PGE Polska Grupa Energetyczna S.A.

Condensed interim separate financial statements prepared in accordance with International Financial Reporting Standards for the period ended 30 June 2012.

TABLE OF CONTENTS

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF COMPREHENSIVE INCOME

	Note	Period ended 30 June 2012 (reviewed)	Period ended 30 June 2011 (reviewed) *restated data**
Continuing operations			
Revenues from sale of products and merchandise		4.916.283	4.903.588
Revenues from services rendered		178.445	117.988
Revenues from rent		4.215	4.118
Total sales revenue		**5.098.943**	**5.025.694**
Costs of goods sold	8	(4.885.638)	(4.848.236)
Gross profit on sales		**213.305**	**177.458**
Other operating revenues	8	34.317	991
Distribution and selling expenses	8	(7.057)	(9.335)
General and administrative expenses	8	(66.199)	(56.980)
Other operating expenses	8	(21.079)	(4.726)
Profit from operations		**153.287**	**107.408**
Financial revenues	8	286.347	2.402.555
Financial expenses	8	(29.914)	(65.257)
Profit before tax		**409.720**	**2.444.706**
Corporate income tax	10	(119.284)	(30.158)
Net profit from continuing operations		**290.436**	**2.414.548**
Net profit for the operating period:		**290.436**	**2.414.548**
OTHER COMPREHENSIVE INCOME:			
Valuation of available-for-sale financial assets		776	1.292
Other comprehensive income for the period, net		**776**	**1.292**
TOTAL COMPREHENSIVE INCOME		**291.212**	**2.415.840**
Earnings per share			
– basic earnings per share for the period		0,16	1,29
– basic earnings from continuing operations		0,16	1,29

*) For information regarding comparative figures please refer to Note 6 of these financial statements.

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2012 (reviewed)	As at 31 December 2011 (audited)	As at 30 June 2011 (reviewed) *restated data**
Non-current assets				
Property, plant and equipment		209.280	216.272	225.273
Intangible assets		15.730	17.538	17.024
Loans and receivables	**13**	3.722.165	4.783.679	564.502
Shares in subsidiaries	**13**	22.961.785	22.587.091	22.426.659
Available-for-sale financial assets	**13**	67.644	69.963	105.829
Deferred tax asset	**11**	-	4.327	24.302
Total non-current assets		**26.976.604**	**27.678.870**	**23.363.589**
Current assets				
Inventories		205.171	32.467	156.009
Income tax receivables		-	-	4.664
Shares in subsidiaries	**13**	3.872	217.877	214.077
Short-term financial assets at fair value through profit or loss	**13**	12	-	-
Trade receivables	**13**	529.557	616.658	593.782
Other loans and financial assets	**13**	615.054	3.331.624	3.705.697
Available-for-sale short-term financial assets	**13**	36.717	39.067	2.350
Other current assets		89.562	94.672	2.410.773
Cash and cash equivalents	**13**	4.616.521	1.020.823	522.225
Assets classified as held for sale		-	-	1.656.469
Total current assets		**6.096.466**	**5.353.188**	**9.266.046**
TOTAL ASSETS		**33.073.070**	**33.032.058**	**32.629.635**

*) For information regarding comparative figures please refer to Note 6 of these financial statements.

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2012 (reviewed)	As at 31 December 2011 (audited)	As at 30 June 2011 (reviewed) *restated data**
Equity				
Share capital	**14**	18.697.608	18.697.837	18.697.837
Revaluation reserve		-	(776)	212
Treasury shares		-	(229)	(229)
Reserve capital		9.687.596	8.553.142	8.553.142
Other capital reserves		49.779	49.779	49.779
Retained earnings		216.667	4.482.347	2.340.780
Total equity		**28.651.650**	**31.782.100**	**29.641.521**
Long-term liabilities				
Provisions	**16**	18.425	18.784	20.897
Deferred tax liability	**11**	32.381	-	-
Total long-term liabilities		**50.806**	**18.784**	**20.897**
Short-term liabilities				
Trade liabilities	**18**	379.653	423.573	363.785
Interest-bearing loans, borrowings, bonds and lease		-	-	962.824
Other short-term financial liabilities	**18**	4.412	4.481	3.019
Short-term financial liabilities at fair value through profit or loss		308	-	-
Other short-term non-financial liabilities		3.464.373	45.017	1.251.263
Income tax liability		87.035	318.174	-
Deferred income		30	286	53
Short-term provisions	**16**	434.803	439.643	386.273
Total short-term liabilities		**4.370.614**	**1.231.174**	**2.967.217**
Total liabilities		**4.421.420**	**1.249.958**	**2.988.114**
TOTAL LIABILITIES AND EQUITY		**33.073.070**	**33.032.058**	**32.629.635**

*) For information regarding comparative figures please refer to Note 6 of these financial statements.

Condensed interim separate financial statements for the 6- month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2012 (reviewed)

	Share capital	Revaluation reserve	Treasury shares	Reserve capital	Other capital reserves	Retained earnings	Total
As at 1 January 2012	**18.697.837**	**(776)**	**(229)**	**8.553.142**	**49.779**	**4.482.347**	**31.782.100**
Profit for the period	-	-	-	-	-	290.436	290.436
Other comprehensive income	-	776	-	-	-	-	776
Total comprehensive income for the period	***-***	***776***			***-***	***290.436***	***291.212***
Retained earnings distribution	-	-	-	1.134.454	-	(1.134.454)	-
Redemption of Treasury shares	(229)	-	229	-	-	-	-
Dividend	-	-	-	-	-	(3.421.662)	(3.421.662)
As at 30 June 2012	**18.697.608**	**-**	**-**	**9.687.596**	**49.779**	**216.667**	**28.651.650**

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2011

	Share capital	Revaluation reserve	Treasury shares	Reserve capital	Other capital reserves	Retained earnings	Total
As at 1 January 2011	**18.697.837**	**(1.080)**	**(229)**	**6.727.589**	**49.779**	**2.967.565**	**28.441.461**
Profit for the period	-	-	-	-	-	4.556.115	4.556.115
Other comprehensive income	-	304	-	-	-	-	304
Total comprehensive income for the period	***-***	***304***	***-***	***-***	***-***	***4.556.115***	***4.556.419***
Retained earnings distribution	-	-	-	1.825.553	-	(1.825.553)	-
Dividend	-	-	-	-	-	(1.215.780)	(1.215.780)
As at 31 December 2011	**18.697.837**	**(776)**	**(229)**	**8.553.142**	**49.779**	**4.482.347**	**31.782.100**

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2011 (reviewed)

*(comparative data)**	Share capital	Revaluation reserve	Treasury shares	Reserve capital	Other capital reserves	Retained earnings	Total
As at 1 January 2011	**18.697.837**	**(1.080)**	**(229)**	**6.727.589**	**49.779**	**2.967.565**	**28.441.461**
Profit for the period	-	-	-	-	-	2.414.548	2.414.548
Other comprehensive income	-	1.292	-	-	-	-	1.292
Total comprehensive income for the period	***-***	***1.292***	***-***	***-***	***-***	***2.414.548***	***2.415.840***
Retained earnings distribution	-		-	1.825.553	-	(1.825.553)	-
Dividend	-		-	-	-	(1.215.780)	(1.215.780)
As at 30 June 2011	**18.697.837**	**212**	**(229)**	**8.553.142**	**49.779**	**2.340.780**	**29.641.521**

*) For information regarding comparative figures please refer to Note 6 of these financial statements.

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF CASH FLOWS

	Period ended 30 June 2012 (reviewed)	Period ended 30 June 2011 (reviewed)
Cash flow from operating activities		
Gross profit related to continuing operations	**409.720**	**2.444.706**
Adjustments for:		
Depreciation and amortization	9.836	12.036
Interest and dividend, net	(207.146)	(2.344.741)
Profit/ (loss) on investment activities	(19.994)	(1.166)
Change in receivables	68.478	285.026
Change in inventories	(172.704)	(125.115)
Change in liabilities, excluding loans and bank credits	(50.188)	(607.210)
Change in prepayments and other non-financial assets	5.720	22.870
Change in provisions	(5.200)	11.130
Income tax paid	(317.894)	(28.163)
Other	18.456	6
Net cash from operating activities	**(260.916)**	**(330.621)**
Cash flow from investing activities		
Disposal of property, plant and equipment and intangible assets	360	97
Purchase of property, plant and equipment and intangible assets	(3.391)	(4.663)
Disposal of financial assets	10.213.752	4.622.873
Purchase of financial assets	(6.593.083)	(3.523.727)
Dividends received	3.048	482.758
Interest received	222.195	122.334
Loans repaid	4.306	-
Loans granted	(3.000)	-
Other	4.360	-
Net cash from investing activities	**3.848.547**	**1.699.672**
Cash flow from financing activities		
Proceeds from loans, bank credits and issue of bonds	-	3.624.623
Repayment of loans, bank credits, bonds and finance lease	-	(4.687.834)
Dividends paid	-	(2.333)
Interest paid	(14)	(41.087)
Other	(2.700)	-
Net cash flow from financing activities	**(2.714)**	**(1.106.631)**
Net change of cash and cash equivalents	**3.584.917**	**262.420**
Effect of foreign exchange rate changes	(726)	1.638
Cash and cash equivalents at the beginning of the period	**1.018.203**	**258.383**
Cash and cash equivalents at the end of the period	**4.603.120**	**520.803**

1. General information

PGE Polska Grupa Energetyczna S.A. ("Company", "PGE S.A.") was founded on the basis of the Notary Deed of 2 August 1990 and registered in the District Court in Warsaw, XVI Commercial Department on 28 September 1990. The Company was registered in the National Court Register of the District Court for the capital city of Warsaw, XII Commercial Department, under no. KRS 0000059307.

Company is seated in Warsaw, Mysia Street 2.

Company PGE S.A. is the Parent Company of PGE Capital Group ("PGE CG", "PGE Group") and prepares consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

Company's controlling entity is the State Treasury.

Core operations of the Company comprise:

- activities of central and holding companies, excluding financial holdings,
- activities of financial holdings,
- guidance over effectiveness management,
- rendering of other services related to the above mentioned activities,
- sale of electricity.

Business activities are conducted under appropriate concessions.

These condensed interim separate financial statements have been prepared for the period started 1 January 2012 and ended 30 June 2012 ("financial statements").

2. The composition of the Management Board

As at 1 January 2012 the composition of the Management Board was as follows:

- Mr. Paweł Skowroński – acting as the President of the Management Board,
- Mr. Wojciech Ostrowski – the Vice-President of the Management Board,
- Mr. Piotr Szymanek – the Vice-President of the Management Board.

In the period from 1 January 2012 to 30 June 2012 following changes in composition of the Management Board took place:

- on 1 March 2012 the Supervisory Board adopted a resolution for the appointment of President of the Management Board – Mr. Krzysztof Kilian, effective 5 March 2012;
- on 1 March 2012 the Supervisory Board adopted a resolution for the appointment of Vice-President of the Management Board – Mrs. Bogusława Matuszewska, effective 5 March 2012.

As at 30 June 2012, the composition of the Management Board was as follows:

- Mr. Krzysztof Kilian – the President of the Management Board,
- Mrs. Bogusława Matuszewska – the Vice-President of the Management Board,
- Mr. Wojciech Ostrowski – the Vice-President of the Management Board,
- Mr. Paweł Skowroński – the Vice-President of the Management Board,
- Mr. Piotr Szymanek – the Vice-President of the Management Board.

After 30 June 2012 until the date of preparation of these financial statements the following changes in the composition of the Management Board took place:

- on 3 July 2012 the Supervisory Board adopted a resolution for the dismissal of Mr. Paweł Skowroński,
- on 14 August 2012 the Supervisory Board adopted a resolution for appointment of Vice-President of the Management Board - Mr. Paweł Smoleń, effective 1 October 2012.

As of the day of preparation of these financial statements, the composition of the Management Board was as follows:

- Mr. Krzysztof Kilian – the President of the Management Board,
- Mrs. Bogusława Matuszewska – the Vice-President of the Management Board,
- Mr. Wojciech Ostrowski – the Vice-President of the Management Board,
- Mr. Piotr Szymanek – the Vice-President of the Management Board.

3. The basis for the preparation of the financial statements

3.1. Statement of compliance

These financial statements of PGE Polska Grupa Energetyczna S.A. were prepared in accordance with International Accounting Standard 34 *Interim financial reporting*, in accordance with International Accounting Standards, which regard interim financial reporting as adopted by the European Union, published and effective during the period of preparation of these financial statements and in the scope required under the Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of recognition as equivalent information required by the law of a non-Member State (Official Journal no. 33, item 259) (“Regulation”).

International Financial Reporting Standards (“IFRS”) include standards and interpretations accepted by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Standards Interpretations Committee (IFRIC).

These financial statements are prepared based on the same accounting policy and methods of computation as compared with the most recent annual financial statements. Financial statements are to be read together with the audited separate financial statements of PGE Polska Grupa Energetyczna S.A. prepared in accordance with IFRS for the year ended 31 December 2011.

3.2. General rules of preparation

These financial statements were prepared under the assumption that the Company will continue to operate as a going concern in the foreseeable future. As at the date of preparation of these financial statements, there is no evidence indicating that the Company will not be able to continue its operations as a going concern.

Due to the reporting obligations resulting from listing of PGE Polska Grupa Energetyczna S.A.’s shares, the Management Board of the Company made a decision to implement the International Financial Reporting Standards (“IFRS”) approved by the European Union (“EU”). The first financial statements of PGE Polska Grupa Energetyczna S.A., which included the unconditional statement of compliance with the IFRS adopted by the EU was the financial statement for the year ended 31 December 2011.

4. Presentation currency

The financial statements are presented in Polish Zloty („PLN”) and all amounts are in PLN thousand, unless indicated otherwise.

The following exchange rates were applied to valuation of positions of the statement of financial position:

	30 June 2012	31 December 2011	30 June 2011
USD	3,3885	3,4174	2,7517
EUR	4,2613	4,4168	3,9866

5. New standards and interpretations published, not yet effective

The following standards, changes in already effective standards and interpretations are not approved by the European Union and are not effective as at 1 January 2012:

- IFRS 9 *Financial Instruments* (with amendments) – effective for the periods starting 1 January 2015.
- IFRS 10 *Consolidated Financial Statements* – effective for the periods starting 1 January 2013.
- IFRS 11 *Joint Agreements* – effective for the periods starting 1 January 2013.
- IFRS 12 *Disclosure of Interests in Other Entities* – effective for the periods starting 1 January 2013.
- Transitional guidance to IFRS 10, IFRS 11 and IFRS 12 – effective for the periods starting 1 January 2013.
- IFRS 13 *Fair Value Measurement* – effective for the periods starting 1 January 2013.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* – effective for the periods starting 1 January 2013.
- Amended IAS 27 *Separate Financial Statements* – effective for the periods starting 1 January 2013.
- Amended IAS 28 *Investments in Associates and Joint Ventures* – effective for the periods starting 1 January 2013.
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (issues related to hyperinflation and the dates) – effective for the periods starting 1 July 2011.
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (issues related to government loans) – effective for the periods starting 1 January 2013.
- Amendments to IFRS 7 *Financial Instruments: Disclosures* – effective for the periods starting 1 January 2013.
- Amendments to IAS 12 *Income Taxes* – effective for the periods starting 1 January 2012.
- Amendments to IAS 32 *Financial Instruments: Presentation* – effective for the periods starting 1 January 2014.
- Amendments to different IFRS – effective for the periods starting 1 January 2013.

The following standards, changes in already effective standards and interpretations are approved by the European Union but are not effective as at 1 January 2012:

- Amendments to IAS 1 *Presentation of Financial Statements* – effective for the periods starting 1 July 2012,
- Amended IAS 19 *Employee Benefits* – effective for the periods starting 1 January 2013.

The influence of new regulations on future financial statements of the Company

The new IFRS 9 introduces fundamental changes to classifying, presenting and measuring of financial instruments. These changes will possibly have material influence on future financial statements of the Company. At the date of preparation of these financial statements IFRS 9 is not yet approved by the European Union and as a result its impact on the future financial statements of the PGE S.A. is not yet determined.

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

Amended IAS 19 introduces a new presentation of actuarial gains and losses in the statement of comprehensive income. In accordance with accounting principles applied by the Company, all actuarial gains and losses are recognized in net profit for the period. Amended IAS 19 regulates, that the actuarial gains and losses relating to provisions for post-employment benefits are recognized in other comprehensive income. In the case of significant actuarial gains and losses in the following periods, amended IAS 19 might have a significant impact on costs and net financial result presented by the Company. For example as a result of valuation of post-employment benefits for the period ended 31 December 2011, net profit would decrease by PLN 3.160 thousand.

Other standards and their changes should have no significant impact on future financial statements of the Company.

6. Restated comparative data

In year 2011 the Company has changed presentation of selected assets and costs by type. The changes were designed in order to give the most true and fair view of economic performance. Additionally, the Company has restated valuation of certain financial instruments and related deferred tax. There adjustments did not change the net result for the comparative period.

The Company changed comparative data presented in the financial statement of comprehensive income, statement of financial position as well as statement of changes in equity as at and for the period ended 30 June 2011. Changes in comparative data are presented in the table below. Additionally information presented in explanatory notes to these financial statements was restated accordingly.

STATEMENT OF COMPREHENSIVE INCOME

	Period ended 30 June 2011 (reviewed) *published data*	**Valuation adjustment**	**Period ended 30 June 2011 (reviewed)** *restated data*
Net profit for the operating period	**2.414.548**	**-**	**2.414.548**
OTHER COMPREHENSIVE INCOME:			
Valuation of available-for-sale financial assets	1.293	(1)	1.292
Other comprehensive income for the period, net	**1.293**	**(1)**	**1.292**
TOTAL COMPREHENSIVE INCOME	**2.415.841**	**(1)**	**2.415.840**

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF FINANCIAL POSITION

	As at 30 June 2011 (reviewed) *published data*	Change in presentation and valuation adjustment	As at 30 June 2011 (reviewed) *restated data*
Non-current assets			
Property, plant and equipment	225.273	-	225.273
Intangible assets	17.024	-	17.024
Loans and receivables	564.502	-	564.502
Shares in subsidiaries	-	22.426.659	22.426.659
Available-for-sale financial assets	22.532.488	(22.426.659)	105.829
Deferred tax assets	-	24.302	24.302
Total non-current assets	**23.339.287**	**24.302**	**23.363.589**
Current assets			
Inventories	156.009	-	156.009
Income tax receivables	4.664	-	4.664
Shares in subsidiaries	-	214.077	214.077
Trade receivables	593.782		593.782
Other loans and financial assets	3.705.697		3.705.697
Available-for-sale short-term financial assets	216.427	(214.077)	2.350
Other current assets	2.410.773	-	2.410.773
Cash and cash equivalents	522.225	-	522.225
Assets classified as held for sale	1.656.469	-	1.656.469
Total current assets	**9.266.046**	**-**	**9.266.046**
TOTAL ASSETS	**32.605.333**	**24.302**	**32.629.635**

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

STATEMENT OF FINANCIAL POSITION

	As at 30 June 2011 (reviewed) *published data*	Change in presentation and valuation adjustment	As at 30 June 2011 (reviewed) *restated data*
Equity			
Share capital	18.697.837	-	18.697.837
Revaluation reserve	212	-	212
Treasury shares	(229)	-	(229)
Reserve capital	8.553.143	(1)	8.553.142
Other capital reserves	49.779	-	49.779
Retained earnings	2.304.997	35.783	2.340.780
Total equity	**29.605.739**	**35.782**	**29.641.521**
Long-term liabilities			
Other liabilities		-	-
Deferred tax liabilities	11.480	(11.480)	-
Provisions	20.897	-	20.897
Total long-term liabilities	**32.377**	**(11.480)**	**20.897**
Short-term liabilities			
Trade liabilities	363.785	-	363.785
Interest-bearing loans, borrowings, bonds and lease	962.824	-	962.824
Other short-term financial liabilities	3.019	-	3.019
Other short-term non-financial liabilities	1.251.263	-	1.251.263
Income tax liabilities	-	-	-
Deferred income	53	-	53
Short-term provisions	386.273	-	386.273
Total short-term liabilities	**2.967.217**	**-**	**2.967.217**
Total liabilities	**2.999.594**	**(11.480)**	**2.988.114**
TOTAL LIABILITIES AND EQUITY	**32.605.333**	**24.302**	**32.629.635**

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

7. Change of estimates

In the period covered by the financial statements no significant changes to estimates influencing the figures presented in the financial statement took place. The Company updated the value of provisions presented in the statement of financial position.

8. Revenues and expenses

8.1. Costs by type and functions

	6 months ended 30 June 2012	6 months ended 30 June 2011 *restated data*
Cost by type		
Depreciation/amortization	9.836	12.033
Materials and energy	1.635	1.435
External services	24.926	20.951
Taxes and charges	4.627	4.734
Personnel expenses	33.086	30.637
Other costs by type	38.772	35.338
Total costs by type	**112.882**	**105.128**
Distribution and selling expenses	(7.057)	(9.335)
General and administrative expenses	(66.199)	(56.980)
Cost of merchandise and materials sold	4.846.012	4.809.423
Cost of goods sold	**4.885.638**	**4.848.236**

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

8.2. Other operating revenues

	6 months ended 30 June 2012	6 months ended 30 June 2011
Profit on disposal of property, plant and equipment	-	93
Reversal of impairment allowance for receivables	21	-
Provisions reversed	12.553	845
Compensations, penalties and fines received	20.194	3
Grants received	1.308	-
Taxes refunded	225	30
Court fees refunded	10	10
Other	6	10
Total other operating revenues	**34.317**	**991**

The revenues on provisions reversal are related mainly to the litigation with Alpiq Holding, described in Note 17.2 of these financial statements.

Compensation, penalties and fines accrued result mainly from the Company's claims toward third parties on the coal market. Due to their character, the claims were covered by impairment allowance, recognized in other operating expenses.

8.3. Other operating expenses

	6 months ended 30 June 2012	6 months ended 30 June 2011
Impairment allowance raised for receivables	20.043	9
Loss on disposal of non-current assets	35	-
Provisions raised	-	4.468
Compensations paid	-	1
Donations granted	1.000	39
Court fees paid	1	8
Forgiveness of receivables	-	78
Scrapping of non-current assets	-	48
Other	-	75
Total other operating expenses	**21.079**	**4.726**

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

8.4. Financial revenues

	6 months ended 30 June 2012	6 months ended 30 June 2011
Financial revenue from financial instruments	**284.336**	**2.402.327**
Dividends	-	2.259.361
Interest income	263.939	142.699
Revaluation / Reversal of impairment allowance	13	12
Profit on disposal of investments	20.029	255
Exchange gains	355	-
Other financial revenues	**2.011**	**228**
Provision reversed	1.998	-
Interest on statutory receivables	13	-
Other	-	228
Total financial revenues	**286.347**	**2.402.555**

Profit on disposal of investments refers primarily to disposal of minority interest in Towarowa Giełda Energii S.A.

8.5. Financial expenses

	6 months ended 30 June 2012	6 months ended 30 June 2011
Financial expenses from financial instruments	**20.349**	**55.633**
Interest expenses	2.870	54.086
Revaluation	687	-
Impairment allowance	6	1
Exchange losses	16.786	1.546
Other financial expenses	**9.565**	**9.624**
Interest expenses (including the effect of discount unwinding)	9.440	8.903
Interest paid relating to statutory liabilities	-	19
Other	125	702
Total financial expenses	**29.914**	**65.257**

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

9. Impairment allowances of assets – recognition and reversal

	6 months ended 30 June 2012	6 months ended 30 June 2011
Impairment allowances of inventories		
- reversal	459	212

Allowance of inventories recognized by the Company relates primarily to valuation of greenhouse gas emission rights.

10. Income tax

Income tax disclosed in the statement of comprehensive income	6 months ended 30 June 2012	6 months ended 30 June 2011
Current income tax	82.758	27.629
Deferred income tax	36.526	2.529
Total	**119.284**	**30.158**

Moreover, the Company recognized in other comprehensive income a deferred tax provision of PLN 303 thousand in the period ended 30 June 2011 and a reversal of deferred tax asset of PLN 182 thousand in the period ended 30 June 2012.

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

11. Deferred tax asset and liability

Components of deferred tax asset	**As at 30 June 2012**	**As at 31 December 2011**
Current period costs not realized for tax purpose	-	184
Provisions for employee benefits	4.009	4.003
Accruals for employee bonuses	2.047	2.503
Difference between tax value and carrying amount of financial assets	35.781	78.783
Difference between tax value and carrying amount of financial liabilities	56	-
Difference between tax value and carrying amount of inventories	31	118
Payroll and other employee benefits	574	-
Other provisions	2.492	2.596
Other	1.120	732
Gross deferred tax asset	**46.110**	**88.919**
Revaluation write off on tax asset	-	-
Net deferred tax asset	**46.110**	**88.919**

Components of deferred tax liability	**As at 30 June 2012**	**As at 31 December 2011**
Difference between tax value and carrying amount of property, plant and equipment	27.713	28.218
Accrued interest on deposits, loans granted, bonds and receivables	48.090	55.684
Difference between tax value and carrying amount of other financial assets	2.635	611
Other	53	79
Deferred tax liability	**78.491**	**84.592**
After compensation of balances the Company's deferred tax is presented as:		
deferred tax asset	**-**	**4.327**
deferred tax liability	**32.381**	**-**

12. Property, plant and equipment

In the reporting period the Company has not made any significant acquisition or disposal of property, plant and equipment.

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

13. Financial assets

	Carrying amount					
	30 June 2012			31 December 2011		
Categories and classes of financial assets:	**Long-term**	**Short-term**	**Total**	**Long-term**	**Short-term**	**Total**
Loans and receivables, including:						
(i) Trade receivables	-	529.557	**529.557**	-	616.658	**616.658**
(ii) Deposits and investments	-	-	**-**	-	2.101.027	**2.101.027**
(iii) Other financial loans and receivables	3.722.165	615.054	**4.337.219**	4.783.679	1.230.597	**6.014.276**
▪ Bonds, bill and notes receivable acquired	3.718.606	392.268	**4.110.874**	4.778.714	1.023.019	**5.801.733**
▪ Originated loans	3.559	190.672	**194.231**	4.965	194.110	**199.075**
▪ Other financial receivables	-	32.114	**32.114**	-	13.468	**13.468**
Total loans and receivables:	**3.722.165**	**1.144.611**	**4.866.776**	**4.783.679**	**3.948.282**	**8.731.961**
Shares in subsidiaries	**22.961.785**	**3.872**	**22.965.657**	**22.587.091**	**217.877**	**22.804.968**
Financial assets at fair value through profit or loss	**-**	**12**	**12**	**-**	**-**	**-**
Available-for-sale financial assets, including:						
(i) Shares in entities not quoted on active markets	67.644	36.717	**104.361**	67.634	39.067	**106.701**
(ii) Shares quoted on active markets	-	-	**-**	2.329	-	**2.329**
Total available-for-sale financial assets:	**67.644**	**36.717**	**104.361**	**69.963**	**39.067**	**109.030**
Cash and cash equivalents	**-**	**4.616.521**	**4.616.521**	**-**	**1.020.823**	**1.020.823**

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

13.1. Trade receivables

Trade receivables relate primarily to the sale of electricity and coal to related parties of the PGE Capital Group. As at 30 June 2012 the balance of three biggest customers, i.e. PGE Obrót S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A. and PGE Dystrybucja S.A. constitute 82% of the balance of trade receivables.

13.2. Loans and receivables, including acquired bonds, bill and notes

As at 30 June 2012	Long-term	Short-term
Bonds issued by PGE Górnictwo i Energetyka Konwencjonalna S.A.	3.399.718	136.317
Bonds issued by PGE Energia Odnawialna S.A.	-	255.951
Bonds issued by Autostrada Wielkopolska S.A.	318.888	-
Loan granted to PGE Systemy S.A.	3.559	2.832
Loan granted to Vattenfall AB	-	185.402
Loan granted to PGE Inwest sp. z o.o.	-	2.438
Deposits	-	31.991
Other	-	123
Total	**3.722.165**	**615.054**

Bonds issued by PGE Górnictwo i Energetyka Konwencjonalna S.A.

PGE S.A. acquires bonds issued by companies of the PGE Capital Group. The funds obtained from issuing of bonds are used to finance investments, repay financial liabilities secured by assignment of long-term power and electricity sales agreements and to finance the current activities. The bonds bear interest based on WIBOR (1M, 3M, 6M) plus a margin.

Prepayment (loan) granted Vattenfall AB

In periods before the balance sheet date the Company made prepayments for transmission services to Vattenfall Aktiebolag („VAB"). These prepayments were related to an execution of Restructuring Agreement signed by PGE S.A. and VAB on 28 May 2003 and were associated with a purchase of SwePol Link AB shares as well as a construction and exploitation of a permanent electricity link between Polish and Swedish electric system. Taking into consideration the character of transactions mentioned above, a part of the prepayments made is presented as the cost of purchase of shares in an associate and the other part is presented as a loan in the financial statements prepared in accordance with IFRS.

The prepayments were settled under the execution of the above mentioned agreement which terminated in 2010. During the reporting period the Company undertook proceedings in order to finalize the issue of prepayments remaining after the termination of the agreement with VAB. As the date of preparation of these financial statements PGE S.A. signed agreements under which restructuring of SwePol Link AB as well as settlement of prepayments between parties will occur. Accordingly, the Management Board of the Company is deeply convinced about collectability of prepayments presented in statement of financial position as at 30 June 2012.

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

13.3. Shares in subsidiaries

As at 30 June 2012	Long-term	Short-term
Shares in subsidiaries		
PGE Górnictwo i Energetyka Konwencjonalna S.A.	14.482.982	-
PGE Obrót S.A.	6.653.224	-
PGE Dystrybucja S.A.	946.977	-
PGE Energia Odnawialna S.A.	323.616	-
PGE Systemy S.A.	124.500	-
PGE Energia Jądrowa S.A.	103.500	-
PGE EJ 1 sp. z o.o.	54.390	-
PGE Gubin sp. z o.o.	25.452	-
PGE Dom Maklerski S.A.	16.501	-
Electra Deutschland GmbH	13.990	-
PGE Serwis sp. z o.o. w likwidacji	-	3.800
Electra Bohemia s.r.o./Czech Republic/	1.598	-
PGE Inwest sp. z o.o.	1.050	-
Exatel S.A.	214.005	-
PGE Inwest sp. z o.o. II S.K.A. w likwidacji	-	72
Total	**22.961.785**	**3.872**

13.4. Shares in entities not quoted on active markets

As at 30 June 2012	Long-term	Short-term
Shares in jointly controlled entities		
Energopomiar Sp. z o.o.	3.134	-
Shares in associates		
Swe-Pol Link AB	-	36.717
Shares in other entities		
AWSA Holland II	64.500	-
Fundacja PGE Energia z serca	10	-
Total	**67.644**	**36.717**

In February 2012 the Company disposed shares of Towarowa Giełda Energii S.A. Gain realized on that transaction amounted to PLN 19.980 thousand. In April 2012 the Company disposed shares of Sygnity S.A.

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

14. Share capital

	As at 30 June 2012	As at 31 December 2011
Number of Series A ordinary Shares with a nominal value of 10 PLN each	1.470.576.500	1.470.576.500
Number of Series B ordinary Shares with a nominal value of 10 PLN each	259.513.500	259.513.500
Number of Series C ordinary Shares with a nominal value of 10 PLN each	73.228.888	73.241.482
Number of Series D ordinary Shares with a nominal value of 10 PLN each	66.441.941	66.452.245
Total	**1.869.760.829**	**1.869.783.727**

All shares of the Company are paid up.

Redemption of Treasury shares

As a consequence of PGE S.A. merger with PGE Górnictwo i Energetyka S.A. and PGE Energia S.A. in 2010, PGE S.A. acquired 22.898 treasury shares for the amount of PLN 579 thousand. The value of each share was based on the valuation made for purpose of merger. The acquisition of shares had a sole purpose of their redemption. On 30 May 2012 the General Meeting of Shareholders of PGE S.A. adopted a resolution on redemption of shares through decrease of the share capital. On 23 June 2012 the decrease of the share capital was registered in the National Court Register.

After balance sheet date of these financial statements no changes regarding the share capital of the Company occured.

Ownership structure of the Company in the reporting period is presented below:

	State Treasury	Other Shareholders	Total
As at 1 January 2012	**69.29%**	**30.71%**	**100.00%**
As at 30 June 2012	**61.89%**	**38.11%**	**100.00%**

The ownership structure as at balance sheet dates was prepared on the basis of data available to the Company.

On 29 February 2012, the State Treasury sold shares of PGE S.A., constituting 7,01% of the share capital of the Company.

In accordance with a notification received from the State Treasury, in result of the above mentioned sale transaction the shareholding in the Company owned by the State Treasury amounts to 61,89%.

14.1. Earnings per share

Basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

An entity shall calculate diluted earnings per share by dividing profit or loss attributable to ordinary equity holders of the Company (after deduction of interest on redeemable convertible preference shares) by the weighted average number of shares outstanding during the period (adjusted by the number of dilutive options or dilutive redeemable convertible preference shares).

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

15. Dividends paid and dividends declared

	Dividends paid from the profit for the period/ year ended		
	30 June 2012	31 December 2011	31 December 2010
Cash dividends from ordinary Shares			
Dividend paid from retained earnings	-	3.421.662	1.215.345
Total cash dividends from ordinary shares	**-**	**3.421.662**	**1.215.345**
Cash dividends per share (in PLN)	-	1,83	0,65

Dividend from the profit for 2011

On 30 May 2012 the General Shareholders' Meeting of PGE S.A. adopted a resolution on distribution of the net profit for 2011 and decided to allocate:

- the amount of PLN 3.421.662 thousand, which is PLN 1,83 per share, as dividend payout,
- the amount of PLN 1.134.454 thousand to reserve capital.

The General Shareholders' Meeting set the dividend date on 22 August 2012 and the repayment date on 6 September 2012.

The declared dividend liabilities are disclosed in the statement of financial position as at 30 June 2012 as other non-financial liabilities.

Dividend from the profit for the period ended 30 June 2012

During the reporting period and till the date of preparation of these financial statements the Company made no advance payments of dividends.

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

16. Provisions

Period ended 30 June 2012	Post-employment benefits	Provisions for jubilee benefits	Provisions for third parties claims	Provisions for employee claims, including provisions for bonuses	Provisions for certificates of origin held for redemption	Other provisions	Total
As at 1 January 2012	**17.658**	**3.411**	**410.799**	**10.520**	**225**	**15.814**	**458.427**
Costs of present employment	(1.482)	(666)	-	-	-	-	(2.148)
Benefits paid	1.135	399	-	-	-	-	1.534
Costs of past employment	38	-	-	-	-	-	38
Interest costs	508	98	8.834	-	-	-	9.440
Created during the year	-	-	-	10.410	91	964	11.465
Reversed	-	-	(14.301)	-	(224)	(794)	(15.319)
Used	-	-	-	(10.157)	-	(52)	(10.209)
As at 30 June 2012	**17.857**	**3.242**	**405.332**	**10.773**	**92**	**15.932**	**453.228**
Short-term as at 30 June 2012	**1.672**	**1.002**	**405.332**	**10.773**	**92**	**15.932**	**434.803**
Long-term as at 30 June 2012	**16.185**	**2.240**	**-**	**-**	**-**	**-**	**18.425**

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

Period ended 31 December 2011	**Post-employment benefits**	**Provisions for jubilee benefits**	**Provisions for third parties claims**	**Provisions for employee claims, including provisions for bonuses**	**Provisions for certificates of origin held for redemption**	**Other provisions**	**Total**
As at 1 January 2011	**20.303**	**3.458**	**350.054**	**8.066**	**-**	**14.159**	**396.040**
Costs of present employment	1.257	927	-	-	-	-	2.184
Actuarial gains and losses excluding discount rate adjustment	(2.412)	(473)	-	-	-	-	(2.885)
Benefits paid	(2.284)	(656)	-	-	-	-	(2.940)
Costs of past employment	76	-	-	-	-	-	76
Discount rate adjustment	(397)	(43)	-	-	-	-	(440)
Interest costs	1.115	198	17.361	-	-	-	18.674
Created during the year	-	-	43.384	19.273	225	3.356	66.238
Reversed	-	-	-	(1.579)	-	(1.270)	(2.849)
Used	-	-	-	(15.240)	-	(431)	(15.671)
As at 31 December 2011	**17.658**	**3.411**	**410.799**	**10.520**	**225**	**15.814**	**458.427**
Short-term as at 31 December 2011	**1.480**	**805**	**410.799**	**10.520**	**225**	**15.814**	**439.643**
Long-term as at 31 December 2011	**16.178**	**2.606**	**-**	**-**	**-**	**-**	**18.784**

16.1. Provisions for post employments benefits and jubilee benefits

The amount of provisions disclosed in the financial statements results from the forecast valuation prepared by the independent actuary.

According to the corporate system of remuneration the employees of the Company are entitled to jubilee awards. These awards are paid after an employee has worked a specified period of time. The amount of awards paid depends on the period of employment and the average remuneration of the employee. The entity recognizes a provision for future obligations relevant to jubilee awards in order to assign costs to the periods they refer to. The value of the provision for jubilee benefits recognized in the financial statements is based on the forecast valuation prepared by an independent actuary.

16.2. Provisions for third-party claims

Provision for dispute related to the contract with ATEL (Alpiq Holding AG)

Company revised the provision for the contractual claim from ATEL (presently Alpiq Holding (AG). As at 30 June 2012 the provision amounted to EUR 79 million plus interest due. The provision including interest calculated using the average rates of exchange of the National Bank of Poland amounted to PLN 402.865 thousand. The dispute is described in Note 17.2 of these financial statements.

Provision for claims relating to damage resulted from the failure of the CSTE system

The Company raised a provision for claims from contractors relating to damage resulted from the failure of the CSTE (Central System of Trading Electricity), which is provided to PGE Group companies. As at 30 June 2012 the provision amounted to PLN 2.467 thousand.

16.3. Provisions for employee bonuses and other benefits

The Company raised provisions for remuneration including annual and quarterly bonuses for employees and others employed under civil law contracts for management, to which rights were obtained as at 30 June 2012. Bonus entitlements result from remuneration regulations and contracts of employment.

16.4. Provision for energy origin units held for redemption

The Company creates provision for the amount of certificates of energy origin related to sales in the current or previous periods, in amount of certificates not redeemed till the balance sheet date. In accordance with applicable regulations it is necessary to create a provision, which results from the obligation to redeem the certificates of energy origin and specific replacement fee for them.

16.5. Other provisions

Provisions for costs of transmission services

The provision relates to the costs of transmission services provided by Vattenfall AB in amount of PLN 12.911 thousand.

Provisions for unused holiday

The provision for unused holiday is raised in the amount of the future remuneration associated with unused holiday leaves, to which employees has acquired the right in the past year and in previous years.

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

17. Legal claims and contingent liabilities and receivables

17.1. Contingent liabilities

Contingent liabilities	As at 30 June 2012	As at 31 December 2011
Collaterals for repayment of bank guarantees granted	16.071	16.617
Other contingent liabilities	-	-
Total contingent liabilities	**16.071**	**16.617**

Surety for the obligations of Electra Deutschland

PGE Polska Grupa Energetyczna S.A. provided a surety for repayment of bank guarantees for the obligations of Electra Deutschland GmbH to foreign third parties. The liability of the Company as at 30 June 2012 is limited to a total amount of PLN 16.071 thousand. The guarantees expire in the first half of 2013.

17.2. Legal and court issues

Risk related to PGE - ATEL (presently Alpiq Holding AG) dispute

Since 2009 PGE Polska Grupa Energetyczna S.A. is a party to arbitration proceedings with the company Atel. The proceeding is held before the Court of Arbitration in Vienna. The subject of the arbitration proceeding is the claim of Atel, raised against PGE, resulting from the default on a electricity supply agreement signed on 28 October 1997. Claims submitted by Atel in a supplemented (rephrased) lawsuit from 4 October 2010 amount to EUR 155 million. The arbitration proceeding is held in written form and were based on the exchange of pleadings between the parties and presentation of written statements of witnesses, experts and the parties as evidence to the Tribunal.

Oral hearing, summarizing the outcome of written procedure, was held in Vienna on 12-16 September 2011. Witnesses of both parties as well as experts were interviewed during the hearing. The Tribunal did not give a ruling after the hearing. The arbitrators set the following deadlines for submission of *post hearing briefs:* 16 November 2011 (first round, which was postponed to 22 November at the request of both parties) and 17 January 2012 (second round). Both sides submitted the required papers within the period set. In the document submitted by Atel, among others, new calculation of Atel's claim was presented, which increased to total value of approx. EUR 168 million. Despite the fact that an additional date of a final hearing was set (for 18 February), it did not take place.

On the basis of available information, to the best of its knowledge, PGE S.A. made a reasonable estimation of claims which are likely to be reasonably considered justified by the Arbitration Tribunal. The Company established a provision for the claim thus estimated, in the amount exceeding EUR 94 million (including the main amount of EUR 79 million). At the present stage of arbitration proceedings, it is not possible to foresee the outcome or to determine the final amount of compensation.

17.3. Other contingent liabilities

Promise referring to ensure financing of new investments in Group companies

Due to planned strategic investments in PGE Group companies, the Company committed in the form of promise to group companies, to ensure financing of planned investments. The promises relate to specific investments and may be used only for such purposes. As at 30 June 2012 the estimated value of the promise amounts to PLN 15,2 billion.

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

Employee claims

There are claims against the Company filed by former employees, who demand re-employment or compensation. In principle, the compensation amounts up to the value of a year remuneration. Taking into consideration the nature of disputes, it is considered that the amount of claims is immaterial for the Company.

17.4. Contingent receivables and other contingent assets

As at 30 June 2012, the Company did not report any material contingent receivables.

Excise tax reimbursement

During 2009, the Company filed a motion related to an excess payment of excise tax on imports and Intra-Community purchase of electric energy during the period from January 2006 to February 2009. The Company argues that the excess payment results from discrepancies between the Polish and Community law. As at the preparation date of these financial statements this issue has not been finally resolved. The total claim amounts to PLN 54 million plus interest.

Subsidy from PAED

In May 2011, an agreement was signed with the Polish Agency for Enterprise Development ("PAED") for co-financing of a training and consultancy project for PGE Group employees. During 2012-2013, the Company expects to receive about PLN 5.434 thousand in subsidies. The value of subsidies may be reduced or be subject to refund if there is non-compliance with the requirements strictly prescribed by the agreement. The Agreement for the PAED is secured by a bill of exchange submitted by the Company and certified by a notary public, for an amount of PLN 6.684 thousand.

18. Financial liabilities

Financial liabilities at amortized cost (as at 30 June 2012)	**Long-term**	**Short-term**	**Total**
Trade liabilities	-	379.653	379.653
Other financial liabilities	-	4.412	4.412
Total	**-**	**384.065**	**384.065**

Cash flows from bonds issued by the Company were as follows:

	6 months ended 30 June 2012	**6 months ended 30 June 2011**
Issue	-	3.624.624
Buy-out	-	4.477.650

In the first half of 2012 PGE Capital Group held a possibility to issue bonds within 3 programmes: the programme addressed to external investors for the maximum amount of PLN 10 billion, the programme addressed to Polish capital market investors for the maximum amount of PLN 5 billion and the programme addressed to PGE Group companies for the maximum amount of PLN 5 billion.

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

19. Information on related parties

Transactions with related entities are concluded using current market prices for provided goods, products and services or are based on the cost of manufacturing.

19.1. Subsidiaries in the PGE Capital Group

	Sales to subsidiaries	Purchases from subsidiaries	Trade receivables from subsidiaries	Trade liabilities towards subsidiaries
01.01.-30.06.2012	4.604.986	811.460	452.058	124.329
01.01.-30.06.2011	4.692.128	727.989	578.451	61.412

Sales to subsidiaries in the PGE Capital Group relates mainly to coal and electricity. Purchases from subsidiaries in the PGE Capital Group relates mainly to electricity.

Moreover, as at 30 June 2012 the Company owned bonds issued by subsidiaries disclosed as loans and receivables of a carrying value of PLN 3.791.986 thousand.

19.2. Associates

	Sales to associates	Purchases from associates	Trade receivables from associates	Trade liabilities towards associates
01.01.-30.06.2012	-	-	-	-
01.01.-30.06.2011	37	158	15	36

19.3. Transactions with State Treasury entities

The State Treasury is the dominant shareholder of PGE Polska Grupa Energetyczna S.A. and as a result in accordance with IAS 24 *Related Party Disclosures*, State Treasury companies are recognized as related entities. The Company identifies in detail transactions with almost 40 of the biggest State Treasury related companies. The total value of transactions with such entities is presented in the table below.

	Sale to State Treasury entities	Purchases from State Treasury entities	Trade receivables from State Treasury entities	Trade liabilities towards State Treasury entities
01.01.-30.06.2012	195.860	952.454	19.901	136.561
01.01.-30.06.2011	60.119	1.161.736	6.455	235.524

The most important transactions with State Treasury entities refer to transactions on the electricity market with PSE Operator S.A. and purchase of coal from Polish mines. Furthermore, the Company made significant transactions on the energy market through the Towarowa Giełda Energii S.A. Due to the fact that this entity only deals with the organization of trading, purchases and sales through it are not treated as transactions with related parties.

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

19.4. Key management personnel remuneration

The key management comprises of the Management Board and Supervisory Board of PGE Polska Grupa Energetyczna S.A.

	6 months ended 30 June 2012	6 months ended 30 June 2011
Remuneration to Management Board and Supervisory Board Members	2.726	789
Post-employment benefits	523	213
Total remuneration paid to key management	**3.249**	**1.002**

	6 months ended 30 June 2012	6 months ended 30 June 2011
Management Board	3.069	815
Supervisory Board	180	187
Total	**3.249**	**1.002**

The above data present remuneration costs paid to key management recognized in the reporting period. For the period ended 30 June 2012 remuneration costs include also an appropriate part of provisions for bonuses, to which the management members are entitled on the basis of the contracts signed. The final amount of bonuses and premiums will depend, among others, on the results generated by the Company and the PGE Capital Group.

Increase in remuneration paid to key management during period ended 30 June 2012 compared to prior year resulted from changes in remuneration structure. In prior period the members of the Company's Management Board were also acting as members of the Management Board in other companies of PGE Capital Group and were entitled to remuneration in those companies. In current period the Company's Management Board Members did not sat on the subsidiaries' Management Boards.

Members of the Management Board are employed on the basis of civil law contracts for management (Management contracts). The mentioned remuneration is included in other costs by type in the statement of comprehensive income.

20. Significant events during the reporting period and subsequent events

20.1. Framework agreement on the exploration for and extraction of shale gas

On 4 July 2012 PGE S.A signed a framework agreement on the exploration for and extraction of shale gas. The parties to the Agreement are PGE Polska Grupa Energetyczna S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), ENEA S.A., KGHM Polska Miedź S.A. and TAURON Polska Energia S.A.

The subject of cooperation of the Parties based on the Agreement will be the exploration, evaluation and extraction of shale gas in geological formations for which concessions have been granted for the exploration and evaluation of deposits of crude oil and natural gas in relation to the Wejherowo concession held by PGNiG (the "Wejherowo Concession"). With respect to the Wejherowo Concession, there will be close cooperation involving an area of approximately 160 km2. The Agreement also provides for preferential treatment of the Parties with regard to the possibility of cooperation in relation to the remaining area of the Wejherowo Concession (with the exception of a situation where PGNiG on its own engages in exploration, evaluation or extraction of shale gas and excluding the area in the vicinity of Opalino and Lubocino where PGNiG is already conducting exploratory work).

Estimated expenditures on exploration, evaluation and extraction with respect to the first three zones (the Kochanowo, Częstkowo and Tępcz pads) within the Area of Cooperation are projected to be in the amount of PLN 1.720 million. Details regarding the terms of cooperation, including a detailed project budget and timeline, the shares of the Parties in financing the expenditures arising from the agreed-on budget, shares in the project's profits and the principles of responsibility, including contractual penalties in the case of the failure, in particular by PGNiG, to fulfil certain obligations resulting from the Agreement, will be determined by the Parties within four months from the date the Agreement is signed. Should such specific arrangements not be forthcoming, the Agreement may be terminated by each of the Parties. If within three months after reaching such arrangements the Parties have not received all of the required corporate approvals, or if by 30 December 2012 the required antimonopoly clearances have not been received, the Agreement will expire.

20.2. Issues regarding Agreement to acquire Shares of Energa S.A.

On 29 September 2010, the Management Board of PGE Polska Grupa Energetyczna S.A. concluded with the State Treasury, represented by the Minister of the State Treasury, agreement on sales of shares of Energa S.A., seated in Gdańsk ("Agreement"). The subject of the agreement was to acquire 4.183.285.468 shares of Energa S.A., representing 84,19% of its share capital. The purchase price of all shares representing 84,19% of share capital of this company was PLN 7.529.913 thousand.

The transaction would have been effective after obtaining by PGE S.A. the consent to a concentration of capital from the President of the Office of Competition and Consumer Protection ("the President of the Office") (condition precedent). On 13 January 2011, the President of the Office of Competition and Consumer Protection issued a Decision preventing PGE S.A. from buying shares of Energa S.A. Therefore, on 18 January 2011 PGE S.A. entered into an annex to the Agreement of sale of Energa S.A. shares, with the Seller. Under that Annex, the term of Agreement was set as 12 months of the effective date, whereby the State Treasury and PGE S.A. decided to withhold the term of Agreement until a valid and binding closing of court proceedings concerning appeal against the Decision.

On 28 January 2011, the Regional Court in Warsaw, Competition and Consumer Protection Court, received an appeal filed through intermediation of the President of the Office by PGE S.A. against the Decision of the President of the Office for Competition and Consumer Protection, preventing amalgamation of PGE S.A. with Energa S.A. In its appeal, the Company requested to replace the said decision in its entirety by another Decision to the effect of permitting amalgamation of PGE S.A. with Energa S.A., or that the former decision be revoked. On 14 May 2012, the Regional Court in Warsaw, Competition and Consumer Protection Court issued a Decision rejecting the appeal of PGE Polska Grupa Energetyczna S.A. against the Decision of the President of the Office of Competition and Consumer Protection, dated 13 January 2011, preventing amalgamation of PGE S.A. with Energa S.A. through taking control by PGE Polska Grupa Energetyczna S.A. over Energa S.A. The

Condensed interim separate financial statements for the 6 month period ended 30 June 2012 prepared in accordance with IFRS (in PLN thousand)

Decision stated that there are no grounds to sustain PGE S.A.'s appeal. PGE S.A. did not appeal against last Decision. Therefore, on 12 June 2012 the Decision was validated and PGE S.A. becomes obliged not to transact the concentration of capital. Sales Agreement was terminated.

20.3. Return of tax on civil law transactions – acquisition of Energa S.A.

As it was described in Note 20.2 of financial statement, Agreement to acquire shares of Energa S.A. was terminated. Therefore, the Company claimed to the Head of the First Mazowiecki Tax Office in Warsaw return of PLN 75.299 thousand of tax paid on the conclusion of the contract. The tax was returned on 18 July 2012.

As at 30 June 2012 the amount mentioned above was presented in the statement of financial position as other short-term assets.

Warsaw, 28 August 2012

Signatures of the Members of the Board of PGE Polska Grupa Energetyczna S.A.

Krzysztof Kilian *President of the Management Board*	*Bogusława Matuszewska* *Vice-President of the Management Board*
Wojciech Ostrowski *Vice-President of the Management Board*	*Piotr Szymanek* *Vice-President of the Management Board*