment over the agreed lease term.

Under IAS 17, a lease (rental) transaction involving a subsidiary satisfies the criteria of a finance lease and was presented as such in the consolidated financial statement of the Capital Group. According to tax regulations, this transaction is accounted for as an operating lease.

In the case of finance leases that transfer substantially all the risks and rewards of ownership of the leased asset, the asset is recorded in the lessor's assets under property, plant & equipment at the present value of the minimum lease payments determined at commencement of the lease term. Assets transferred under finance leases are recorded by the lessor in the balance sheet as receivables, at an amount equal to the net investment in the lease. Lease payments are apportioned between the finance income and the reduction of the outstanding receivable. Finance income and charges are recognised directly in the profit and loss account.

Lease payments under contracts which do not satisfy the criteria of a finance lease are recognised as an expense in the P&L account on a straight-line basis over the lease term.

1.15. Inventories

Inventories of raw materials are increased by costs incurred in bringing the inventories to their present location and condition and are stated at the lower of cost (determined based on the "weighted average" method) and net realisable value (NRV).

Costs of production of finished goods and work in progress include cost of materials and direct labour plus justified amount of indirect costs (determined for normal utilisation of production capacity).

NRV is the selling price realisable at the balance sheet date, excluding VAT and excise duty, less any discounts, rebates, and similar costs necessary to make the sale.

Inventories include certificates of origin (cf. section 1.35) and outlays for the development of wind farms whose usefulness was considered probable.

1.16. Long- and short-term receivables

Trade receivables (excluding lease receivables described in more detail in section 1.14 above) are carried at the amount of the consideration receivable less write-downs.

Receivables are revaluated by writing them down taking into consideration the probability of their payment. Depending on the type of receivables written down, revaluation write-downs of receivables are charged to other operating expenses or financial expenses, respectively.

Written-off, overdue or uncollectible receivables reduce previous revaluation write-downs made for these receivables.

Written-off, overdue or non-collectible receivables which have not been written down or their write-down is not complete, are charged to other operating expenses or financial expenses, respectively.

Receivables also include finance lease payables.

If the effect of the time value of money is material, receivables are determined by discounting the expected future cash flows to the present value at a pre-tax discount rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the receivable due to the passage of time is recognised as financial revenue.

1.17. Transactions in foreign currencies

Transactions in currencies other than PLN are converted to PLN at the exchange rate in effect as at the transaction date.

As at the balance sheet date, cash, bank loans and other assets and liabilities denominated in foreign currencies are converted to PLN at the average exchange rate of the National Bank of Poland. Foreign exchange gains or losses resulting from currency translation are recognised in the P&L account as financial revenues or expenses.

Non-monetary assets and liabilities carried at historical cost denominated in foreign currencies should be reported using the exchange rate at the date of the transaction. Non-monetary items carried at fair value denominated in foreign currencies should be reported at the rate that existed when the fair values were determined.

For the purposes of measurement, the following exchange rates were adopted:

	30.09.2007	31.12.2006	30.09.2006
USD	2.6647	2.9105	3.1425
EUR	3.7775	3.8312	3.9835
CAD	2.6634	2.5077	2.8204
CHF	2.2762	2.3842	2.5099
GBP	5.4049	5.7063	5.8788

1.18. Cash and cash equivalents

Cash in hand, cash in banks, and short-term deposits held to maturity are carried at fair value.

The item “Cash and cash equivalents” disclosed in the consolidated cash flow statement includes cash in hand, deposits, share units, as well as Treasury bills and bonds which are not accounted for as deposits.

1.19. Prepaid expenses, accruals and deferred income

The Group’s prepaid expenses include expenses incurred in respect of future reporting periods. Accrued liabilities are accounted for in the amount of probable payables of the current reporting period.

1.20. Share capital

Share capital is carried in the amount specified in the Articles of Association of the parent and entered in the court register. Differences between the fair value of the consideration received and the nominal value of shares are recognised in reserve capital from share premium. When treasury shares are bought back, the consideration paid is deducted from equity and recognised in the balance sheet under treasury shares. Capital contributions declared but not paid are reported as unpaid share capital.

1.21. Provisions

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

Where the Group expects expenses related to the provision to be reimbursed (e.g. under an insurance contract), the reimbursement is recognized as a separate asset, but only when the reimbursement is certain. The expense relating to any provision is presented in the P&L account net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as financial expenses.

1.22. Provisions for long-service awards and retirement severance payments

The Company Remuneration Schemes provide that employees of the Group's companies are entitled to long-service awards and retirement severance payments. Long-service awards are paid to employees after a specified number of years of service. Retirement severance payments are paid only once when an employee retires. The amount of retirement severance payments and long-service awards depends on the employee's years of service and average salary. The Company creates a provision for future liabilities related to severance payments and long-service awards to allocate costs to the respective periods they relate to. Under IAS 19, long-service awards (jubilee' benefits) are classified as other long-term employee benefits, whereas retirement severance payments are classified as Post-Employment Defined Benefit Plans. The present value of these liabilities as at each balance sheet date is calculated by an independent actuary. The accrued obligations are equal to discounted payments to be made in the future, taking into account staff rotation, and are related to the period until the balance sheet date. Demographic data and staff rotation information is based on historical data. Actuarial gains and losses are recognised in the P&L account.

1.23. Interest-bearing bank loans, credits, and commercial papers

- All interest-bearing bank loans and credits ad well as commercial papers are initially recorded at cost equal to fair value of the consideration received less direct borrowing costs.
- After the initial recognition, they are measured at amortised cost using the effective interest rate method.
- To determine the amortised cost, all costs related to borrowings as well as discounts or bonuses resulting from this obligation are taken into account.
- Gains and losses are recognised in the P&L account when the obligation is removed from the balance sheet, and following the settlement using the effective interest rate method.

1.24. Borrowing costs

Borrowing costs, including foreign exchange differences arising from the incurred credits and loans denominated in foreign currencies, which are directly attributable to the acquisition, construction, or production of a qualifying asset (an asset that takes a substantial period of time to get ready for its intended use), as per the allowed alternative treatment of IAS 23, are capitalised as part of the price of acquisition or cost of production of this asset. Borrowing costs include interest and foreign exchange gains of losses up to the amount of the adjustment of interest cost.

1.25. Trade and other payables

- Short-term trade payables are recognised in the amount payable. Financial liabilities carried at fair value through profit or loss include financial payables held for trading and financial payables initially classified as payables carried at fair value through profit or loss. Financial liabilities are classified as held for trading if they were acquired for the purpose resale in the near future. Derivatives, including the separated embedded derivatives, are also treated as held for sale, unless classified as effective hedges. On initial recognition, financial liabilities can be classified as carried at fair value through profit or loss if the following criteria are satisfied: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring or recognising the gains and losses on different bases; or (ii) they are part of a group of financial liabilities that are managed, and their performance is evaluated by management, on a fair value basis in accordance with a documented risk management strategy; or (iii) they contain one or more embedded derivatives which should be recognised separately. As at 30 September 2007, no financial liabilities were classified as carried at fair value through profit or loss (as at 31 December 2006: 0).

- Financial liabilities carried at fair value through profit or loss are carried at fair value with no deductions of transaction costs, taking into account their market value as at the balance sheet date. Changes of their fair value are recognized under financial revenues or expenses in the profit and loss account.
- Financial liabilities other than financial instruments carried at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

The Group removes a financial liability from its balance sheet when it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

- Where there has been an exchange between an existing debt instrument and an instrument with substantially different terms between the same entities, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, where there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in the income statement.
- Other non-financial liabilities include in particular liabilities in respect of the Tax Authorities under Value-Added Tax and liabilities related to payments on account to be settled through the delivery of goods, services, or PP&E. Other non-financial liabilities are recognised in the amount payable.

1.26. Deferred income tax

For financial reporting purposes, income tax provision is created using the liability method for all temporary differences between the carrying amounts of assets and liabilities presented in the consolidated financial statement and their amounts used for taxation purposes as at the balance sheet date.

Deferred income tax provision is recognised for all taxable temporary differences:

- except when deferred tax provision arises from the initial recognition of goodwill or from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect the result before tax, taxable profit, or tax loss; and
- for taxable temporary differences arising from investments in subsidiaries, associates, and interests in joint ventures – except to the extent that it is probable that the reversal of the temporary differences is under the investor’s control and that they are not likely to reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences as well as unused tax assets and unused tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, assets and losses can be utilised:

- except when deferred tax assets related to deductible temporary differences arise from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect the result before tax, taxable profit, or tax loss; and
- for deductible temporary differences arising from investments in subsidiaries, associates, and interests in joint ventures, deferred income tax assets are recognised in the balance sheet only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference will be utilised.

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

Deferred income tax assets and provisions should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or will be enacted by the balance sheet date.

Income tax related to items recognised directly in equity should be recognised in equity, not in the profit and loss account.

Deferred income tax assets and provisions are offset in the balance sheet, if the relevant criteria are satisfied.

1.27. Financial assets

Financial assets are classified as follows:

- Financial assets held to maturity,
- Financial assets carried at fair value through profit or loss,
- Loans and receivables originated by the entity,
- Available-for-sale financial assets

Financial assets held to maturity are investments with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method. Financial assets held to maturity are qualified as long-term assets if their maturity is greater than 12 months after the balance sheet date. Financial instruments acquired mainly to generate profits based on short-term price variations are classified as financial instruments carried at fair value through profit or loss. Derivatives are also treated as held for sale, unless classified as effective hedges or financial guarantee contracts. Financial assets carried at fair value through profit or loss are carried at fair value with no deductions of transaction costs, taking into account their market value as at the balance sheet date. Changes of their fair value are recognized under financial revenues or expenses in the profit and loss account. Financial assets carried at fair value through profit or loss are classified as current assets. If a contract contains one or more embedded derivatives, an entity may designate the entire contract as a financial asset at fair value through profit or loss. This rule applies unless the embedded derivative significantly modifies the cash flows that otherwise would be required by the contract, or it is clear that separation of the embedded derivative is prohibited. On initial recognition, financial assets can be classified as carried at fair value through profit or loss if the following criteria are satisfied: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring or recognising the gains and losses on different bases; or (ii) they are part of a group of financial assets that are managed, and their performance is evaluated by management, on a fair value basis in accordance with a documented risk management strategy; or (iii) they contain one or more embedded derivatives which should be recognised separately. As at 30 September 2007, no financial assets were classified as carried at fair value through profit or loss (as at 31 December 2006: 0).

Loans and receivables originated by the entity are financial assets with fixed or determinable payments that are not quoted in an active market and are not classified as derivatives. They are qualified as current assets if their maturity is equal or shorter than 12 months after the balance sheet date. Loans and receivables originated by the entity with maturity longer than 12 months after the balance sheet date are classified as fixed assets.

All other financial assets are available-for-sale financial assets. Available-for-sale financial assets are carried at fair value with no deductions of transaction costs, taking into account their market value as at the balance sheet date. If no quoted market prices in an active market are available and their fair value cannot be reliably estimated using alternative methods, available-for-sale financial instruments are measured at cost less impairment. The positive and negative difference between fair value and cost of available-for-sale assets, less deferred tax (if there is a quoted market price in an active market or if their far value can be reliably estimated using other methods), are recognised in revaluation reserve. Impairment of available-for-sale assets is recognized in the profit and loss account as a financial expense.

Acquisition and sale of financial assets are recognised as at the transaction date. They are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the asset.

A financial asset is derecognised, i.e. removed from the balance sheet if the Group no longer has control over the contractual rights of this financial instrument – usually when the instrument is sold or if all cash flows attributed to this instrument are passed through to a third party.

1.28. Impairment of assets

At each balance sheet date, the Capital Group companies review all assets to look for any indication that an asset (or group of assets) may be impaired. If there is an indication that an asset may be impaired, the Company must calculate the asset's recoverable amount. If the carrying amount of an asset (or cash-generating unit) exceeds its estimated recoverable amount, impairment is recognised and its value is written down to the recoverable amount. Recoverable amount is the higher of fair value of an asset (or cash-generating unit) less costs to sell and its value in use. Impairment loss is recognised in profit or loss of the current period. If revaluations were previously made, impairment loss reduces the revaluation reserve and then it is recognised in profit or loss of the current period.

1.29. Impairment of financial assets

At each balance sheet date, the Group reviews all financial assets to look for any indication that an asset (or group of assets) may be impaired.

Assets measured at amortised cost

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

First, the Group assesses whether there is any objective evidence of impairment of assets which are individually significant or impairment of assets which are individually insignificant. If there is no objective evidence of impairment of individually reviewed assets, either significant or insignificant, these assets are grouped with financial assets with similar credit risk statistics and collectively assessed for impairment. Assets which are individually reviewed for impairment and for which an impairment loss is recognised, or the previously recognised impairment loss is not changed, are not taken into account in the collective review of a group of assets for impairment. If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognised, the previously recognised impairment loss is reversed. Subsequent reversal of the impairment loss is recognised in profit and loss to the extent that the asset's carrying value as at the reversal date does not exceed its amortised cost.

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

Available-for-sale financial assets
If there is objective evidence that an available-for-sale financial asset is impaired, the difference between the cost of this asset (less any repaid principal amounts and amortisation) and its present fair value, less any impairment losses previously recognised in profit and loss, must be removed from equity and recognised in profit and loss. Reversal of impairment losses related to available-for-sale equity instruments cannot be recognised in profit and loss. If, in a subsequent period, the fair value of a debt instrument carried as available-for-sale increases due to an event occurring after the impairment was originally recognised in profit and loss, the amount of the reversed impairment loss is recognised in profit and loss.

1.30. Share-based payment

Members of the Board of Directors of the parent company and key employees receive remuneration in the form of share-based payments, whereby employees render services in exchange for shares or rights to shares (“equity-settled transactions”).

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted (grant-date fair value). The fair value is determined using the binominal model or the Black-Scholes-Merton model, as appropriate. When measuring equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the parent company (“market conditions”). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“vesting date”). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the number of awards, in the opinion of the Board of Directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.
No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.
Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.
Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

As at the reporting date, options for treasury shares have no significant dilutive effect in the computation of earnings per share.

1.31. Revenue recognition

Revenues are recognised in the amount of probable economic benefits obtained by the Group, on condition that this amount can be reliably estimated. Revenues are recognised after deducting Value-Added Tax and excise duty, as well as rebates. When recognising revenues, the following criteria shall also apply:

1.31.1 Sale of goods and products

Revenue is recognised if the seller has transferred to the buyer the significant risks and rewards of ownership and the amount of revenue can be measured reliably. Revenues from sale include amounts receivable or received, less VAT and excise duty.

1.31.2 Rendering of services

Revenues from services are recognised in proportion to their stage of completion (the percentage-of-completion method). If no reliable estimate of the stage of completion is possible, revenue arising from the contract should be recognised only to the extent of the expenses recognised that are recoverable (a "cost-recovery approach").

1. 31.3 Interest

Revenue from interest is accrued on a time proportion basis (that takes into account the effective yield, i.e. interest rate discounting the future cash inflows over the estimated useful life of financial instruments) against the net carrying amount of the financial asset.

1. 31.4 Dividends

Dividends are recognised when the shareholder's right to receive a dividend is established.

1. 31.5 Grants

A (government) grant is recognised at fair value only when there is reasonable assurance that the grant will be received and that any conditions attached to the grant will be complied with.

If a grant is related to a cost item, it is recognised as income and matched with the related costs, for which it is intended to compensate. A grant relating to an asset is recognised at fair value as deferred income, and subsequently written off to profit and loss (in equal amounts) over the estimated useful life of the related asset.

1.32. Earnings per share

Earnings per share (EPS) for each period are calculated by dividing net profit for the period by the weighted average number of shares in this period.

Diluted earnings per share for each period is calculated by dividing the net profit for the reporting period, adjusted by changes of earnings resulting from the conversion of potential ordinary shares, by the weighted average number of shares in this period.

1.33. Contingent payables and receivables

Contingent liabilities (payables) are defined as a possible obligation to provide benefits depending on whether some uncertain future event occurs. Contingent liabilities are not recognised in the balance sheet, but information on contingent liabilities should be disclosed, unless the possibility of an outflow of economic resources is remote.

Contingent assets (receivables) are not recognised in the balance sheet, but information on contingent assets should be disclosed where an inflow of economic benefits is probable.

1.34. Emission allowances

The Group creates a provision for emission allowances if its emission allowances are not sufficient. If there is an excess of emission allowances over the actual emission volumes, this excess is recorded off the balance sheet.

1.35. Certificates of origin

Certificates of origin of green energy are recognised in operating revenues and current assets (inventories) when energy is produced, to the extent that it is probable that economic benefits will flow to the Group.

2. Capital Group companies consolidated in Q3 FY 2007

The consolidated financial statement for Q3 FY07 covers PEP S.A. and the following subsidiaries:

Name of the company	Registered office	Core business	Group's share
Polish Energy Partners S.A.	Warsaw, ul. Wiertnicza 169	Energy sector services	-
Saturn Management Sp. z o.o. i Wspólnicy Spółka komandytowa	Warsaw, ul. Wiertnicza 169	Energy sector services	100%
Energopep Sp. z o.o., EC Jeziorna, Spółka komandytowa	Warsaw, ul. Wiertnicza 169	Energy sector services	100%
Dipol Sp. z o.o.	Warsaw, ul. Wiertnicza 169	Energy sector services	100%
Interpep Sp. z o.o. EC Wizów Sp. Komandytowa	Warsaw, ul. Wiertnicza 169	Production of heat and electricity	100%
Interpep EC Zakrzów Sp. z o.o. Sp. Komandytowa	Warsaw, ul. Wiertnicza 169	Production of heat and electricity	100%
Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Komandytowa*)	Warsaw, ul. Wiertnicza 169	Production of heat and electricity	94.2%

Interpep Sp. z o.o.	Warsaw, ul. Wiertnicza 169	Business and management consultancy activities	100%
Energopep Sp. z o.o.	Warsaw, ul. Wiertnicza 169	Production of heat and electricity	100%
Saturn Management Sp. z o.o.	Warsaw, ul. Wiertnicza 169	Business and management consultancy activities, market research and public opinion polling	100%
Notos Sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Production and distribution of electricity	51%
BETA Sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Production and distribution of electricity	51.20%
Mercury Energia Sp. z o.o.	Warsaw, ul. Wiertnicza 169	Production and distribution of heat and electricity	100%
Interpep EC Zakrzów sp. z o.o.	Warsaw, ul. Wiertnicza 169	Production and distribution of heat and electricity	100%
Grupa PEP – Finansowanie Projektów Sp.z o.o.	Warsaw, ul. Wiertnicza 169	Other credit granting	100%
Grupa PEP – Biomasa Energetyczna sp. z o.o.	Warsaw, ul. Wiertnicza 169	Wholesale of solid, liquid and gaseous fuels and related products	100%
Pepino sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Production and distribution of electricity	50%
Erato sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Production and distribution of electricity	50%
Nauto sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Production and distribution of electricity	50%
Talia sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Production and distribution of electricity	50%
Arta sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Production and distribution of electricity	50%
Amon sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Production and distribution of electricity	50%
Gamma sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Production and distribution of electricity	50%
Alfa sp. z o.o.	Szczecin, ul. Wojska Polskiego 154	Production and distribution of electricity	50%

3. Changes in accounting estimates

a) change in deferred income tax assets and provisions

As at 30 September 2007, deferred income tax provision and assets were as follows:

Provision for deferred income tax: in PLN '000

PROVISION			
Item	**as at 31.12.2006**	**Changes during 3 quarters**	**30.09.2007**
lease receivables	48 703	(288)	48 415
measurement of cash	13	(13)	-
measurement of payables	4 636	110	4 746
measurement of securities	-	26	26
measurement of a loan	20	237	257
property, plant and equipment	240	(117)	123
receivables	829	(585)	244
Total	**54 441.3**	**(630)**	**53 811.0**

Deferred income tax assets: in PLN '000

ASSET

Item	**as at 31.12.2006**	**Changes during 3 quarters**	**30.09.2007**
leased assets	48 731	(1 639)	47 092
provisions	1 194	7	1 201
property, plant and equipment	209	1 327	1 536
measurement of cash	189	(185)	4
measurement of receivables	164	2 205	2 369
short-term payables	556	(466)	90
credits and loans	59	(19)	40
capital lease	107	(107)	-
loss brought forward from previous years	-	11	11
Total	**51 209.0**	**1 134.0**	**52 343.0**

Deferred income tax assets and provisions are offset in the balance sheet.

Deferred income tax assets/provision: in PLN '000

Item	**as at 31.12.2006**	**Changes during 3 quarters**	**30.09.2007**
Net deferred income tax assets/(provision)	(3 232)	1 764	(1 468)

b) change in provisions

Change in long-term and short-term provisions

	30-09-2007	30-09-2006
Opening balance	**5 022**	**5 184**
provisions established	675	509
provisions reversed	(659)	(320)
provisions used	(40)	(249)
Closing balance	**4 998**	**5 124**

c) changes in write-downs of assets

Write-downs of assets in PLN '000

Item	as at 31.12.2006	Changes during 3 quarters	30.09.2007
Change in write-downs on PP&E	12 720	-	12 720
Change write-downs on receivables	7 203	(103)	7 100
Total	19 923	(103)	19 820

4. Net revenues from sales of products (by area)

Net revenues from sales of products (by area)	30.09.2006	30.09.2007
In Poland, including:	45 691	74 379
- from related parties	108	23
Exports	-	-
Total net revenues from sales of products	45 691	74 379
- from related parties	108	23

5. Summary of the key achievements or failures in the reporting period and summary of the underlying key events

Presented below is the summary of the key achievements/failures broken down into the individual entities of PEP Group.

Projects

EC Saturn (Saturn CHP plant)

In Q1 2007, the Group's financial results depended mainly on the revenues resulting from the division of benefits between the Group and one of its customers, including from the trade of energy at preferential prices ("energy from renewable sources", "green energy"). In addition, as a result of the completion of project Jupiter, a milder winter in 2007, and the postponed planned downtime of a CFB boiler from Q1 2007 to Q2 2007, production of green energy was up by 33% only in Q1 2007 compared to the same period in 2006. In Q2, as a result of the postponed and longer planned maintenance downtime of a CFB boiler compared to 2006, production of green energy was slightly lower. In Q3, production of green energy was again higher than in 2006. YTD, in 3 quarters of 2007, production of green energy was higher than in the corresponding period in 2006.

EC Zakrzów (Zakrzów CHP plant)

The facility is operating in line with the budget.

EC Wizów (Wizów CHP plant)

In Q1 2007, the supply of heat to Wizów CHP plant was limited. No heat was supplied in Q2 and Q3.

Based on the publicly available information (e.g. press releases), the Company determined that following the bankruptcy proceedings of Zakłady Chemiczne „Wizów" S.A., the administrative receiver concluded a preliminary contract of sale of the chemical plant. This sale is conditional – it depends on whether the potential buyer obtains a permit from the Ministry of the Interior and Administration. Despite the conclusion of this contract, still no heat is sold by the Group's subsidiary, operator of the Wizów CHP plant, to its only customer – Z. Ch. Wizów.

According to the Board of Directors, based on the information gained and preliminary negotiations with the new owner, it is unlikely that Wizów CHP plant resumes the supply of heat to Z.Ch. Wizów in the nearest future.

EC Jeziorna (Jeziorna CHP plant)

In the first 3 quarters of 2007, the performance of this plant was much better than in the same 3 quarters of 2006, but still slightly lower than assumed in the 2007 budget.

Mercury

On 18 January 2007, Mercury Energia Sp. z o.o. i Wspólnicy, Spółka Komandytowa ("ME") concluded an agreement with Zakłady Koksownicze "Wałbrzych" Spółka Akcyjna ("ZKW") for the supply of coke-oven gas and electricity. Under this agreement, ME shall receive coke-oven gas supplied by ME [czy nie powinno być "dostarczonego przez ZKW"? – przyp. tłum.] in the agreed quantities, pay for the supplied coke-oven gas, and supply electricity to ZKW. ZKW, on the other hand, shall supply coke-oven gas to ME in the agreed quantities, purchase electricity from ME before any other supplier, and pay for electricity supplied by ME. The agreement was concluded for a definite period of time and shall be effective until 31 December 2021. The agreement may be terminated only if there is a material breach of its provisions.

In addition, on 20 July 2007, an annex to the credit agreement with BRE Bank S.A. was concluded; under this annex, the credit repayment period was extended to adjust this period to the extended project term in accordance with the contract with ZKW.

Puck Wind Farm

In 2006, the subsidiary of PEP – Dipol Sp. z o.o. ("Dipol") built 11 wind power plants in a single unit with the total capacity of 22MW. Since 10 January 2007, Dipol has held a license for the production of electricity in this unit, which was the main objective of this investment.

The wind farm started to produce electricity in December 2006. In the first 3 quarters of 2007, production of electricity in this wind farm was higher than originally assumed in the budget, owing to good wind conditions.

Projects of Suwałki and Tychowo Wind Farms

The Company completed the process of development of a wind farm in Suwałki with the total expected capacity of 38 MW. The Company is currently negotiating with financial institutions for debt financing as well as with contractors.

The process of development of a wind farm in Tychowo with the total capacity of 32 MW has reached the final stage. This process was extended, because the responsible authorities failed to issue the applicable network connection conditions in time. Draft connection conditions were finally issued and are currently under negotiation. Development of this project is to be completed in Q1 2008.

In its current reports no. 38/2007 and 39/2007, the Company's Board of Directors informs than on 30 May 2007, PEP and RWE Plus Sp. z o.o. (hereinafter referred to as "RWEP"), a subsidiary fully controlled by RWE Power AG, concluded a partnership agreement (hereinafter referred to as the "Partnership Agreement"), defining the mutual relations of the parties as partners of EWG Sp. z o.o. (hereinafter referred to as "SPV") – a special-purpose vehicle whose task is to build a wind farm near Suwałki, with the total nominal capacity of approx. 38 MW (hereinafter referred to as "Suwałki Wind Farm") and as partners of Notos Sp. z o. o. ("SPV") – a special-purpose vehicle whose task is to build a wind farm near Tychowo, with the total nominal capacity of approx. 32 MW (hereinafter referred to as "Tychowo Wind Farm").

The Partnership Agreements regulated, among others, the sale of shares in SVP by PEP to RWEP, issue of new shares by SPV to be taken over by RWEP, and the sale of rights to the Suwałki and Tychowo Wind Farm project to SPV by PEP. Following the performance of the Partnership Agreement, RWEP will hold a 70% stake in SPV, while PEP will hold the remaining 30% and rights of a minority shareholder taking into account PEP's function in the operations of this enterprise.

Under the Partnership Agreements, each partner of the SPV (i.e. RWEP and PEP) shall be responsible for the completion and operation of the project involving the construction, operation, and maintenance of Suwałki Wind Farm ("Suwałki Project") and Tychowo Wind Farm ("Tychowo Project"), in particular by (i) selecting the contractor for construction works in Suwałki and Tychowo Wind Farms, (ii) selecting a bank to provide debt financing necessary to implement the Suwałki and Tychowo Projects, (iii) ensuring that the SPV signs contracts necessary to implement the Suwałki and Tychowo Projects, in particular the credit agreement, contract for construction works, long-term contract of sale of proprietary rights arising from the certificate of origin of electricity produced from renewable sources, and (iv) ensuring the optimum performance of Suwałki and Tychowo Wind Farms. The Parties shall be also responsible for the provision of funds to SPV necessary to cover its share of capital expenditure in the Suwałki and Tychowo Wind Farms. Under a 15-year agreement with SPV, RWE Stoen S.A. will acquire the proprietary rights to certificates of origin for electricity from renewable sources (hereinafter referred to as “green certificates”).

Under the Partnership Agreements, PEP shall grant RWEP the call option related to PEP shares in SPV. RWEP will be entitled to exercise the call option only if both of the following conditions are satisfied: (i) (direct or indirect) acquisition of over 50% shares or voting rights in PEP by an entity providing public utility services on the European market and (ii) failure to adopt a resolution by the General Meeting of Shareholders of the SVP due to the lack of the required majority of votes and failure to gain such a majority of votes for 2 or 3 months. The option exercise price will be equal to the market value of shares.

Partnership Agreements do not contain any provisions on the agreed penalties. However, PEP will grant RWEP the call option in SPV for the price equal to their nominal value, should PEP fail to fulfil its obligation to provide funds to the SVP necessary to cover its share in the capital expenditure related to Suwałki and Tychowo Wind Farms, respectively.

The Partnership Agreement related to the Suwałki Wind Farm was performed on 8 August 2007.

The total value of PEP's revenues from performance of the Partnership Agreement totalled PLN 23.9m, including PLN 4.3m in VAT. Revenues from the Transaction were disclosed in the consolidated profit and loss account under revenues from sales of products (70%) and financial revenues (30%), while in the individual profit and loss account the entire amount of revenues was disclosed under revenues from sales of products. The Transaction was recognized by PEP in Q3 FY07 results, when the Partnership Agreement was performed.

Performance of the Partnership Agreement related to Tychowo Wind Farm is subject to the following Conditions Precedent:

a) SPV shall obtain the final building permit for the Tychowo Wind Farm;
b) PEP shall take over 100% of shares in SPV;
c) PEP shall acquire the rights to the Tychowo Project;
d) SPV shall conclude a connection agreement for the connection of at least 32 MW;
e) RWEP shall confirm in writing that the Tychowo project has been examined and approved.

PEP currently holds a stake of 51% in SPV. If all these Conditions Precedent are not satisfied by 31 December 2009, each Party may terminate the Partnership Agreement.

The total value of PEP's revenues from performance of this Partnership Agreement will be approx. PLN 17.4m. The actual amount will depend on (i) PLN/EURO exchange rate 3 days before the signing date of contracts provided for in the Partnership Agreement, and (ii) the total amount of costs incurred by PEP in relation to the development of this project. The Transaction will be recognized by PEP in results of the quarter when the Partnership Agreement is performed.

New projects

The Company obtained a preliminary approval of Mondi Packaging Paper Świecie (MPPS) to increase the production capacity of the Saturn CHP plant in Świecie. The Company is now collecting binding offers for the conversion of a permanently de-activated coal boiler into a Bubbling Fluidised Bed „BFB" boiler using biomass. This boiler will produce 105 tons of steam per hour and 100.000 MWh of green energy. The project will be presented for final approval in December 2007, and launched in Q4 2009.

On 13 March 2006, the parent company signed an annex to the business co-operation agreement with the company Przedsiębiorstwo Projektowo-Serwisowe Elektroniki, Pomiarów w zakresie Automatyki, EPA Sp. z o.o. for the development of wind turbine units of 15 March 2004. Under the said business co-operation agreement signed on 15 March 2004, the parent company and EPA Sp. z o.o. will jointly develop wind turbine projects and share development costs. The agreement shall be in effect until 31 December 2010 (the original agreement was concluded for 3 years after the signing date). Under this agreement, the Company shall have the pre-emptive right to all projects developed in connection therewith. In addition, the annex specified the purchase price of new projects to be acquired by the Company up to the total installed capacity of 150 MW. On 23 May 2007, another annex to the co-operation agreement for the development of wind turbine units of 15 March 2004 was signed. This annex specified the purchase price for new projects to be acquired by the Company up to the total installed capacity of 300 MW and extended the term of the agreement until 2013.

PEP has an extensive portfolio of wind projects; the development of 110 MW is expected to be finished in 2008. Construction of these110 MW of wind farms will be launched in 2008/9, and their operation in 2009/10. Development of additional 118 MW is to be completed in 2009, construction will be launched in 2009/10, and operation in 2010/11.

By 2012, development of additional 400 MW is to be completed.

Grupa PEP Biomasa Energetyczna (GPBE) will supply up to 35.000 tons of straw for incineration to Saturn Management/MPPS. This straw will be harvested in 2008 and supplied for the following 12 months. With this project, not only will SM/MPPS satisfy the new law on the mandatory co-burning of agricultural biomass, but also gain long-term benefits based on the development of a new source of fuel for the production of renewable energy. The final approval for this project is expected in early November.

6. Factors and events, especially of extraordinary nature, with significant impact on the financial results

In Q1 2007, the Group's financial results depended mainly on the revenues resulting from the division of benefits between the Group and one of its customers, including from the trade of energy at preferential prices ("energy from renewable sources", "green energy").

In Q3 2007, as in Q1and Q2, contribution of a new project (Puck wind farm) was the main positive factor. In Q3, the Company also closed the transaction of sale of the Suwałki Wind Farm project. However, these events are ordinary and within the Group's core business.

In Q3, the Group's results were significantly influenced by the partnership agreement between PEP and RWEP related to the Suwałki Wind Farm project (see section 5).

The Group's results depend considerably on the unrealised foreign exchange differences resulting from the balance sheet measurement of assets and liabilities denominated in foreign currencies. As at 30 September 2007, the Group had an open passive foreign currency position denominated in EURO. Within the 9-month period ended on 30 September 2007, the Group recorded PLN 2,096k in financial revenues on foreign exchange differences; in Q3, these revenues were down by PLN 221k compared to the closing balance as at 30 June 2007.

7. Explanation of the seasonal or cyclical nature of the Issuer's operations in the reporting period

PEP Capital Group runs its business on the industrial power outsourcing market. Its key customers use heat and electricity supplied by the Group for production purposes in their industrial plants. Sales of heat and electricity supplied by the Group for production purposes are not seasonal. Some part of heat is supplied for central heating purposes, both to industrial and domestic customers. These sales are seasonal; they are higher in Q1 and Q4 of the fiscal year. However, this seasonality has little effect on the Group's results.

In addition, wind conditions determining the production of electricity in wind farms are changing irregularly throughout the year. In autumn and winter, wind conditions are often much better than in spring and summer.

8. Issue, redemption and repayment of debt and equity securities

No debt securities are issued by the Group. Until the date of this report, the parent company had issued no debt securities in Q3 ended on 30 September 2007.

In Q3, 40,000 subscription warrants were swapped for 40,000 series P shares at the issue price PLN 7.80 per share. The issue price of shares was paid in full.

In addition, to meet the Company's obligations resulting from the executive share option scheme with regard to Mr Stephen Klein, the Company's CEO, a non-public issue of 125,300 common registered series U shares was conducted (i.e. without the public offering and introduction to trading on the regulated market). As a result, Mr Stephen Klein took over 125,300 common registered series U shares. The per-share issue price for series U shares was PLN 7.80 and was paid up in full.

9. Dividend paid (or declared), in total and per one share, broken down into ordinary and preference shares

Under resolution of the Annual General Meeting of Shareholders no. 18/2007 of 28 May 2007, the total amount of profit generated by the Company in FY2006 (PLN 325 k) was transferred to reserve capital established for the payment of dividend or interim dividend.

10. Events occurring after the date of the quarterly financial statement not presented in the statement, with potential significant impact on the Issuer's future financial results

After the date of this quarterly financial statement, i.e. 30 September 2007, there have been no events which could have had a potential significant impact on the Company's future financial results and were not presented herein.

11. Effects of changes in the entity's structure, including business combinations (mergers), takeovers or sale of Capital Group companies, long-term investments, as well as division, restructuring and discontinuation of business operations

In Q3 ended on 30 September 2007, the parent company formed a new entity – a fully-controlled subsidiary under the name Grupa PEP - Finansowanie Projektów Sp. z o.o.. In addition, another fully-controlled subsidiary was established – Grupa PEP - Biomasa Energetyczna Sp. z o.o.. In Q3, the Company acquired shares in the following companies:
- Pepino Spółka z ograniczoną odpowiedzialnością – 50% stake;
- Erato Spółka z ograniczoną odpowiedzialnością – 50% stake;
- Nauto Spółka z ograniczoną odpowiedzialnością – 50% stake;
- Talia Spółka z ograniczoną odpowiedzialnością – 50% stake;
- Arta Spółka z ograniczoną odpowiedzialnością – 50% stake;
- Amon Spółka z ograniczoną odpowiedzialnością – 50% stake;
- Gamma Spółka z ograniczoną odpowiedzialnością – 50% stake;
- Alfa Spółka z ograniczoną odpowiedzialnością – 50% stake.

In Q3 2007, the parent company reduced its stake in the company EWG Sp. z o.o. After this transaction, the parent company holds 30% of shares in EWG Sp. z o.o.

Total revenue - sale of shares - profit from share dilution (increase of share capital)	4,691 121 4,570
Part of earnings from sale of shares received in cash and cash equivalents	121
Cash and cash equivalents in the subsidiary sold by the Group as at 31.07.2007	15
Assets other than cash and cash equivalents in the subsidiary sold by the Group as at 31.07.2007	2,060
Liabilities in the subsidiary sold by the Group as at 31.07.2007	2,031

12. Changes in contingent liabilities or contingent assets after the end of the previous fiscal year

In the period since the end of the previous fiscal year until 30 September 2007, contingent liabilities decreased and now amount to PLN 55,710k.

13. Statement of the Board of Directors on the feasibility of earlier forecasts for the year, taking into account the results published in the quarterly report against the forecast results

The Board of Directors of the parent company upholds its earlier forecasts published in the current report no. 59/2007 of 09 August 2007. These forecasts were based on the assumption that foreign exchange differences will have no impact on the forecast financial result.

14. Shareholders holding at least 5% of the total vote at the Issuer's General Meeting of Shareholders, either directly or indirectly (through subsidiaries) as at the date of submission of the quarterly report; the number of shares held by these shareholders; percentage share in share capital; number of votes carried by these shares and their percentage share in the total vote at the General Meeting; as well as changes in the ownership structure of large blocks of the Issuer's shares from the date of submission of the previous quarterly report

Shareholders holding at least 5% of the total vote as at 30 September 2007

Shareholder	Number of shares	Number of votes	Share
Pioneer Pekao Investment Management S.A.	1 858 757	1 858 757	9.96%
PZU Asset Management	1 200 000	1 200 000	6.43%
Generali OFE	1 863 796	1 863 796	9.99%
Millennium Funds*	933 186	933 186	5.00%
Julius Baer Investments Management LLC	981 732	959 892	5.26%
Others (free float)	11 817 496	11 714 036	63.35%
Total	**18 654 967**	**18 654 967**	**100.0%**

* Funds managed by Millennium TFI, e.g. Millennium FIO Akcji, Millennium FIO Zrównoważony and Millennium FIO Stabilnego

On 11 and 12 July 2007, Julius Baer Investment Management LLC (hereinafter referred to as "Julius Baer") acquired the Company's shares.

As a result, Julius Baer now holds 981,732 shares in its portfolio of securities under management, representing 5.30% of the Company's total vote. In addition, under agreements concluded with its customers, Julius Baer is entitled to exercise voting rights carried by 959,892 of the Company's shares, representing 5.18% of the total vote at the Company's General Meeting.

Before the said transaction, the portfolio of securities managed by Julius Baer included 916,150 of the Company's shares, representing 4.94% of the total number of shares. In addition, under agreements concluded with its customers, Julius Baer was entitled to exercise voting rights carried by 898,305 of the Company's shares, representing 4.84% of the total vote at the Company's General Meeting.

Generali OFE (hereinafter referred to as "Generali") sold the Company's shares; as a result, as at 7 September 2007, Generali held 1,863,796 of the Company's shares, representing 9.99% of the total number of shares and 9.99% of the total vote at the Company's General Meeting.

Before this transaction, which reduced Generali's stake to less than 10%, Generali held 1,887,429 of the Company's shares, representing 10.12% of the total number of shares and carrying 1,887,429 of votes, i.e. 9.99% of the total vote at the Company's General Meeting.

15. Changes in the ownership structure of the Issuer's shares or rights to Issuer's shares (options) held by members of the Issuer's Board of Directors and Supervisory Board since the date of submission of the previous quarterly report, based on the information held by the Issuer

As at 30 September 2007, members of the Issuer's Management and Supervisory Board held the following share blocks in the parent company:

Shares	s at 30.06.2007	Increase – incentive schemes	Increase – acquisition	Reduction	As at 30.09.2007
Board of Directors	0	125 300	0	-94 000	**31 300**
Supervisory Board	99 936	0	0	-27 560	**72 376**
Total	**99 936**	**125 300**	**0**	**-121 560**	**103 676**

As at 30 September 2007, the Company had the following executive share option schemes in place for its Directors, member of the Supervisory Board, and key personnel:

Executive share option scheme for the Company's CEO – Stephen Klein

On 21 April 2005, the Supervisory Board of Polish Energy Partners S.A. adopted a resolution specifying the terms and conditions of office for the Company's President of the Board of Directors, Mr Stephen Klein. Under this resolution, by 31 December 2005 the Company was under the obligation to define the detailed conditions of an Executive Share Option scheme for Mr Stephen Klein, under which Mr Klein would be entitled to take over no more than 358,000 of the Company's shares from the new issue by 30 June 2008, at the per-share price equal to the average per-share price paid by investors who acquired the Company's shares in a public offering. The detailed conditions of this option were defined by the Supervisory Board on 3 November 2005.

The Executive Share Option scheme for Mr Stephen Klein is presented in the following table:

Beneficiaries of the Executive Share Option scheme	Mr Stephen Klein
Date of grant	3.11.2005
Vesting date	30.06.2006 30.06.2007 10.06.2008
Expiry date	01.07.2008
Number of options in the scheme	358 000
Number of options granted	358 000
Issue price for option exercise - take-over of shares from this option (PLN/share)	7.8 PLN
Option settlement	Issue of shares
Option exercise conditions	Conditions for the tranche as at 30.06.2006 None. All granted options will be lost if the beneficiary shall resign or be recalled from office for qualified reasons (i.e. attributable to the beneficiary) before 30.06.2006 Conditions for the tranche as at 30.06.2007 and 10.06.2008 - the executive must be a member of the Board of Directors - the executive was discharged by the Annual General Meeting of Shareholders for the performance of his/her duties in the respective financial year

The fair value of options was determined using the Black-Scholes-Merton model. The fair value of options is as follows:
Options as at 30.06.2006 – PLN 1.27
Options as at 30.06.2007 – PLN 1.43
Options as at 10.06.2008 – PLN 1.49

Considering that on 1 July 2006 Mr Stephen Klein became entitled to the take-over of 89,500 shares under this Executive Share Option scheme, on 18 August 2006 the Board of Directors adopted a resolution regarding a conditional increase of the Company's share capital by PLN 179,000 in order to issue subscription warrants convertible into series P shares. This conditional increase was registered by the Registry Court. Until the date hereof, Mr Stephen Klein exercised his right to take over the Company's shares in exchange for subscription warrants in relation to 89,500 series P shares, i.e. all of series P shares. The per-share issue price of series P shares was PLN 7.80 and was paid up in full upon take-over.

On 1 July 2007, Stephen Klein became entitled to additional 125,300 of the Company's shares. To meet the Company's obligations resulting from the Executive Share Option scheme with regard to Mr Stephen Klein, the Company's CEO, a non-public issue of 125,300 common registered series U shares was conducted (i.e. without the public offering and introduction to trading on the regulated market). As a result, Mr Stephen Klein took over 125,300 common registered series U shares. The per-share issue price for series U shares was PLN 7.80 and was paid up in full.

Executive Share Option scheme 2

On 10 January 2007, the Company's General Meeting of Shareholder adopted a resolution regarding the issue of series 2 subscription warrants and a conditional increase of the Company's share capital by issuing series T shares without the pre-emptive rights for the current shareholders, to enable other persons participating in the Executive Share Option scheme to acquire shares.

This Executive Share Option scheme is described in the following table:

Beneficiaries of the Executive Share Option scheme	Mrs Anna Kwarcińska, Mr Stephen Klein, Mr Michał Kozłowski, Mr Zbigniew Prokopowicz, the Company's key personnel
Date of grant	10.01.2007, 01.03.2007
Vesting date	01.07.2008 01.07.2009 01.07.2010
Expiry date	30.09.2010
Number of options in the scheme	945 800
Number of options granted	895 210
Issue price for option exercise – take-over of shares from this option (PLN/share)	11.41PLN
Option settlement	Issue of shares following an issue of subscription warrants
Option exercise conditions	The scheme covers 12 tranches: Tranche 1, 4, 7, 10 – vesting date since 01.07.2008 Tranche 2, 5, 8, 11 – vesting date since 01.07.2008 Tranche 3, 6 ,9, 12 – vesting date since 01.07.2008 Purchase of subscription warrants is subject to the following Conditions Precedent: Conditions for tranches 1, 2, 3 and conditions for tranches 10, 11, 12 in the respective years. Only after these conditions are satisfied, vesting of tranches 4-9 will be possible. For tranches 1, 2, and 3, the vesting condition is that the ratio of the Company's share price for the 6-month period in the year preceding the vesting year to the Company's share price for the 6-month period in the vesting year is higher by two years than the ratio of WIG index for the same periods. For tranches 4, 5 and 6, the vesting condition is that the ratio of the Company's share price for the 6-month period in the year preceding the vesting year to the Company's share price for the 6-month period in the vesting year is higher by two years than the ratio of WIG index for the same periods multiplied by the factor 1.07.

	For tranches 7, 8 and 9, the vesting condition is that EBITDA per one Company share is higher than PLN 1.64 in 2007 for tranche 7, PLN 1.97 in 2008 for tranche 8, and PLN 2.36 in 2009 for tranche 9. For tranches 10, 11 and 12, the vesting condition is that EPS is not lower than PLN 0.78 in 2007 for tranche 10, PLN 0.92.97 *[prawdopodobnie powinno być 0.92? – przyp. tłum.]* in 2008 for tranche 11, and PLN 1.08 in 2009 for tranche 12. If these conditions are not satisfied in 2007 and/or 2008, the scheme allows that rights to these options are vested provided that additional conditions are satisfied in the following years. The detailed principles of the Executive Share Option scheme were published in current report no. RB 03/2007.

Changes in executive share option schemes in Q3 2007 were as follows:

	Executive Share Option scheme for the Company's CEO	Executive Share Option scheme 2
total number of options granted under the scheme	358 000	895 410
number of options to be exercised in Q3 2007	165 300	0
number of options exercised as at 1 January 2007	49 500	0
number of options exercised in 3 quarters of 2007	165 300	0
number of options exercised as at 30 September 2007	214 800	0
number of remaining options to be used by the end of the scheme	143 200	0
weighted average option strike price	7.8	11.41

The total amount of PLN 2,047k was charged to the profit and loss account for Q3 2007 under these two schemes.

16. Objectives and principles of financial risk management

Financial instruments held or issued by the Group may be a source of one or several types of significant risks, both individually and as a group.

The main financial instruments used by the Group are bank credits, finance lease agreements and rental agreements with a buy option, cash and short-term bank deposits. The main objective of these financial instruments is to provide financing of the Group's operations. In addition, the Group has other financial instruments, such as trade receivables and payables established in the course of its business operations.

The key risks arising from the Group's financial instruments are: interest rate risk, foreign exchange risk, and credit risk. The task of the Board of Directors is to verify and agree on the principles of management for each type of these risks – as described below. The Group also monitors the market price risk connected with all financial instruments held by the Group.

16.1 Interest rate risk

The Group's interest rate risk is related mainly to long-term financial liabilities and loans granted.

The Group manages interest rate costs by using liabilities with a variable interest rate. The Group does not use any derivatives to hedge its risks.

The following table presents the sensitivity of the Group's annual gross financial result to reasonably possible interest rate changes, assuming that other factors remain unchanged (in relation to liabilities with variable interest rate). The effect on the Group's equity was not presented.

	Increase/reduction by percentage points	*Effect on the Group's gross financial result in the following quarter in PLN '000*
period ended on 30 September 2007		
WIBOR 1M	**+1%**	**(61)**
EURIBOR 1M	**+1%**	**(775)**
WIBOR 1M	**-1%**	**61**
EURIBOR 1M	**-1%**	**775**

	Increase/reduction by percentage points	*Effect on the Group's gross financial result in the following 12 months in PLN '000*
period ended on 30 September 2007		
WIBOR 3M	**+1%**	**(246)**
EURIBOR 1M	**+1%**	**(3 098)**
WIBOR 1M	**-1%**	**246**
EURIBOR 1M	**-1%**	**3 098**

16.2 Foreign exchange risk

The Group's foreign exchange risks are related to fluctuations of the Euro exchange rate in relation to the open passive currency position under a finance lease transaction and investment credits taken out by the Group. As at 30 September 2007, this position amounted to EUR 11,879k. This position is not hedged to eliminate exchange rate fluctuations.

The following table presents the sensitivity of the Group's gross financial result (in connection with changes of the fair value of financial assets and liabilities) to reasonably possible Euro exchange rate fluctuations, assuming that other factors remain unchanged.

	Increase/drop in currency exchange rate	***Effect on the Group's financial result in the period until the next balance sheet measurement of assets and liabilities***
Increase of currency exchange rate vs. 30 September 2007	+ 0.01 PLN/EUR	(119)
Drop of currency exchange rate vs. 30 September 2007	- 0.01 PLN/EUR	119

Within the 9-month period ended on 30 September 2007, the Group recorded PLN 2,096k in financial revenues on foreign exchange differences; in Q3, these revenues were down by PLN 221k compared to the closing balance as at 30 June 2007.

In the period 30 September – 31 December 2007, fluctuations of exchange rates of PLN against EURO may have a considerable impact on the amount of unrealised foreign exchange differences. Result on unrealised foreign exchange differences in 2007 will depend mainly on the exchange rate as at 31 December 2007 as compared to the exchange rate as at 30 September 2007, and the appreciation/depreciation of PLN against EURO will have a positive/negative influence on the net profit – approx. PLN 119k per each PLN 0.01 of difference compared to the exchange rate as at 30 September 2007 (3.7775 PLN/EURO).

16.3 Liquidity risks

The following table presents the Company's financial liabilities as at 30 September 2007 by maturity based on the contractual undiscounted payments.

The Company's consolidated liabilities by maturity date based on the contractual undiscounted payments

	On demand	Less than 3 months	3 to 12 months	1 – 5 years	Over 5 years	Total
30.09.2007						
Interest-bearing credits and loans	-	7 333	22 316	137 008	166 157	**332 814**
Convertible preferential shares	-	-	-	-	-	**-**
Other liabilities	-	2 501	-	-	-	**2 501**
Trade and other payables	-	1 579	103	0	-	**1 683**
Derivatives	-	-	-	-	-	-

17. Equity management

The main objective of the Group's equity management is to maintain a good credit rating and safe equity ratios to support the Group's operations and increase its value for shareholders.

The Group manages its equity structure and modifies it according to changes in economic conditions. In order to maintain or adjust its equity structure, the Group may change the payment of dividend to shareholders, return equity to shareholders, or issue new shares. In the reporting period ended on 30 June 2007 and 31 December 2006, no changes were introduced to any objectives, principles and processes related to equity management.

The Company monitors its equity using a leverage ratio calculated as the ratio of net debt to total equity plus net debt. The Company's net debt includes interest-bearing credits and loans, trade and other payables, less cash and cash equivalents.

Consolidated equity and debt

	30.09.2007	**30.09.2006**
Interest-bearing credits and loans	332 814	321 657
Trade and other payables	4 184	31 387
Less cash and cash equivalents	(69 584)	(34 964)
Net debt	**267 414**	**318 079**
Convertible preferential shares	**-**	**-**
Equity	139 827	103 661
Total equity	**139 827**	**103 661**
Equity and net debt	**407 240**	**421 741**
Leverage ratio	34%	25%

18. Segment reporting: business and geographical segments

The Group has carried out an analysis to identify potential business segments. The main criterion for segment identification was different risks and rates of return achieved by different segments. As a result of this analysis, the following segments were identified: outsourcing segment of operator's services, outsourcing segment of heat and electricity production, and wind power segment. The following table presents basic data related to the performance of the above segments.

30.09.2007	**Continued operations**				
	Outsourcing – operator's services	Other outsourcing – production of heat and electricity	Development – sale of wind farms	Wind power	Total
Revenues from sales to external customers	30 899	18 616	13 715	11 149	74 379
Inter-segment transactions	-	-	-	-	
Total revenues	30 899	18 616	13 715	11 149	74 379
Segment result	24 049	1 479	10 880	4 710	41 118
Unallocated expenditure	-	-	-	-	(8 047)
Other operating revenues/expenses	-	-	-	-	284
Operating result	**-**	**-**	**-**	**-**	**33 355**
Financial revenues/expenses	-	-	4 691	-	3 886
Gross result	-	-	-	-	37 242
Income tax	-	-	-	-	(7 622)
Net result	-	-	-	-	29 619
Segment assets	297 660	88 820	4 907	106 056	497 442
Unallocated assets	-	-	-	-	-
Total assets	297 660	88 820	4 907	106 056	497 442
Segment liabilities	233 720	36 317	-	84 634	354 671
Unallocated liabilities	-	-	-	-	2 945
Total liabilities	233 720	36 317	-	84 634	357 616
Outlays on the acquisition of property, plant and equipment, as well as intangible assets, including:	61	261	-	45 774	46 096
- PP&E	61	261	-	45 774	46 096
- Intangible assets	-	-	-	-	-
Depreciation and amortisation	86	3 039	-	3 771	6 896
Impairment losses	-	-	-	-	(18 097)

30.09.2006	**Continued operations**			
Restated	Outsourcing – operator's services	Other outsourcing – production of heat and electricity	Wind power	Total
Revenues from sales to external customers	25 434	20 257	-	45 691
Inter-segment transactions	-	-	-	-
Total revenues	25 434	20 257	-	45 691
Segment result	18 875	4 477	388	23 740
Unallocated expenditure	-	-	-	(7 551)
Other operating revenues/expenses	-	-	-	(15 626)
Operating result	-	-	-	564
Financial revenues/expenses	-	-	-	(179)
Gross result	-	-	-	385
Income tax	-	-	-	(855)
Net result	-	-	-	(471)
Segment assets	305 087	50 860	57 755	413 702
Unallocated assets	-	-	-	-
Total assets	305 087	50 860	57 755	413 702
Segment liabilities	246 321	28 287	34 451	309 059
Unallocated liabilities	-	-	-	983
Total liabilities	246 321	28 287	34 451	310 041
Outlays on the acquisition of property, plant and equipment, as well as intangible assets	122	3 186	2 880	6 188
Property, plant and equipment	122	3 143	2 880	6 145
Intangible assets	-	43	-	43
Depreciation and amortisation	80	1 953	-	2 033
Impairment losses	-	-	-	(17 886)

19. Material related-party transactions

All transactions between the Company and its related parties by period are presented in the table below:

Related party		Sales to related parties	Purchase from related parties	Receivables from related parties	Payables in respect of related parties
Subsidiaries	**09.2007**	5 335	22	14 861	615
	09.2006	13 905	31	13 905	290
Associate	**09.2007**	19 593	-	5	-
	09.2006	-	-	-	-

20. Trade and other receivables

As at 30 September 2007, trade receivables totalling PLN 4,929k (vs. PLN 5,137k as at 30 September 2006) were classified as uncollectible and written down. Changes of the revaluation write-down of receivables were as follows:

Consolidated trade receivables classified as uncollectible and written down. Changes of the revaluation write-down of receivables were as follows:

	30.09.2007	**30.09.2006**
As at 01-01	4 929	480
Increase	-	4 657
Use	-	-
Write-down of unused amounts	-	-
As at 30-09	**4 929**	**5 137**

Presented below is an analysis of trade receivables which were classified as overdue as at 30 September 2007 but were not written down.

Consolidated trade receivables by periods

	Total	Not overdue	Overdue but collectible				
			< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	> 120 days
30.09.2007	13 707	12 724	63 5	127	143	41	36
30.09.2006	12 344	11 542	31 6	193	25	(0)	269

21. Proceedings currently in progress in the public court, arbitration court or public administration office

On 16 May 2002, the President of the Energy Regulatory Office by decision OWA no. 25/2002 imposed a penalty of PLN 856,000 on a Company for using a tariff without presenting it to the President of the Energy Regulatory Office for approval. Following an appeal filed by the Company, on 25 June 2003 the District Court in Warsaw – the Competition and Customer Protection Court changed the said decision and reduced the penalty to PLN 60,000. In May 2004, following a cassation by the President of the Energy Regulatory Office, the Supreme Court repealed the said decision of the District Court – the Competition and Customer Protection Court and referred the case back to the District Court – the Competition and Customer Protection Court. On 4 April 2005, the District Court repealed the decision of the Energy Regulatory Office and referred the case back. On 7 March 2006, the Court of Appeal in Warsaw repealed the decision of the District Court and referred the case back to the District Court. By decision of the District Court of 21 September 2006, the penalty imposed on the Company was reduced to PLN 723k. The Company appealed against this decision of the District Court. On 23 May 2007, the Court of Appeal dismissed the Company's appeal. On 19 September 2007, the Company filed a cassation appeal to the Supreme Court against the decision of the Court of Appeal dismissing the Company's earlier appeal.

22. Credit or loan guarantees or other guarantees granted by the Issuer or its subsidiaries to one entity or its subsidiary of the total value representing 10% of the Issuer's shareholders' equity

PEP granted a guarantee to BRE BANK S.A. with its registered office in Warsaw. The said guarantee up to PLN 10,500,000 granted by PEP S.A. provides a security for liabilities of Mercury Energia Spółka z ograniczoną odpowiedzialnością i Wspólnicy Spółka komandytowa (formerly using the name of "Mercury Energia - Przedsiębiorstwo Produkcyjno-Usługowe i Pośrednictwa COMAX Spółka z ograniczoną odpowiedzialnością" Spółka komandytowa) in respect of BRE BANK S.A. in connection with the investment credit of PLN 9,000,000. The obligation of PEP S.A. expires after 2 years as of the completion of the Mercury Project, but not later than on 30 June 2008, on condition that Mercury Energia Spółka z ograniczoną odpowiedzialnością i Wspólnicy Spółka komandytowa satisfies all of the following conditions:
- Debt Service Coverage Ratio higher or equal to 1.25;
- revenues from sales of Mercury Energia Spółka z ograniczoną odpowiedzialnością i Wspólnicy Spółka komandytowa at 95% of the planned revenue;
If these conditions are not satisfied, guarantee shall be extended to the following years.

PEP S.A. received no remuneration for the said guarantee. PEP S.A. participates in profits and losses of Mercury Energia Spółka z ograniczoną odpowiedzialnością i Wspólnicy Spółka komandytowa in 94.1%.

On 23 November 2005, PEP S.A. concluded a guarantee agreement with Raiffeisen Bank Polska S.A. with its registered office in Warsaw. Under this agreement, PEP grated a guarantee to Raiffeisen Bank Polska S.A. for the total amount of EUR 1,350,000 and PLN 5,900,378 in connection with the credit agreement between DIPOL Sp. z o.o. as the Borrower and Raiffeisen Bank Polska S.A. as the Lender. The guarantee of EUR 1,350,000 granted by PEP S.A. expired on 31 July 2007, and the remaining guarantee of PLN 5,900,378 shall be effective for another six months after the date when Fundacja EkoFundusz issues a statement on the final settlement of a grant from EkoFundusz.

PEP S.A. received no remuneration for the said guarantee. PEP S.A. is a holder of 100% stake in DIPOL Spółka z ograniczoną odpowiedzialnością.

On 22 May 2006, PEP SA issued a blank promissory note up to PLN 1,865,500.00 to secure a grant received by Saturn Management Sp. z o.o. i Wspólnicy, Spółka komandytowa from the National Fund for Environmental Protection and Water Management in Warsaw. The obligation of PEP S.A. under this promissory note shall expire after 5 years as of the date when the project covered by the said grant is handed over for use.

23. Additional information relevant for the assessment of the Issuer's financial standing, assets, human resources, the Issuer's financial result, and any changes thereof, as well as information relevant for the assessment of the feasibility of Issuer's obligations

According to the Issuer, there is no other information relevant for the assessment of the feasibility of Issuer's obligations apart from the information presented in the Prospectus, as well as in current and interim reports.

24. Factors likely to influence the results generated by the Issuer in the next quarter or afterwards (according to the Issuer).

According to the Company, the following factors will have a significant influence on the consolidated and individual results in the next several quarters:

- Poland's macroeconomic situation;
- EURO exchange rates.

The Group's foreign exchange risks are related to fluctuations of the Euro exchange rate in relation to the open passive currency position under a finance lease transaction and investment credits taken out by the Group. As at 30 September 2007, this position amounted to EUR 11,879k. This position is not hedged to eliminate exchange rate fluctuations.

The following table presents the sensitivity of the Group's gross financial result (in connection with changes of the fair value of financial assets and liabilities) to reasonably possible Euro exchange rate fluctuations, assuming that other factors remain unchanged.

	Increase/drop in currency exchange rate	*Effect on the Group's financial result in the period until the next balance sheet measurement of assets and liabilities*
Increase of currency exchange rate vs. 30 September 2007	+ 0.01 PLN/EUR	(119)
Drop of currency exchange rate vs. 30 September 2007	- 0.01 PLN/EUR	119

Within the 9-month period ended on 30 September 2007, the Group recorded PLN 2,096k in financial revenues on foreign exchange differences; in Q3, these revenues were down by PLN 221k compared to the closing balance as at 30 June 2007.

In the period 30 September – 31 December 2007, fluctuations of exchange rates of PLN against EURO may have a considerable impact on the amount of unrealised foreign exchange differences. Result on unrealised foreign exchange differences in 2007 will depend mainly on the exchange rate as at 31 December 2007 as compared to the exchange rate as at 30 September 2007, and the appreciation/depreciation of PLN against EURO will have a positive/negative influence on the net profit – approx. PLN 119k per each PLN 0.01 of difference compared to the exchange rate as at 30 September 2007 (3.7775 PLN/EURO).

The forecast of the Group's financial result was based on the assumption that foreign exchange differences will have no impact on the forecast financial result.

- prices of "green energy" certificates
- wind conditions in the area of the Puck Wind Farm
- changeability of coal, natural gas, and biomass prices, as well as their availability
- financial standing of the Company's customers.