

Polish Energy Partners S.A.

**INTERIM ABBREVIATED FINANCIAL STATEMENT
FOR THE PERIOD OF 6 MONTHS
ENDED JUNE 30, 2007**

Stephen Klein – President of the Management Board

Anna Kwarciańska – Vicepresident of the Management Board

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Warsaw, August 6, 2007

Polish Energy Partners S.A.
Interim abbreviated financial statement for the half year ended June 30, 2007
Balance Sheet
(in thousand zlotys)

1. Balance Sheet

CONSOLIDATED BALANCE SHEET	30.06.2007	31.12.2006	30.06.2006
Assets			
I. Fixed Assets (long-term)	100 460	104 622	103 538
1. Tangible fixed assets	1 004	1 080	3 252
2. Intangible fixed assets	335	353	43
3. Investment property	23 654	24 665	22 599
4. Financial assets	75 303	78 178	76 402
5. Long-term receivables	6	6	6
6. Deferred tax assets	-	182	1 019
7. Other fixed assets	158	158	217
II. Current assets (short-term)	35 722	18 779	16 020
1. Inventory	8 496	7 591	1 537
2. Trade receivables	5 959	5 259	4 772
3. Income tax receivables	-	-	267
4. Other short-term receivables	1 153	1 158	281
5. Accrued income and deferred cost	374	165	116
6. Short-term financial assets	-	-	-
7. Cash and cash equivalents	19 740	4 606	9 047
Total Assets	136 182	123 401	119 558

Polish Energy Partners S.A.
Interim abbreviated financial statement for the half year ended June 30, 2007
Balance Sheet
(in thousand zlotys)

CONSOLIDATED BALANCE SHEET	30.06.2007	31.12.2006	30.06.2006
Total Equity and Liabilities			
I. Shareholders' Equity	105 028	87 089	89 781
1.Share capital	36 979	36 979	36 511
2.Unpaid share capital	-	(132)	(211)
3.Surplus of sales issue above nominal value (agio)	28 124	28 124	27 838
4.Treasury shares	-	-	-
5.Reserve capital from option valuation	3 948	2 583	1 790
6.Other reserve capital	19 535	19 210	19 210
7.Profit/loss from previous years	-	-	-
8.Profit/loss for the period	16 442	325	4 643
II. Long-term liabilities	17 094	18 353	20 315
1.Bank loans and borrowings	14 103	15 958	17 711
2.Deferred tax liability	656	-	-
3.Provisions	2 153	2 132	2 110
4.Accruals and deferred income	1	1	-
5.Other liabilities	181	262	494
III. Short-term liabilities	14 060	17 959	9 462
1.Bank loans and borrowings	3 923	3 736	3 124
2.Trade liabilities	783	5 477	1 510
3.Income tax liabilities	1 715	152	-
4.Other liabilities	6 040	6 422	3 083
5.Provisions	1 152	1 275	1 183
6.Accruals and deferred income	447	897	562
Total Capital and Liabilities	136 182	123 401	119 558

Polish Energy Partners S.A.
Interim abbreviated financial statement for the half year ended June 30, 2007
Profit and Loss Account
(in thousand zlotys)

CONSOLIDATED PROFIT AND LOSS STATEMENT	30.06.2007	30.06.2006
Continued activity		
I. Sales income	7 112	10 502
II. Cost of goods sold	(5 137)	(5 665)
III. Gross profit on sales (I-II)	1 975	4 837
IV. Selling expense	-	-
V. General and administration costs	(5 521)	(5 424)
including management option valuation	(1 365)	(758)
VI. Profit on sales (III-IV-V)	(3 546)	(587)
VII. Other operating income	764	1 038
VIII. Other operating expense	(153)	(16 186)
IX. Operating profit (VI+VII-VIII)	(2 935)	(15 735)
X. Financial income	23 012	21 166
including dividend from subsidiary SM	22 217	20 363
XI. Financial expense	(685)	(1 829)
XII. Gross profit/loss (IX+X-XI)	19 392	3 602
XIII. Corporate income tax	2 950	(1 041)
XIV. Net profit/loss from continued activity	16 442	4 643

Discontinued activity		
XV. Profit/loss from discontinued activity	-	-
XVI. Net profit/loss	16 442	4 643

Net profit/loss	16 442	4 643
Weighted average number of shares	18 440 658	18 220 127
Basic EPS (in zł)	0,89	0,25
Weighted average diluted number of shares	18 440 658	18 220 127
Diluted EPS (in zł)	0,89	0,25

Polish Energy Partners S.A.
Interim abbreviated financial statement for the half year ended June 30, 2007
Changes in Shareholders' Equity
(in thousand zlotys)

Changes in Consolidated Shareholders' Equity	Share capital	Unpaid share capital	Surplus of sales issue above nominal value (agio)	Reserve capital from option valuation	Other reserve capital	Profit/loss from previous years	Profit/loss for the period	TOTAL
Equity at the beginning of the period - 01.01.2007	36 979	(132)	28 124	2 583	19 210	325	-	87 089
Changes in capital in the period	-	132	-	1 365	325	(325)	16 442	17 939
a) increase	-	-	-	1 365	325	-	16 442	18 132
- net profit	-	-	-	-	-	-	16 442	16 442
- profit/ loss from previous years distribution	-	-	-	-	325	-	-	325
- from management options valuation	-	-	-	1 365	-	-	-	1 365
b) decrease	-	(132)	-	-	-	325	-	193
- payment due for share capital	-	(132)	-	-	-	-	-	(132)
- transfer to other reserve capital	-	-	-	-	-	325	-	325
Equity at the end of the period - 30.06.2007	36 979	-	28 124	3 948	19 535	-	16 442	105 028

Changes in Consolidated Shareholders' Equity	Share capital	Unpaid share capital	Surplus of sales issue above nominal value (agio)	Reserve capital from option valuation	Other reserve capital	Profit/loss from previous years	Profit/loss for the period	TOTAL
Equity at the beginning of the period - 01.01.2006	36 369	(378)	28 321	1 032	28 267	(483)	-	93 128
Changes in capital in the period	610	246	(197)	1 551	(9 057)	483	325	(6 039)
a) increase	610	(610)	286	1 551	-	-	325	2 162
- net profit	-	-	-	-	-	-	325	325
- shares issue	610	(610)	-	-	-	-	-	-
- share issue above NOMINAL value	-	-	286	-	-	-	-	286
- from management options valuation	-	-	-	1 551	-	-	-	1 551
b) decrease	-	(856)	483	-	9 057	(483)	-	8 201
- dividends	-	-	-	-	9 057	-	-	9 057
- payment due for share capital	-	(856)	-	-	-	-	-	(856)
- coverage of loss	-	-	483	-	-	(483)	-	-
Equity at the end of the period - 31.12.2006	36 979	(132)	28 124	2 583	19 210	-	325	87 089

Changes in Consolidated Shareholders' Equity should be analyzed together with the additional notes, which are the integral part of the financial statement

Polish Energy Partners S.A.
Interim abbreviated financial statement for the half year ended June 30, 2007
Changes in Shareholders' Equity
(in thousand zlotys)

Changes in Consolidated Shareholders' Equity	Share capital	Unpaid share capital	Surplus of sales issue above nominal value (agio)	Reserve capital from option valuation	Other reserve capital	Profit/loss from previous years	Profit/loss for the period	TOTAL
Equity at the beginning of the period - 01.01.2006	36 369	(378)	28 321	1 032	28 267	(483)	-	93 128
Changes in capital in the period	142	167	(483)	758	(9 057)	483	4 643	(3 347)
a) increase	142	(142)	-	758	-	-	4 643	5 401
- net profit	-	-	-	-	-	-	4 643	4 643
- shares issue	142	(142)	-	-	-	-	-	-
- from management options valuation	-	-	-	758	-	-	-	758
b) decrease	-	(309)	483	-	9 057	(483)	-	8 748
- dividends	-	-	-	-	9 057	-	-	9 057
- payment due for share capital	-	(309)	-	-	-	-	-	(309)
- coverage of loss	-	-	483	-	-	(483)	-	-
Equity at the end of the period - 30.06.2006	36 511	(211)	27 838	1 790	19 210	-	4 643	89 781

Changes in Consolidated Shareholders' Equity should be analyzed together with the additional notes, which are the integral part of the financial statement

Polish Energy Partners S.A.
Interim abbreviated financial statement for the half year ended June 30, 2007
Cash Flow Statement
(in thousand zlotys)

Consolidated Cash Flows Statement	30.06.2007	30.06.2006
A.Cash flow from operating activities - indirect method		
I.Gross profit/loss	19 392	3 602
II.Adjustments for:	(27 139)	(6 028)
1.Profit/ loss from associates and jointly controlled entities which are companies	-	-
2.Depreciation	1 257	1 389
3.Foreign exchange gains/losses	21	666
4.Interest and dividends received and paid	(21 997)	(19 780)
5.Result on investment activity	-	9
6.Corporate income tax	(494)	(893)
7.Change in provisions	(102)	-
8.Change in inventory	(905)	(141)
9.Change in receivables	(739)	1 990
10.Change in short term liabilities, without loans and credits	(4 896)	(98)
11.Change in deferred income and accruals	(647)	(2 033)
12. Other changes	1 363	12 863
III.Net cash flow from operating activities (I+/-II)	(7 747)	(2 426)
B.Net cash flow from investing activities		
I. Inflows due to investing activities	27 499	13 486
1. Sale of intangible and tangible fixed assets	-	-
2. Sale of investments in tangible fixed assets and intangible assets	-	-
3. Sale of other financial assets, including:	27 499	13 486
- sale of financial assets	-	-
- dividends and shares in profit	21 710	13 415
- repayment of long term loan	-	-
- interest	-	71
- other inflows from financial assets	5 789	-
4. Other investment inflows	-	-
II.Outflows due to investing activities	2 400	7 850
1. Purchase of intangible and tangible fixed assets	153	2 457
2. Investments in property and intangibles	-	-
3. Purchase of other financial assets, including:	2 247	5 393
- purchase of financial assets	97	445
- long-term loans granted	2 150	4 948
4. Dividends and other payments paid to minority shareholders,	-	-
5. Acquisition of subsidiary net of fixed assets taken over	-	-
III.Net cash flow from investing activities (I-II)	25 099	5 636

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

Polish Energy Partners S.A.
Interim abbreviated financial statement for the half year ended June 30, 2007
Cash Flow Statement
(in thousand zlotys)

C.Net cash flow from financing activities

I.Inflows from financing activities	132	931
1. Issue of shares and capital instruments	132	309
2.Loans and borrowings	-	622
3. Issue of bonds	-	-
4. Other	-	-
II.Outflows due to financing activities	2 331	11 194
1.Purchase of treasury shares	-	-
2.Dividends and others payments to shareholders	-	9 057
3.Share issue related expenditure	-	-
4.Repayments of loans and credits	1 669	1 378
5.Repayments of bonds	-	-
6.Repayments of other financial liabilities	-	-
7.Finance lease payments	74	149
8.Interest paid	588	610
9.Other	-	-
III.Net cash flow from financing activities (I-II)	(2 199)	(10 263)
D.Net change in cash and cash equivalents (A.III+/-B.III+/-C.III)	15 153	(7 053)
E.Balance sheet change in cash and cash equivalents, including:	15 134	(7 815)
- changes in cash and cash equivalents resulting from foreign exchange gains/losses	(21)	(762)
F.Cash and cash equivalents at the beginning of the period	4 606	16 862
G.Cash and cash equivalents at the end of the period, including :	19 740	9 047
- restricted cash and cash equivalents	-	15

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

2. Additional notes and explanations

2.1. Accounting policies applied

The interim abbreviated financial statement of the Company as of June 30, 2007 is prepared with the provisions of International Accounting Standard 34. The applied accounting policies are presented in „the Notes to the Consolidated Financial Statements”

The abbreviated financial statement as of June 30, 2007 and June 30, 2006 was prepared with the provisions of International Financial Reporting Standards.

The accounting policies applied to the preparation of the interim abbreviated financial statements are integral with these which were applied when preparing the yearly financial statements of the Company for the year ended December 31, 2006 except for application of the following standards and interpretations binding for yearly periods commencing on or after January 1, 2007:

- Amendments to the IAS 1 Presentation of financial statements, disclosure of information about equity.
- IFRS 7 Financial instruments, disclosure and valuation.
- Interpretation IFRIC 7 Application of approach relying on restatement in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies.
- Interpretation IFRIC 8 Scope of IFRS 2. The Group applied IFRIC 8.
- Interpretation IFRIC 9 Assessment of embedded derivatives.
- Interpretation IFRIC 10 Interim financial reporting and impairment.

The application of the above changes to the standards did not have impact either on operational profit of the Company or its financial situation.

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

2.2. Seasonality and cyclicity of company's activity

Polish Energy Partners S.A. („PEP”) operates in the industrial energy outsourcing market. Key accounts consume heat and electricity in its production plants for the production purposes. The demand for heat and electricity for production purposes indicates no seasonality. However some of the heat delivered is consumed to heat the buildings. The above refers both to industrial and municipal offtakers. Demand for building heating indicates seasonality which is higher in 1st and 4th quarter of the financial year. The seasonality of this demand does not have significant impact on the reported financial result.

2.3. Amounts which significantly impact the assets, liabilities, equity, net profit or cash flow

The company received dividends from subsidiaries in the amount of 22,217 thousand zlotys.

2.4. Changes in estimates

There were no changes in estimates presented in previous financial years.

2.5. Information on securities issue

In the period of 6 months ended June 30, 2007 there were no issues of securities.

2.6. Information on dividend paid

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

2.7. Information on business segment and geographical segment reporting

PEP S.A. is operating in one business segment on one specific market and does not recognize different business segments. The Group operates on Polish territory (100% of revenue) which regions due to their similar economic conditions and risks should be treated as homogeneous territory.

2.8. Information on post balance sheet events not reflected in the interim financial statements

There were no events that were not, but should have been, disclosed in the interim financial statements.

2.9. Indication of changes in Group structure

In the period of 6 months ended June 30, 2007 there was no changes to the structure of the entity.

2.10. Information on contingent assets or liabilities

In the period of 6 months ended June 30, 2007 there were no changes to the contingent liabilities or contingent assets.