



**PGNiG**

Polskie Górnictwo Naftowe  
i Gazownictwo SA

**INTERIM CONDENSED CONSOLIDATED**

**FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED**

**JUNE 30TH 2015**



**POLISH FINANCIAL SUPERVISION AUTHORITY**

**Consolidated half-year report PSr 2015**

(pursuant to Par. 82.2 and Par. 83.3 of the Regulation of the Minister of Finance of February 19th 2009 –  
Dz.U. No. 33, item 259, as amended)

**for issuers of securities in the manufacturing, construction, trade, and services sectors**

for the first half of the 2015 financial year, covering the period from **January 1st** to **June 30th 2015**, containing interim condensed consolidated financial statements prepared in accordance with International Financial Reporting Standards in the Polish zloty (PLN), and interim condensed separate financial statements prepared in accordance with International Financial Reporting Standards in the Polish zloty (PLN).

August 14th 2015

(filing date)

<b>POLSKIE GÓRNICTWO NAFTOWE i GAZOWNICTWO SPÓŁKA AKCYJNA</b>	
(company name)	
<b>PGNiG S.A.</b>	<b>Fuels industry (pal)</b>
(abbreviated name)	(sector according to the WSE classification)
<b>01-224</b>	<b>Warsaw</b>
(postal code)	(city/town)
<b>Marcina Kasprzaka</b>	<b>25</b>
(street)	(number)
<b>+48 022 589 45 55</b>	<b>+48 022 691 82 73</b>
(telephone)	(fax)
<b>pr@pgnig.pl</b>	<b>www.pgnig.pl</b>
(email)	(website)
<b>525-000-80-28</b>	<b>012216736</b>
(NIP)	(REGON – Industry Identification Number)



## FINANCIAL HIGHLIGHTS

Interim condensed consolidated financial data	PLNm		EURm	
	6 months ended	6 months ended	6 months ended	6 months ended
	Jun 30 2015	Jun 30 2014	Jun 30 2015	Jun 30 2014
Revenue	20,390	16,381	4,932	3,920
Operating profit/(loss)	2,609	2,169	631	519
Profit/(Loss) before tax	2,551	2,063	617	494
Net profit/(loss) attributable to owners of the parent	1,864	1,519	451	364
Net profit/(loss)	1,865	1,520	451	364
Comprehensive income attributable to owners of the parent	2,068	1,312	500	314
Total comprehensive income	2,069	1,313	500	314
Net cash (used in)/generated by operating activities	4,629	3,703	1,120	886
Net cash (used in)/generated by investing activities	(1,510)	(1,239)	(365)	(297)
Net cash (used in)/generated by financing activities	(639)	(1,634)	(155)	(391)
Net increase/(decrease) in cash and cash equivalents	2,480	830	600	199
Earnings/(Loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares of the parent (in PLN and EUR)	0.32	0.26	0.08	0.06
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>Jun 30 2015</b>	<b>Dec 31 2014</b>	<b>Jun 30 2015</b>	<b>Dec 31 2014</b>
Total assets	48,428	48,926	11,546	11,479
Total liabilities	17,372	18,757	4,142	4,401
Total non-current liabilities	11,630	12,384	2,773	2,905
Total current liabilities	5,742	6,373	1,369	1,496
Total equity	31,056	30,169	7,404	7,078
Share capital	5,900	5,900	1,407	1,384
Weighted average number of shares (million)	5,900	5,900	5,900	5,900
Book value per share and diluted book value per share (in PLN and EUR)	5.26	5.11	1.25	1.20
Dividend per share declared or paid (in PLN and EUR)	0.20	0.15	0.05	0.04

Interim condensed separate financial data	PLNm		EURm	
	6 months ended	6 months ended	6 months ended	6 months ended
	Jun 30 2015	Jun 30 2014	Jun 30 2015	Jun 30 2014
Revenue	10,223	13,689	2,473	3,276
Operating profit/(loss)	1,035	962	250	230
Profit/(loss) before tax	1,912	1,555	462	372
Net profit/(loss)	1,703	1,366	412	327
Total comprehensive income	1,876	1,148	454	275
Net cash (used in)/generated by operating activities	1,073	1,771	260	424
Net cash (used in)/generated by investing activities	557	(167)	135	(40)
Net cash (used in)/generated by financing activities	163	(1,009)	39	(241)
Net increase/(decrease) in cash and cash equivalents	1,793	595	434	142
Earnings/(Loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares (in PLN and EUR)	0.29	0.23	0.07	0.06
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>Jun 30 2015</b>	<b>Dec 31 2014</b>	<b>Jun 30 2015</b>	<b>Dec 31 2014</b>
Total assets	36,978	35,356	8,816	8,294
Total liabilities	12,503	11,576	2,981	2,716
Total non-current liabilities	7,021	7,385	1,674	1,733
Total current liabilities	5,482	4,191	1,307	983
Equity	24,475	23,780	5,835	5,578
Share capital	5,900	5,900	1,407	1,384
Weighted average number of shares (million)	5,900	5,900	5,900	5,900
Book value per share and diluted book value per share (in PLN and EUR)	4.15	4.03	0.99	0.95
Dividend per share declared or paid (in PLN and EUR)	0.20	0.15	0.05	0.04

Items of the statement of profit or loss, statement of comprehensive income and statement of cash flows were translated at the EUR/PLN exchange rate computed as the arithmetic mean of mid rates quoted by the National Bank of Poland (NBP) for the last day of each calendar month in a given reporting period.

Items of the statement of financial position were translated at the average EUR/PLN exchange rate quoted by the NBP at the end of a given period.

### Average EUR/PLN exchange rates quoted by the NBP

	Jun 30 2015	Jun 30 2014	Dec 31 2014
Average exchange rate in period	4.1341	4.1784	4.1893
Exchange rate at end of period	4.1944	4.1609	4.2623



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## I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 months ended	6 months ended	3 months ended	6 months ended
		Jun 30 2015	Jun 30 2015	Jun 30 2014	Jun 30 2014
				restated	
		unaudited	unaudited	unaudited	unaudited
<b>Revenue</b>	<b>4</b>	<b>7,895</b>	<b>20,390</b>	<b>6,846</b>	<b>16,381</b>
Raw materials and consumables used	5.1	(4,887)	(13,724)	(3,574)	(9,438)
Employee benefits expense		(583)	(1,281)	(687)	(1,373)
Depreciation and amortisation expense		(723)	(1,387)	(675)	(1,298)
Services	5.2	(755)	(1,278)	(815)	(1,400)
Work performed by the entity and capitalised		229	435	185	375
Other income and expenses	5.3	(229)	(546)	(669)	(1,078)
<b>Total operating expenses</b>	<b>10</b>	<b>(6,948)</b>	<b>(17,781)</b>	<b>(6,235)</b>	<b>(14,212)</b>
<b>Operating profit/(loss)</b>		<b>947</b>	<b>2,609</b>	<b>611</b>	<b>2,169</b>
Finance income	6	(12)	50	14	46
Finance costs	6	26	(108)	(89)	(152)
Share in net profit/(loss) of equity-accounted entities		-	-	7	-
<b>Profit/(Loss) before tax</b>		<b>961</b>	<b>2,551</b>	<b>543</b>	<b>2,063</b>
Income tax	7	(340)	(686)	(203)	(543)
<b>Net profit/(loss)</b>		<b>621</b>	<b>1,865</b>	<b>340</b>	<b>1,520</b>
Attributable to:					
Owners of the parent		621	1,864	338	1,519
Non-controlling interests		-	1	2	1
Earnings/(Loss) and diluted earnings/loss per share attributable to holders of ordinary shares of the parent (PLN)		0.11	0.32	0.06	0.26

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended	6 months ended	3 months ended	6 months ended	
	Jun 30 2015	Jun 30 2015	Jun 30 2014	Jun 30 2014	
		unaudited	unaudited	unaudited	unaudited
<b>Net profit/(loss)</b>		<b>621</b>	<b>1,865</b>	<b>340</b>	<b>1,520</b>
<b>Other comprehensive income that will be reclassified to profit or loss if specific conditions are met, relating to:</b>		<b>74</b>	<b>192</b>	<b>(59)</b>	<b>(196)</b>
Exchange differences on translating foreign operations		(13)	39	(17)	15
Hedge accounting		107	189	(52)	(260)
Deferred tax		(20)	(36)	10	49
<b>Other comprehensive income that will not be reclassified to profit or loss, relating to:</b>		<b>12</b>	<b>12</b>	<b>(11)</b>	<b>(11)</b>
Actuarial gains/(losses) on employee benefits		15	15	(13)	(13)
Deferred tax		(3)	(3)	2	2
<b>Other comprehensive income, net</b>		<b>86</b>	<b>204</b>	<b>(70)</b>	<b>(207)</b>
<b>Total comprehensive income</b>		<b>707</b>	<b>2,069</b>	<b>270</b>	<b>1,313</b>
Attributable to:					
Owners of the parent		707	2,068	268	1,312
Non-controlling interests		-	1	2	1

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at Jun 30 2015	As at Dec 31 2014
		unaudited	audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	33,088	33,528
Investment property		8	9
Intangible assets		1,121	1,113
Investments in equity-accounted entities		857	856
Other financial assets		250	243
Deferred tax assets	1	1,401	1,783
Other non-current assets		157	160
<b>Total non-current assets</b>		<b>36,882</b>	<b>37,692</b>
<b>Current assets</b>			
Inventories		2,651	3,189
Trade and other receivables		2,414	4,236
Current tax assets		26	5
Other assets		402	132
Derivative financial instrument assets	9	472	567
Cash and cash equivalents		5,435	2,958
Assets held for sale		146	147
<b>Total current assets</b>		<b>11,546</b>	<b>11,234</b>
<b>Total assets</b>		<b>48,428</b>	<b>48,926</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		5,900	5,900
Share premium		1,740	1,740
Accumulated other comprehensive income		(66)	(270)
Retained earnings/(deficit)		23,478	22,794
<b>Equity attributable to owners of the parent</b>		<b>31,052</b>	<b>30,164</b>
Equity attributable to non-controlling interests		4	5
<b>Total equity</b>		<b>31,056</b>	<b>30,169</b>
<b>Non-current liabilities</b>			
Borrowings and other debt instruments		4,800	5,069
Employee benefit obligations		532	604
Provisions	3	1,544	1,803
Deferred revenue		1,559	1,581
Deferred tax liabilities	1	3,133	3,250
Other non-current liabilities		62	77
<b>Total non-current liabilities</b>		<b>11,630</b>	<b>12,384</b>
<b>Current liabilities</b>			
Trade and other payables		3,791	3,589
Borrowings and other debt instruments		390	769
Derivative financial instrument liabilities	9	417	593
Current tax liabilities		9	191
Employee benefit obligations		368	284
Provisions	3	610	720
Deferred revenue		157	227
<b>Total current liabilities</b>		<b>5,742</b>	<b>6,373</b>
<b>Total liabilities</b>		<b>17,372</b>	<b>18,757</b>
<b>Total equity and liabilities</b>		<b>48,428</b>	<b>48,926</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
	unaudited	unaudited
<b>Cash flows from operating activities</b>		
Net profit/(loss)	1,865	1,520
Adjustments:		
Share in net profit/(loss) of equity-accounted entities	-	-
Depreciation and amortisation expense	1,387	1,298
Net foreign exchange gains/(losses)	(42)	57
Net interest and dividend	54	27
Gain/(Loss) on investing activities	161	336
Current tax expense	686	543
Other items, net	105	286
Income tax paid	(653)	(408)
<b>Cash flows from operating activities before movements in working capital</b>	<b>3,563</b>	<b>3,659</b>
Movements in working capital:		
Change in trade and other receivables	1,809	1,023
Change in inventories	538	366
Change in employee benefit obligations	11	(11)
Change in provisions	(143)	(71)
Change in current liabilities	(755)	(1,047)
Change in other assets	(272)	(224)
Change in deferred revenue	(122)	8
<b>Net cash (used in)/generated by operating activities</b>	<b>4,629</b>	<b>3,703</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment and intangible assets	33	13
Proceeds from disposal of shares in non-related entities	-	1
Payments for property, plant and equipment and intangible assets	(1,556)	(1,321)
Payments for shares in related entities	(6)	-
Interest received	-	3
Dividends received	-	2
Other items, net	19	63
<b>Net cash (used in)/generated by investing activities</b>	<b>(1,510)</b>	<b>(1,239)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	136	161
Proceeds from issue of debt securities	199	40
Repayment of borrowings	(476)	(515)
Repayment of debt securities	(390)	(1,209)
Payment of finance lease liabilities	(18)	(25)
Cash inflow from derivative financial instruments	84	84
Payment for derivative financial instruments	(42)	(49)
Interest paid	(142)	(119)
Other items, net	10	(2)
<b>Net cash (used in)/generated by financing activities</b>	<b>(639)</b>	<b>(1,634)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2 480</b>	<b>830</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	(3)	-
<b>Cash and cash equivalents at beginning of period</b>	<b>2,956</b>	<b>2,826</b>
<b>Cash and cash equivalents at end of period</b>	<b>5,436</b>	<b>3,656</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity (attributable to owners of the parent)						Equity (attributable to non-controlling interests)	Total equity	
	Share capital	Share premium	Accumulated other comprehensive income, including:			Total			
			Exchange differences on translating foreign operations	Hedging reserve	Actuarial gains/(losses) on employee benefits	Retained earnings/(deficit)			
<b>As at Jan 1 2015 (audited)</b>	<b>5,900</b>	<b>1,740</b>	<b>(66)</b>	<b>(216)</b>	<b>12</b>	<b>22,794</b>	<b>30,164</b>	<b>5</b>	<b>30,169</b>
Dividend	-	-	-	-	-	(1,180)	(1,180)	-	(1,180)
Purchase of shares from non-controlling interests	-	-	-	-	-	-	-	(2)	(2)
<b>Total comprehensive income</b>	-	-	<b>39</b>	<b>153</b>	<b>12</b>	<b>1,864</b>	<b>2,068</b>	<b>1</b>	<b>2,069</b>
Net profit/(loss)	-	-	-	-	-	1,864	1,864	1	1,865
Other comprehensive income, net	-	-	39	153	12	-	204	-	204
<b>As at Jun 30 2015 (unaudited)</b>	<b>5,900</b>	<b>1,740</b>	<b>(27)</b>	<b>(63)</b>	<b>24</b>	<b>23,478</b>	<b>31,052</b>	<b>4</b>	<b>31,056</b>
<b>As at Jan 1 2014 (audited)</b>	<b>5,900</b>	<b>1,740</b>	<b>(84)</b>	<b>(1)</b>	<b>36</b>	<b>20,856</b>	<b>28,447</b>	<b>6</b>	<b>28,453</b>
Dividend	-	-	-	-	-	(885)	(885)	-	(885)
<b>Total comprehensive income</b>	-	-	<b>15</b>	<b>(211)</b>	<b>(11)</b>	<b>1,519</b>	<b>1,312</b>	<b>1</b>	<b>1,313</b>
Net profit/(loss)	-	-	-	-	-	1,519	1,519	1	1,520
Other comprehensive income, net	-	-	15	(211)	(11)	-	(207)	-	(207)
<b>As at Jun 30 2014 (unaudited)</b>	<b>5,900</b>	<b>1,740</b>	<b>(69)</b>	<b>(212)</b>	<b>25</b>	<b>21,490</b>	<b>28,874</b>	<b>7</b>	<b>28,881</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Deferred tax

	Deferred tax assets	Deferred tax liabilities
<b>As at Jan 1 2015</b>	<b>1,783</b>	<b>3,250</b>
Increase	10	36
Decrease	(400)	(148)
Exchange differences on translating deferred tax attributable to foreign operations	8	9
Tax relating to investment tax credit (Norway)	-	(14)
<b>As at Jun 30 2015</b>	<b>1,401</b>	<b>3,133</b>
<b>As at Jan 1 2014</b>	<b>2,233</b>	<b>3,210</b>
Increase	231	201
Decrease	(188)	(138)
Exchange differences on translating deferred tax attributable to foreign operations	(33)	(55)
Tax relating to investment tax credit (Norway)	(463)	29
Reclassification to/from assets held for sale	3	3
<b>As at Dec 31 2014</b>	<b>1,783</b>	<b>3,250</b>

## 2. Impairment losses

	Property, plant and equipment	Intangible assets	Assets and disposal groups held for sale	Other financial assets	Investments in equity-accounted entities	Inventories	Current receivables	Current portion of non-current loans	Other (current) assets	Total
<b>As at Jan 1 2015</b>	<b>2,406</b>	<b>57</b>	<b>8</b>	<b>42</b>	<b>725</b>	<b>113</b>	<b>786</b>	<b>39</b>	<b>1</b>	<b>4,177</b>
Increase	423	1	-	-	17	23	138	5	-	607
Transfers	-	-	8	(8)	-	-	-	-	-	-
Used/reversed	(257)	(10)	-	-	-	(70)	(136)	-	-	(473)
Currency translation differences	24	2	-	-	-	1	-	-	-	27
<b>As at Jun 30 2015</b>	<b>2,596</b>	<b>50</b>	<b>16</b>	<b>34</b>	<b>742</b>	<b>67</b>	<b>788</b>	<b>44</b>	<b>1</b>	<b>4,338</b>
<b>As at Jan 1 2014</b>	<b>1,678</b>	<b>37</b>	<b>15</b>	<b>45</b>	<b>834</b>	<b>35</b>	<b>660</b>	<b>31</b>	-	<b>3,335</b>
Increase	1,344	17	2	3	-	229	553	8	1	2,157
Transfers	11	-	(7)	(4)	-	-	-	-	-	-
Used/reversed	(671)	(1)	(2)	(2)	(109)	(152)	(427)	-	-	(1,364)
Currency translation differences	44	4	-	-	-	1	-	-	-	49
<b>As at Dec 31 2014</b>	<b>2,406</b>	<b>57</b>	<b>8</b>	<b>42</b>	<b>725</b>	<b>113</b>	<b>786</b>	<b>39</b>	<b>1</b>	<b>4,177</b>

### 3. Provisions

	Provision for well decommissioning costs	Provision for UOKiK fine	Provision for environmental liabilities	Provision for claims under extra-contractual use of land	Provision for liabilities associated with exploration work abroad	Provision for certificates of origin and energy savings certificates	Other provisions	Total
<b>As at Jan 1 2015</b>	<b>1,608</b>	<b>60</b>	<b>94</b>	<b>87</b>	<b>164</b>	<b>228</b>	<b>282</b>	<b>2,523</b>
Increase	11	-	4	12	12	123	31	193
Used/reversed	(241)	-	-	(54)	-	(227)	(42)	(564)
Currency translation differences	2	-	-	-	-	-	-	2
<b>As at Jun 30 2015</b>	<b>1,380</b>	<b>60</b>	<b>98</b>	<b>45</b>	<b>176</b>	<b>124</b>	<b>271</b>	<b>2,154</b>
<b>As at Jan 1 2014</b>	<b>1,254</b>	<b>60</b>	<b>87</b>	<b>81</b>	<b>153</b>	<b>134</b>	<b>281</b>	<b>2,050</b>
Increase	439	-	7	6	24	228	114	818
Used/reversed	(74)	-	-	-	(14)	(134)	(114)	(336)
Currency translation differences	(11)	-	-	-	1	-	1	(9)
<b>As at Dec 31 2014</b>	<b>1,608</b>	<b>60</b>	<b>94</b>	<b>87</b>	<b>164</b>	<b>228</b>	<b>282</b>	<b>2,523</b>

#### 4. Revenue

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
High-methane gas	16,362	11,771
Nitrogen-rich gas	773	725
Crude oil and natural gasoline	1,048	1,545
Helium	37	82
NGL	48	60
Electricity	765	866
Heat	625	582
Geophysical and geological services	65	129
Drilling and well services	133	255
Construction and installation services	76	68
Connection charge	49	45
Other sales	409	253
<b>Total</b>	<b>20,390</b>	<b>16,381</b>

#### 5. Operating expenses

##### 5.1. Raw materials and consumables used

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
Cost of gas sold	(12,626)	(8,200)
Fuels for electricity and heat generation	(394)	(439)
Electricity for trading	(421)	(530)
Other raw materials and consumables used	(283)	(269)
<b>Total</b>	<b>(13,724)</b>	<b>(9,438)</b>

##### 5.2. Services

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
Transmission services	(524)	(548)
Cost of dry wells written off	(129)	(157)
Other services	(625)	(695)
<b>Total</b>	<b>(1,278)</b>	<b>(1,400)</b>



### 5.3. Other income and expenses

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
Compensations, penalties, fines received	16	20
Other income	81	95
Net exchange differences related to operating activities	48	7
Net gain/(loss) on derivative instruments related to operating activities	(88)	(175)
Change in products	51	187
Change in impairment losses	(120)	(501)
Change in provisions	91	(89)
Taxes and charges	(474)	(465)
Other expenses	(151)	(157)
<b>Total</b>	<b>(546)</b>	<b>(1,078)</b>

### 6. Finance income and costs

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
<b>Finance income</b>	<b>50</b>	<b>46</b>
Interest income	38	41
Foreign exchange gains	10	-
Dividends and other profit distributions	2	3
Other finance income	-	2
<b>Finance costs</b>	<b>(108)</b>	<b>(152)</b>
Loss on measurement and realisation of derivative financial instruments	(37)	(30)
Interest expense	(54)	(100)
Foreign exchange losses	-	(7)
Commission fees paid on bank borrowings	(10)	(8)
Cost of guarantees	(2)	(2)
Other finance costs	(5)	(5)
<b>Net finance income/(costs)</b>	<b>(58)</b>	<b>(106)</b>

## 7. Income tax expense

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
Profit/(Loss) before tax	2,551	2,063
Tax rate applicable in period	19%	19%
Tax calculated at the applicable tax rate	(485)	(392)
Permanent differences between profit/(loss) before tax and taxable income and the difference in tax rates	(201)	(151)
<b>Tax expense in the consolidated statement of profit or loss</b>	<b>(686)</b>	<b>(543)</b>
Current tax expense	(447)	(411)
Deferred tax expense	(239)	(132)
Effective tax rate	27%	26%

In the current reporting period, certain PGNiG companies operated as part of the PGNiG Tax Group, (PTG) in accordance with the agreement of February 24th 2014. The PGNiG Tax Group commenced its operation on April 1st 2014. It comprises the following companies: PGNiG S.A. (nominated in the tax group agreement as the Representative Company), PGNiG Obrót Detaliczny Sp. z o.o., PSG Sp. z o.o., PGNiG Termika S.A., OSM Sp. z o.o., PGNiG SPV 5 Sp. z o.o., PGNiG SPV 6 Sp. z o.o. and PGNiG SPV 7 Sp. z o.o.

The PTG agreement covers three consecutive tax years, i.e.:

- the first tax year – from April 1st 2014 to December 31st 2014;
- the second tax year – from January 1st 2015 to December 31st 2015;
- the third tax year – from January 1st 2016 to December 31st 2016.

The other Group companies are separate CIT taxpayers.

## 8. Property, plant and equipment by category

	As at Jun 30 2015	As at Dec 31 2014
Land	70	71
Buildings and structures	16,960	17,172
Plant and equipment	8,144	8,602
Vehicles and other	1,177	1,211
<b>Total tangible assets</b>	<b>26,351</b>	<b>27,056</b>
Tangible exploration and evaluation assets under construction	2,225	2,148
Other tangible assets under construction	4,512	4,324
<b>Total property, plant and equipment</b>	<b>33,088</b>	<b>33,528</b>

## 9. Derivative financial instruments

The derivative transactions entered into by the PGNiG Group (the “Group”) are used to hedge commodity, currency and interest rate risk exposures.

In the case of the Parent, all eligible transactions in the period January 1st–June 30th 2015 were accounted for using cash flow or fair value hedge accounting. In the period, the Company was party to CCIRS transactions, entered into in previous periods. They are excluded from hedge accounting, as the valuation of both the hedged item and the hedge (the derivative transaction) is recognised in profit or loss, which produces the same effect as if hedge accounting was applied.

In H1 2015, as part of its trading activity, the Parent entered into transactions within the approved limits. The volume of hedging transactions does not exceed the amount of the hedged items.

Derivative transactions entered into by the Parent are based on the ISDA (International Swap & Derivatives Association) standards or Polish Master Agreements prepared in accordance with the guidelines of the Polish Banks Association (PMA).

The effect of the valuation of derivative instruments on profit or loss is presented in the table below.

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
Net gain/(loss) on valuation of derivative financial instruments – unrealised	(76)	(113)
Net gain/(loss) on valuation of derivative financial instruments – realised	(104)	(177)
<b>Total net gain/(loss) on valuation of derivative financial instruments recognised in profit or loss</b>	<b>(180)</b>	<b>(290)</b>
including:		
recognised in raw materials and consumables used	(55)	(85)
recognised in other income and expenses	(88)	(175)
recognised in finance income or costs	(37)	(30)
<b>Net gain/(loss) on valuation of derivative financial instruments recognised in other comprehensive income – unrealised</b>	<b>189</b>	<b>(260)</b>
<b>Total net gain/(loss) on valuation of derivative financial instruments – recognised in equity</b>	<b>9</b>	<b>(550)</b>

The table below presents the Group companies' open derivative transactions as at June 30th 2015.

Hedged item	Par value in currency	Currency / asset	Maturity date	Exercise price (exercise price range)	Measurement at fair value		Hedged risk
					As at Jun 30 2015	As at Dec 31 2014	
<b>Cross Currency Interest Rate Swap</b>							
Euronotes	500	EUR	1-3 years	4.1580	101	193	currency exchange rate and interest rate
loan	4,350	NOK	1-3 years	0.5033	80	53	currency exchange rate and interest rate
loan	730	NOK	1-3 months	0.5595	-	53	currency exchange rate and interest rate
					<b>181</b>	<b>299</b>	
<b>Interest Rate Swap</b>							
loan	1,500	PLN	more than 3 years	-	(78)	(106)	interest rate
					<b>(78)</b>	<b>(106)</b>	
<b>Forward</b>							
loan	1,388	NOK	1-3 months	0.4778	-	(5)	currency exchange rate
CO <sub>2</sub> emission allowances	14	EUR	3-12 months	4.1485	1	-	currency exchange rate
gas contracts	100	USD	1-3 months	3.7252	4	-	currency exchange rate
gas contracts	100	USD	3-12 months	3.7218	6	-	currency exchange rate
gas contracts	40	GBP	1-3 months	5.6458	(11)	-	currency exchange rate
gas contracts	43	GBP	3-12 months	5.6257	(13)	-	currency exchange rate
trading activities	0.43	electricity	1-3 months	177.6591	3	-	energy prices
trading activities	0.47	electricity	1-3 months	169.1345	(3)	-	energy prices
trading activities	2	electricity	3-12 months	173.3532	16	-	energy prices
trading activities	2	electricity	3-12 months	169.0662	(16)	-	energy prices
trading activities	1	electricity	1-3 years	171.5648	11	-	energy prices
trading activities	1	electricity	1-3 years	171.0063	(11)	-	energy prices
trading activities	2	CO <sub>2</sub> emission allowances	3-12 months	30.8463	4	-	prices of CO <sub>2</sub> emission allowances

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trading activities	2	CO <sub>2</sub> emission allowances	3-12 months	30.9189	(4)	- prices of CO <sub>2</sub> emission allowances
gas contracts	18	EUR	1-3 months	4.2767	(2)	- currency exchange rate
gas contracts	19	EUR	3-12 months	4.2965	(1)	- currency exchange rate
trading activities	0.11	gas – OTC	more than 3 years	22.2800	(1)	- gas prices
trading activities	2	gas – OTC	1-3 years	22.9800	(16)	- gas prices
trading activities	3	gas – OTC	6-12 months	24.6100	(36)	- gas prices
trading activities	1	gas – OTC	3-6 months	21.4700	(9)	- gas prices
trading activities	1	gas – OTC	more than 3 years	25.4400	14	- gas prices
trading activities	2	gas – OTC	1-3 years	22.8500	16	- gas prices
trading activities	3	gas – OTC	6-12 months	24.1000	27	- gas prices
trading activities	1	gas – OTC	3-6 months	21.5600	8	- gas prices
trading activities	0.15	electricity – OTC	1-3 years	36.2700	(3)	- energy prices
trading activities	0.25	electricity – OTC	6-12 months	50.9000	(16)	- energy prices
trading activities	0.24	electricity – OTC	1-3 years	37.5900	5	- energy prices
trading activities	0.31	electricity – OTC	6-12 months	48.4800	17	- energy prices
payments for gas	35	USD	1-3 months	3.3562	-	5 currency exchange rate
trading activities	1	electricity	1-3 months	168.8870	-	7 energy prices
trading activities	1	electricity	1-3 months	171.4998	-	(6) energy prices
trading activities	1,46	electricity	3-12 months	171.0307	-	12 currency exchange rate
trading activities	1.37	electricity	3-12 months	174.9214	-	(12) currency exchange rate
payments for gas	65.00	EUR	1-3 months	4.2385	-	2 currency exchange rate
payments for gas	39.70	EUR	3-12 months	4.2732	-	1 currency exchange rate
trading activities	1.65	gas – OTC	1-3 months	22.5500	-	(3) gas prices
trading activities	6.25	gas – OTC	3-6 months	25.6800	-	(27) gas prices
trading activities	3.08	gas – OTC	6-12 months	24.2500	-	(11) gas prices
trading activities	0.98	gas – OTC	up to 1 month	21.9100	-	1 gas prices
trading activities	1.69	gas – OTC	1-3 months	22.7100	-	3 gas prices
trading activities	5.99	gas – OTC	3-6 months	25.0900	-	23 gas prices
trading activities	3.42	gas – OTC	6-12 months	24.1200	-	11 gas prices
trading activities	0.15	electricity – OTC	1-3 months	39.9000	-	(1) energy prices
trading activities	2.08	electricity – OTC	6-12 months	50.7600	-	(33) energy prices
trading activities	0.23	electricity – OTC	3-6 months	41.3000	-	1 energy prices
trading activities	2.57	electricity – OTC	6-12 months	48.6000	-	36 energy prices
trading activities	18.80	gas – OTC	1-3 years	25.0900	-	(69) gas prices
trading activities	14.65	gas – OTC	1-3 years	24.8700	-	50 gas prices
trading activities	6.65	gas – OTC	more than 3 years	26.3100	-	32 gas prices
trading activities	0.36	electricity – OTC	1-3 years	39.2200	-	(2) energy prices
trading activities	0.64	electricity – OTC	1-3 years	40.1100	-	4 energy prices

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						(10)	19
<b>Futures</b>							
trading activities	0.33	gas – EEX AG	6-12 months	24.3600	(5)	- gas prices	
trading activities	0.21	gas – EEX AG	6-12 months	24.3700	3	- gas prices	
trading activities	0.05	gas – EEX AG	3-6 months	24.2300	1	- gas prices	
trading activities	0.18	gas – ICE ENDEX B.V.	6-12 months	23.1000	(1)	- gas prices	
trading activities	0.24	gas – ICE ENDEX B.V.	3-6 months	20.8600	(1)	- gas prices	
trading activities	0.17	gas – ICE ENDEX B.V.	6-12 months	22.7400	1	- gas prices	
trading activities	0.22	gas – ICE ENDEX B.V.	3-6 months	21.0400	1	- gas prices	
trading activities	0.20	gas – POWERNEXT SA	1-3 years	21.7500	1	- gas prices	
trading activities	0.27	gas – POWERNEXT SA	6-12 months	22.0100	1	- gas prices	
trading activities	0.22	gas – POWERNEXT SA	1-3 years	21.7600	(1)	- gas prices	
trading activities	0.35	gas – POWERNEXT SA	6-12 months	22.1800	(1)	- energy prices	
trading activities	0.20	gas – POWERNEXT SA	3-6 months	21.1300	(1)	- energy prices	
trading activities	0.31	electricity – EEX AG	1-3 years	35.0100	(5)	- energy prices	
trading activities	0.23	electricity – EEX AG	6-12 months	36.0900	(3)	- energy prices	
trading activities	0.20	electricity – EEX AG	1-3 years	34.4400	3	- energy prices	
trading activities	0.15	electricity – EEX AG	6-12 months	35.6100	2	- energy prices	
trading activities	1.00	gas – EEX AG	3-6 months	25.2100	-	(3) gas prices	
trading activities	0.48	gas – EEX AG	3-6 months	25.7800	-	2 gas prices	
trading activities	0.40	gas – EEX AG	6-12 months	24.2100	-	2 gas prices	
trading activities	0.15	electricity – EEX AG	3-6 months	43.6500	-	(1) energy prices	
trading activities	1.80	electricity – EEX AG	6-12 months	35.8600	-	(6) energy prices	
trading activities	0.13	electricity – EEX AG	1-3 months	38.9300	-	1 energy prices	
trading activities	1.24	electricity – EEX AG	6-12 months	35.1400	-	3 energy prices	
trading activities	0.28	gas – ICE ENDEX B.V.	3-6 months	23.4600	-	(1) gas prices	
trading activities	0.56	gas – ICE ENDEX B.V.	6-12 months	22.1500	-	(1) gas prices	
trading activities	0.60	gas – ICE ENDEX B.V.	3-6 months	25.2200	-	2 gas prices	
trading activities	0.47	gas – ICE ENDEX B.V.	6-12 months	22.5500	-	1 gas prices	
trading activities	2.73	gas – EEX AG	1-3 years	24.3100	-	(9) gas prices	
trading activities	1.73	gas – EEX AG	1-3 years	24.2800	-	6 gas prices	
trading activities	0.64	electricity – EEX AG	1-3 years	37.0800	-	(3) energy prices	
trading activities	0.49	electricity – EEX AG	1-3 years	35.9500	-	2 energy prices	
						(5)	(5)
<b>Call options</b>							
gas contracts	100	USD	1-3 months	3.8915	3	- currency exchange rate	

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gas contracts	100	USD	3-12 months	3.9080	10	-	currency exchange rate
gas contracts	40	EUR	3-12 months	4.4526	1	-	currency exchange rate
gas contracts	24	EUR	1-3 years	4.5205	2	-	currency exchange rate
payments for gas	72	EUR	3-12 months	4.3915	-	4	currency exchange rate
payments for gas	45	EUR	1-3 years	4.4975	-	5	currency exchange rate
payments for gas	260	USD	1-3 months	3.4221	-	29	currency exchange rate
payments for gas	90	USD	3-12 months	3.4575	-	12	currency exchange rate
						<b>16</b>	<b>50</b>

**Commodity call options**

gas contracts	4.939	TTF	3-12 months	22.58	12	-	currency exchange rate
gas contracts	0.971	TTF	1-3 years	23.77	8	-	currency exchange rate
payments for gas	1.015	TTF	3-12 months	23.67	-	4	commodity prices
payments for gas	1.091	TTF	1-3 years	24.95	-	8	commodity prices
						<b>20</b>	<b>12</b>

**Put commodity options**

gas contracts	0.024	FO	3-12 months	391.25	(7)	(7)	currency exchange rate
gas contracts	0.013	GO	3-12 months	672.12	(6)	(7)	currency exchange rate
						<b>(13)</b>	<b>(14)</b>

**Commodity swap**

gas contracts	1.648	BRENT	1-3 months	56.08	49	-	commodity prices
gas contracts	1.582	BRENT	3-12 months	58.46	39	-	commodity prices
gas contracts	0.060	FO	1-3 months	482.58	(36)	-	commodity prices
gas contracts	0.087	FO	3-12 months	383.49	(21)	-	commodity prices
gas contracts	0.048	GO	1-3 months	782.48	(35)	-	commodity prices
gas contracts	0.046	GO	3-12 months	677.94	(19)	-	commodity prices
gas contracts	27.100	NBP	1-3 months	0.43	1	-	commodity prices
gas contracts	68.004	NBP	1-3 months	0.42	(2)	-	commodity prices
gas contracts	60.520	NBP	3-12 months	0.47	8	-	commodity prices
gas contracts	30.752	NBP	3-12 months	0.47	(1)	-	commodity prices
gas contracts	2.363	TTF	1-3 months	22.51	(21)	-	commodity prices
gas contracts	3.891	TTF	3-12 months	21.60	8	-	commodity prices
gas contracts	4.184	TTF	3-12 months	22.38	(22)	-	commodity prices
gas contracts	1.523	TTF	1-3 years	21.53	5	-	commodity prices

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gas contracts	2.400	TTF	1-3 years	21.68	(9)	-	commodity prices
payments for gas	0.087	FO	1-3 months	598.25	-	(18)	commodity prices
payments for gas	0.136	FO	3-12 months	483.61	-	(77)	commodity prices
payments for gas	0.052	GO	1-3 months	896.24	-	(15)	commodity prices
payments for gas	0.107	GO	3-12 months	773.05	-	(71)	commodity prices
payments for gas	4.301	TTF	1-3 months	24.24	-	(41)	commodity prices
payments for gas	4.692	TTF	3-12 months	23.83	-	(58)	commodity prices
payments for gas	0.186	TTF	1-3 years	23.90	-	(1)	commodity prices
						<b>(56)</b>	<b>(281)</b>
						<b>55</b>	<b>(26)</b>
						<b>472</b>	<b>567</b>
						<b>(417)</b>	<b>(593)</b>

GO – Gasoil  
FO – Fuel Oil  
HFO – Heavy Fuel Oil  
TTF – Natural Gas at the Title Transfer Facility

including: - positive valuation (assets)  
- negative valuation (liabilities)



## 10. Financial information by operating segments

The type of conducted activities is the basic criterion for the division of the PGNiG Group into operating segments. The tables below present selected data of the Group's individual reporting segments for the periods ended June 30th 2015 and June 30th 2014.

Period ended Jun 30 2015	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Eliminations	Total
<b>Statement of profit or loss</b>							
Sales to third-party customers	1,704	17,660	260	669	97	-	20,390
Inter-segment sales	829	164	2,134	362	64	(3,553)	-
Segment's total revenue	2,533	17,824	2,394	1,031	161	(3,553)	20,390
Depreciation and amortisation expense	(695)	(83)	(439)	(161)	(9)	-	(1,387)
Other costs	(991)	(17,000)	(1,176)	(619)	(156)	3,548	(16,394)
Segment's total costs	(1,686)	(17,083)	(1,615)	(780)	(165)	3,548	(17,781)
<b>Operating profit/(loss)</b>	<b>847</b>	<b>741</b>	<b>779</b>	<b>251</b>	<b>(4)</b>	<b>(5)</b>	<b>2,609</b>
Net finance costs							(58)
Share in net profit/(loss) of equity-accounted entities			-				-
<b>Profit/(Loss) before tax</b>							<b>2,551</b>
Income tax							(686)
<b>Net profit/(loss)</b>							<b>1,865</b>
<b>STATEMENT OF FINANCIAL POSITION</b>							
Segment's assets	15,231	19,410	14,488	3,995	314	(7,791)	45,647
Investments in equity-accounted entities		857					857
Unallocated assets							523
Deferred tax assets							1,401
<b>Total assets</b>							<b>48,428</b>
Total equity							31,056
Segment's liabilities	5,117	5,719	3,206	1,907	177	(7,506)	8,620
Unallocated liabilities							5,619
Deferred tax liabilities							3,133
<b>Total equity and liabilities</b>							<b>48,428</b>
<b>Other information</b>							
Capital expenditure on property, plant and equipment and intangible assets	(777)	(82)	(595)	(137)	(3)	38	(1,556)
Impairment losses on assets	(2,565)	(1,561)	(120)	(26)	(22)	2	(4,292)
Impairment losses on unallocated assets							(46)

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Period ended Jun 30 2014	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Eliminations	Total
<b>Statement of profit or loss</b>							
Sales to third-party customers	2,484	13,120	78	608	91	-	16,381
Inter-segment sales	942	186	2,138	427	59	(3,752)	-
Segment's total revenue	3,426	13,306	2,216	1,035	150	(3,752)	16,381
Depreciation and amortisation expense	(625)	(77)	(431)	(155)	(10)	-	(1,298)
Other costs	(1,485)	(13,149)	(1,103)	(747)	(194)	3,764	(12,914)
Segment's total costs	(2,110)	(13,226)	(1,534)	(902)	(204)	3,764	(14,212)
<b>Operating profit/(loss)</b>	<b>1,316</b>	<b>80</b>	<b>682</b>	<b>133</b>	<b>(54)</b>	<b>12</b>	<b>2,169</b>
Net finance costs							(106)
Share in net profit/(loss) of equity-accounted entities			-				-
<b>Profit/(loss) before tax</b>							<b>2,063</b>
Income tax							(543)
<b>Net profit/(loss)</b>							<b>1,520</b>
<b>STATEMENT OF FINANCIAL POSITION</b>							
Segment's assets	14,859	17,088	14,371	3,899	334	(6,459)	44,092
Investments in equity-accounted entities		728					728
Unallocated assets							273
Deferred tax assets							2,104
<b>Total assets</b>							<b>47,197</b>
Total equity							28,881
Segment's liabilities	4,874	4,584	3,082	1,874	161	(6,110)	8,465
Unallocated liabilities							6,693
Deferred tax liabilities							3,158
<b>Total equity and liabilities</b>							<b>47,197</b>
<b>Other information</b>							
Capital expenditure on property, plant and equipment and intangible assets	(504)	(113)	(588)	(106)	(4)	(6)	(1,321)
Impairment losses on assets	(1,990)	(1,761)	(114)	(33)	(21)	-	(3,919)
Impairment losses on unallocated assets							(45)

## 11. List and explanation of differences between the data disclosed in the financial statements and comparative financial data, and the data disclosed in previously published financial statements

### *Change in presentation of gas system balancing*

In this report for H1 2015, income and expenses related to gas system balancing were disclosed on a net basis, while in the report for H1 2014 they were presented separately. The table below contains consolidated statement of profit or loss for H1 2014 with income and expenses related to gas system balancing presented on a net basis.

### *Consolidated statement of profit or loss – restatement of comparative data*

	6 months ended Jun 30 2014 before the change	Change in presentation of gas system balancing	6 months ended Jun 30 2014 after the change
<b>Revenue</b>	<b>16,383</b>	<b>(2)</b>	<b>16,381</b>
Raw materials and consumables used	(9,509)	71	(9,438)
Employee benefits expense	(1,373)	-	(1,373)
Depreciation and amortisation expense	(1,298)	-	(1,298)
Services	(1,400)	-	(1,400)
Work performed by the entity and capitalised	375	-	375
Other income and expenses	(1,009)	(69)	(1,078)
<b>Total operating expenses</b>	<b>(14,214)</b>	<b>2</b>	<b>(14,212)</b>
<b>Operating profit/(loss)</b>	<b>2,169</b>	<b>-</b>	<b>2,169</b>
Finance income	46	-	46
Finance costs	(152)	-	(152)
Share in net profit/(loss) of equity-accounted entities	-	-	-
<b>Profit/(Loss) before tax</b>	<b>2,063</b>	<b>-</b>	<b>2,063</b>
Income tax	(543)	-	(543)
<b>Net profit/(loss)</b>	<b>1,520</b>	<b>-</b>	<b>1,520</b>

## II. INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

### CONDENSED SEPARATE STATEMENT OF PROFIT OR LOSS

	3 months ended Jun 30 2015	6 months ended Jun 30 2015	3 months ended Jun 30 2014	6 months ended Jun 30 2014
	unaudited	unaudited	unaudited	unaudited
<b>Revenue</b>	<b>3,912</b>	<b>10,223</b>	<b>5,624</b>	<b>13,689</b>
Raw materials and consumables used	(2,827)	(7,485)	(3,249)	(8,221)
Employee benefits expense	(145)	(281)	(200)	(408)
Depreciation and amortisation expense	(185)	(359)	(177)	(353)
Services	(552)	(923)	(1,323)	(2,925)
Work performed by the entity and capitalised	3	6	2	5
Other income and expenses	(103)	(146)	(601)	(825)
<b>Total operating expenses</b>	<b>(3,809)</b>	<b>(9,188)</b>	<b>(5,548)</b>	<b>(12,727)</b>
<b>Operating profit/(loss)</b>	<b>103</b>	<b>1,035</b>	<b>76</b>	<b>962</b>
Finance income	864	1,008	603	721
Finance costs	(15)	(131)	(46)	(128)
<b>Profit/(Loss) before tax</b>	<b>952</b>	<b>1,912</b>	<b>633</b>	<b>1,555</b>
Income tax	(22)	(209)	(11)	(189)
<b>Net profit/(loss)</b>	<b>930</b>	<b>1,703</b>	<b>622</b>	<b>1,366</b>
Earnings/(Loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares (PLN)	0.16	0.29	0.11	0.23

### CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	3 months ended Jun 30 2015	6 months ended Jun 30 2015	3 months ended Jun 30 2014	6 months ended Jun 30 2014
	unaudited	unaudited	unaudited	unaudited
<b>Net profit/(loss)</b>	<b>930</b>	<b>1,703</b>	<b>622</b>	<b>1,366</b>
<b>Other comprehensive income that will be reclassified to profit or loss if specific conditions are met, relating to:</b>	<b>83</b>	<b>169</b>	<b>(49)</b>	<b>(216)</b>
Exchange differences on translating foreign operations	(4)	16	(7)	(5)
Hedge accounting	107	189	(51)	(260)
Deferred tax	(20)	(36)	9	49
<b>Other comprehensive income that will not be reclassified to profit or loss, relating to:</b>	<b>4</b>	<b>4</b>	<b>(2)</b>	<b>(2)</b>
Actuarial gains/(losses) on employee benefits	5	5	(3)	(3)
Deferred tax	(1)	(1)	1	1
<b>Other comprehensive income, net</b>	<b>87</b>	<b>173</b>	<b>(51)</b>	<b>(218)</b>
<b>Total comprehensive income</b>	<b>1,017</b>	<b>1,876</b>	<b>571</b>	<b>1,148</b>

**CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION**

	As at Jun 30 2015	As at Dec 31 2014
	unaudited	audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	13,311	13,520
Investment property	-	1
Intangible assets	238	254
Shares	8,609	8,611
Other financial assets	4,343	4,403
Deferred tax assets	393	469
Other non-current assets	126	129
<b>Total non-current assets</b>	<b>27,020</b>	<b>27,387</b>
<b>Current assets</b>		
Inventories	2,095	2,506
Trade and other receivables	1,743	1,307
Current tax assets	23	-
Other assets	86	20
Current financial assets	735	1,805
Derivative financial instrument assets	373	388
Cash and cash equivalents	4,900	1,942
Non-current assets held for sale	<b>3</b>	<b>1</b>
<b>Total current assets</b>	<b>9,958</b>	<b>7,969</b>
<b>Total assets</b>	<b>36,978</b>	<b>35,356</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	5,900	5,900
Share premium	1,740	1,740
Accumulated other comprehensive income	(13)	(185)
Retained earnings/(deficit)	16,848	16,325
<b>Total equity</b>	<b>24,475</b>	<b>23,780</b>
<b>Non-current liabilities</b>		
Borrowings and other debt instruments	4,426	4,498
Employee benefit obligations	119	134
Provisions	1,182	1,414
Deferred revenue	678	690
Deferred tax liabilities	563	580
Other non-current liabilities	53	69
<b>Total non-current liabilities</b>	<b>7,021</b>	<b>7,385</b>
<b>Current liabilities</b>		
Trade and other payables	3,866	2,414
Borrowings and other debt instruments	890	656
Derivative financial instrument liabilities	318	423
Current tax liabilities	-	181
Employee benefit obligations	44	43
Provisions	362	472
Deferred revenue	2	2
<b>Total current liabilities</b>	<b>5,482</b>	<b>4,191</b>
<b>Total liabilities</b>	<b>12,503</b>	<b>11,576</b>
<b>Total equity and liabilities</b>	<b>36,978</b>	<b>35,356</b>

## CONDENSED SEPARATE STATEMENT OF CASH FLOWS

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
	unaudited	unaudited
<b>Cash flows from operating activities</b>		
Net profit/(loss)	1,703	1,366
<b>Adjustments:</b>		
Depreciation and amortisation expense	359	353
Net foreign exchange gains/(losses)	(55)	5
Net interest and dividend	(860)	(677)
Gain/(Loss) on investing activities	165	359
Current tax expense	209	189
Other items, net	74	326
Income tax paid	(306)	(340)
<b>Cash flows from operating activities before movements in working capital</b>	<b>1,289</b>	<b>1,581</b>
<b>Movements in working capital:</b>		
Change in trade and other receivables	389	898
Change in inventories	411	308
Change in employee benefit obligations	(14)	(60)
Change in provisions	(116)	(32)
Change in current liabilities	(799)	(858)
Change in other assets	(67)	(64)
Change in deferred revenue	(20)	(2)
<b>Net cash (used in)/generated by operating activities</b>	<b>1,073</b>	<b>1,771</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment and intangible assets	10	8
Proceeds from disposal of short-term securities	989	-
Purchase of property, plant and equipment and intangible assets	(239)	(166)
Payments for tangible exploration and evaluation assets under construction	(400)	(371)
Payments for shares in related entities	-	(25)
Repayment of loans advanced	589	331
Loans advanced	(408)	(27)
Proceeds from derivative financial instruments	71	123
Payment for derivative financial instruments	(132)	(150)
Interest received	66	56
Dividends received	-	1
Proceeds from finance leases	8	9
Other items, net	3	44
<b>Net cash (used in)/generated by investing activities</b>	<b>557</b>	<b>(167)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of debt securities	733	583
Repayment of debt securities	(474)	(1,501)
Proceeds from derivative financial instruments	84	84
Payment for derivative financial instruments	(42)	(49)
Interest paid	(141)	(126)
Other items, net	3	-
<b>Net cash (used in)/generated by financing activities</b>	<b>163</b>	<b>(1,009)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,793</b>	<b>595</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,673</b>	<b>1,683</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,466</b>	<b>2,277</b>
<b>including restricted cash</b>	<b>451</b>	<b>449</b>

On July 16th 2014, a cash pooling agreement was executed for an indefinite term between Bank Pekao S.A. and the companies of the PGNiG Group. As at June 30th 2015, the following companies participated in the cash pooling arrangement: PGNiG S.A., Polska Spółka Gazownictwa Sp. z o.o., Exalo Driling S.A., PGNiG Technologie S.A., Geofizyka Kraków S.A., Geofizyka Toruń S.A., Operator Systemu Magazynowego Sp. z o.o., and PGNiG Serwis Sp. z o.o. The main objective of the agreement is to manage the Group's current liquidity.

Therefore, the cash flows under the cash pooling transactions as well as exchange differences on translating cash and cash equivalents are presented in the statement of financial position under 'Cash and cash equivalents', and as an adjustment to cash and cash equivalents in the statement of cash flows.

The table below presents reconciliation of cash and cash equivalents as presented in the statement of cash flows with cash and cash equivalents as presented in the statement of financial position.

**Reconciliation of cash and cash equivalents as presented in the statement of cash flows with cash and cash equivalents as presented in the statement of financial position.**

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
<b>Cash and cash equivalents at end of period in the statement of cash flows</b>	<b>3,466</b>	<b>2,277</b>
Opening balance of net foreign exchange gains/(losses)	1	-
Opening balance of inflows/outflows of cash under cash pooling arrangement	268	-
Net foreign exchange differences for the reporting period	(2)	1
Inflows/Outflows of cash under cash pooling arrangement in the reporting period	1,167	-
<b>Cash and cash equivalents at end of period in the statement of financial position</b>	<b>4,900</b>	<b>2,278</b>

## CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Accumulated other comprehensive income, including:			Retained earnings/(deficit)	Total equity
			Exchange differences on translating foreign operations	Hedging reserve	Actuarial gains/(losses) on employee benefits		
<b>As at Jan 1 2015 (audited)</b>	<b>5,900</b>	<b>1,740</b>	<b>16</b>	<b>(215)</b>	<b>13</b>	<b>16,325</b>	<b>23,780</b>
Dividend	-	-	-	-	-	(1,180)	(1,180)
<b>Total comprehensive income</b>	-	-	<b>16</b>	<b>153</b>	<b>4</b>	<b>1,703</b>	<b>1,876</b>
Net profit/(loss) for H1 2015	-	-	-	-	-	1,703	1,703
Other comprehensive income, net, for H1 2013	-	-	16	153	4	-	173
<b>As at Jun 30 2015 (unaudited)</b>	<b>5,900</b>	<b>1,740</b>	<b>32</b>	<b>(62)</b>	<b>17</b>	<b>16,848</b>	<b>24,475</b>
<b>As at Jan 1 2014 (audited)</b>	<b>5,900</b>	<b>1,740</b>	<b>(6)</b>	<b>(1)</b>	<b>20</b>	<b>15,315</b>	<b>22,969</b>
Dividend	-	-	-	-	-	(885)	(885)
<b>Total comprehensive income</b>	-	-	<b>(5)</b>	<b>(211)</b>	<b>(2)</b>	<b>1,366</b>	<b>1,148</b>
Net profit/(loss) for H1 2014	-	-	-	-	-	1,366	1,366
Other comprehensive income, net, for H1 2014	-	-	(5)	(211)	(2)	-	(218)
<b>As at Jun 30 2014 (unaudited)</b>	<b>5,900</b>	<b>1,740</b>	<b>(11)</b>	<b>(212)</b>	<b>18</b>	<b>15,795</b>	<b>23,231</b>



## NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

### 1. Deferred tax

	Deferred tax assets	Deferred tax liabilities
<b>As at Jan 1 2015</b>	<b>469</b>	<b>580</b>
Increase	20	36
Decrease	(96)	(53)
<b>As at Jun 30 2015</b>	<b>393</b>	<b>563</b>
<b>As at Jan 1 2014</b>	<b>380</b>	<b>609</b>
Increase	142	93
Decrease	(53)	(122)
<b>As at Dec 31 2014</b>	<b>469</b>	<b>580</b>

### 2. Impairment losses

	Property, plant and equipment and intangible assets	Non-current assets and disposal groups held for sale	Shares	Inventories	Current receivables	Loans advanced	Total
<b>As at Jan 1 2015</b>	<b>2,037</b>	<b>4</b>	<b>2,477</b>	<b>73</b>	<b>323</b>	<b>40</b>	<b>4,954</b>
Increase	415	-	-	21	23	5	464
Transfers	-	8	(8)	-	-	-	-
Used/reversed	(256)	-	-	(69)	(26)	-	(351)
<b>As at Jun 30 2015</b>	<b>2,196</b>	<b>12</b>	<b>2,469</b>	<b>25</b>	<b>320</b>	<b>45</b>	<b>5,067</b>
<b>As at Jan 1 2014</b>	<b>1,370</b>	<b>19</b>	<b>2,076</b>	<b>5</b>	<b>524</b>	<b>31</b>	<b>4,025</b>
Increase	1,267	-	387	211	429	9	2,303
Transfers	-	(15)	15	-	-	-	-
Used/reversed	(600)	-	(1)	(143)	(630)	-	(1,374)
<b>As at Dec 31 2014</b>	<b>2,037</b>	<b>4</b>	<b>2,477</b>	<b>73</b>	<b>323</b>	<b>40</b>	<b>4,954</b>

### 3. Provisions

	Provision for well decommissioning costs	Provision for UOKiK fine	Provision for environmental liabilities	Provision for claims under extra-contractual use of land	Provision for liabilities associated with exploration work abroad	Provision for certificates of origin and energy savings certificates	Other provisions	Total
<b>As at Jan 1 2015</b>	<b>1,393</b>	<b>60</b>	<b>41</b>	<b>18</b>	<b>164</b>	<b>167</b>	<b>43</b>	<b>1,886</b>
Increase	11	-	-	-	12	41	13	77
Used/reversed	(242)	-	-	-	-	(166)	(11)	(419)
<b>As at Jun 30 2015</b>	<b>1,162</b>	<b>60</b>	<b>41</b>	<b>18</b>	<b>176</b>	<b>42</b>	<b>45</b>	<b>1,544</b>
<b>As at Jan 1 2014</b>	<b>1,134</b>	<b>60</b>	<b>41</b>	<b>15</b>	<b>153</b>	<b>134</b>	<b>53</b>	<b>1,590</b>
Increase	334	-	-	3	24	167	25	553
Used/reversed	(75)	-	-	-	(13)	(134)	(35)	(257)
<b>As at Dec 31 2014</b>	<b>1,393</b>	<b>60</b>	<b>41</b>	<b>18</b>	<b>164</b>	<b>167</b>	<b>43</b>	<b>1,886</b>

#### 4. Revenue

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
High-methane gas	7,983	10,891
Nitrogen-rich gas	646	733
Crude oil and natural gasoline	542	956
Helium	37	82
Propane-butane gas	22	40
LNG	22	29
Electricity	520	599
Entitlement to operate storage facilities	338	288
CO <sub>2</sub> emission allowances	-	12
Other sales of products and services	113	59
<b>Total</b>	<b>10,223</b>	<b>13,689</b>

#### 5. Operating expenses

##### 5.1. Raw materials and consumables used

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
Cost of gas sold	(6,917)	(7,579)
Electricity for trading	(506)	(608)
Other raw materials and consumables used	(62)	(34)
<b>Total</b>	<b>(7,485)</b>	<b>(8,221)</b>

##### 5.2. Services

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
Purchase of transmission, distribution, and storage services	(582)	(2,522)
Cost of wells written off	(128)	(122)
Costs of seismic surveys written off	(47)	(40)
Other services	(166)	(241)
<b>Total</b>	<b>(923)</b>	<b>(2,925)</b>

### 5.3. Other income and expenses

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
Change in impairment losses	(114)	(493)
Change in provisions	117	(98)
Taxes and charges	(126)	(134)
Foreign exchange differences	24	11
Derivative instruments	(59)	(177)
Compensation, penalties, fines, etc. received	4	2
Other	8	64
<b>Total</b>	<b>(146)</b>	<b>(825)</b>

### 6. Finance income and costs

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
<b>Finance income</b>	<b>1,008</b>	<b>721</b>
Interest income	116	189
Foreign exchange gains	56	-
Dividends and other profit distributions	834	530
Other finance income	2	2
<b>Finance costs</b>	<b>(131)</b>	<b>(128)</b>
Loss on measurement and realisation of derivative financial instruments	(57)	(29)
Interest expense	(58)	(56)
Foreign exchange losses	-	(8)
Revaluation of investments	-	(25)
Commission fees paid on bank borrowings	(10)	(7)
Costs of guarantees received	(2)	(2)
Other finance costs	(4)	(1)
<b>Net finance income/(costs)</b>	<b>877</b>	<b>593</b>

## 7. Income tax expense

	6 months ended Jun 30 2015	6 months ended Jun 30 2014
Profit/(Loss) before tax	1,912	1,555
Tax rate applicable in period	19%	19%
Tax calculated at the applicable tax rate	(363)	(295)
Permanent differences between profit/(loss) before tax and taxable profit	154	106
<b>Tax expense in the statement of profit or loss</b>	<b>(209)</b>	<b>(189)</b>
Current tax expense	(188)	(253)
Deferred tax expense	(21)	64
Effective tax rate	11%	12%

Dividend received, which in the current period amounted to PLN 834m (PLN 530m in the corresponding period of the previous year) was the main factor contributing to the effective tax rate of 11% in the period ended June 30th 2015 (12% in the period ended June 30th 2014).

## 8. Property, plant and equipment by category

	As at Jun 30 2015	As at Dec 31 2014
Land	24	25
Buildings and structures	6,193	6,385
Plant and equipment	2,096	2,159
Vehicles and other	105	111
<b>Total tangible assets</b>	<b>8,418</b>	<b>8,680</b>
Tangible exploration and evaluation assets under construction	2,107	2,097
Other tangible assets under construction	2,786	2,743
<b>Total property, plant and equipment</b>	<b>13,311</b>	<b>13,520</b>

### III. SUPPLEMENTARY INFORMATION TO THE REPORT

#### 1. General information on the Company and its Group

The parent of the PGNiG Group is Polskie Górnictwo Naftowe i Gazownictwo S.A.

PGNiG S.A. shares are listed on the Warsaw Stock Exchange ("WSE"). The Company's core business includes exploration for and production of crude oil and natural gas, import, storage and sale of gas fuels, as well as trade in electricity.

The PGNiG Group is the only vertically integrated company in the Polish gas sector, holding the leading position in all segments of the country's gas industry. It is also a significant domestic producer of heat and electricity. The scope of the PGNiG Group's business comprises oil and gas exploration and production, import, storage and distribution of and trade in gas fuels.

The Parent and the Group subsidiaries were incorporated for an unspecified time.

#### 1.1. Organisation of the PGNiG Group and its consolidated entities

As at June 30th 2015, the Group comprised PGNiG S.A. (the Parent), and 28 production and service companies, including:

- 19 direct subsidiaries of PGNiG S.A., and
- 9 indirect subsidiaries of PGNiG S.A.

The Group also held shares in the following equity-accounted entities:

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Equity-accounted joint ventures and associated entities		% ownership interest	
Company name	Country	Jun 30 2015	Jun 30 2014
1 GAS - TRADING S.A.	Poland	43.41%	43.41%
2 SGT EUROPOL GAZ S.A. <sup>1)</sup>	Poland	49.74%	49.74%

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1) Including a 48.00% direct interest and a 1.74% interest held indirectly through GAS-TRADING S.A.

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The list of the PGNiG Group companies as at June 30th 2015 is presented in the table below.

No.	Company name	Country	Parent	% ownership interest as at		% share in total voting rights as at		Consolidation method as at	
				Jun 30 2015	Jun 30 2014	Jun 30 2015	Jun 30 2014	Jun 30 2015	Jun 30 2014
<b>PGNiG S.A.'s direct subsidiaries</b>									
1	BSiPG Gazoprojekt S.A.	Poland	PGNiG S.A.	22.5% <sup>1)</sup>	22.5% <sup>1)</sup>	22.5% <sup>1)</sup>	22.5% <sup>1)</sup>	full	full
2	Exalo Drilling S.A.	Poland	PGNiG S.A.	100%	100%	100%	100%	full	full
3	GEOFIZYKA Kraków S.A.	Poland	PGNiG S.A.	100%	100%	100%	100%	full	full
4	GEOFIZYKA Toruń S.A.	Poland	PGNiG S.A.	100%	100%	100%	100%	full	full
5	Geovita S.A.	Poland	PGNiG S.A.	100%	100%	100%	100%	full	full
6	Operator Systemu Magazynowania Sp. z o.o. (OSM)	Poland	PGNiG S.A.	100%	100%	100%	100%	full	full
7	PGNiG Obrót Detaliczny Sp. z o.o.	Poland	PGNiG S.A.	100%	100%	100%	100%	full	-
8	PGNiG Serwis Sp. z o.o.	Poland	PGNiG S.A.	100%	100%	100%	100%	full	full
9	PGNiG Technologie S.A.	Poland	PGNiG S.A.	100%	100%	100%	100%	full	full
10	PGNiG TERMIKA S.A.	Poland	PGNiG S.A.	100%	100%	100%	100%	full	full
11	Polska Spółka Gazownictwa Sp. z o.o. (PSG)	Poland	PGNiG S.A.	100%	100%	100%	100%	full	full
12	PGNiG Finance AB	Sweden	PGNiG S.A.	100%	100%	100%	100%	full	full
13	PGNiG Sales & Trading GmbH (PST)	Germany	PGNiG S.A.	100%	100%	100%	100%	full	full
14	PGNiG Upstream International AS	Norway	PGNiG S.A.	100%	100%	100%	100%	full	full
15	Polish Oil and Gas Company - Libya B.V.	The Netherlands	PGNiG S.A.	100%	100%	100%	100%	full	full
16	BUD-GAZ P.P.U.H. Sp. z o.o. w likwidacji (in liquidation)	Poland	PGNiG S.A.	100%	100%	100%	100%	-	-
17	PGNiG SPV 5 Sp. z o.o.	Poland	PGNiG S.A.	100%	100%	100%	100%	-	-
18	PGNiG SPV 6 Sp. z o.o.	Poland	PGNiG S.A.	100%	100%	100%	100%	-	-
19	PGNiG SPV 7 Sp. z o.o.	Poland	PGNiG S.A.	100%	100%	100%	100%	-	-
<b>PGNiG S.A.'s indirect subsidiaries</b>									
20	CHEMKOP Sp. z o.o.	Poland	OSM	85.51%	85.51%	85.51%	85.51%	-	-
21	Gas Assets Management Sp. z o.o.	Poland	PGNiG SPV 6 Sp. z o.o.	99% <sup>2)</sup>	-	99% <sup>2)</sup>	-	-	-
22	GAZ Sp. z o.o.	Poland	PSG	100%	80%	100%	80%	full	full
23	Powisłe Park Sp. z o.o.	Poland	PSG	100%	100%	100%	100%	full	full
24	Zakład Gospodarki Mieszkaniowej Sp. z o.o.	Poland	Exalo Drilling S.A.	100%	100%	100%	100%	-	-
25	Oil Tech International F.Z.E.	United Arab Emirates	Exalo Drilling S.A.	100%	100%	100%	100%	full	full
26	Poltava Services LLC	Ukraine	Exalo Drilling S.A.	99%	99%	99%	99%	full	full
27	XOOL GmbH	Germany	PST	100%	100%	100%	100%	full	full
28	PGNiG Sales & Trading Europe Sales GmbH	Germany	PST	100%	-	100%	-	full	-
<b>Companies which were not PGNiG's subsidiaries as at June 30th 2015 but were PGNiG's subsidiaries in the comparative period</b>									
29	Biogazownia Ostrowiec Sp. z o.o. w likwidacji <sup>3)</sup>	Poland	PGNiG S.A.	-	100%	-	100%	-	-
30	NYSAGAZ Sp. z o.o. <sup>4)</sup>	Poland	PGNiG S.A.	66.28%	66.28%	66.28%	66.28%	-	-
31	Polskie Elektrownie Gazowe Sp. z o.o. w likwidacji (in liquidation)	Poland	PGNiG S.A.	-	100%	-	100%	-	-
32	Zakład Separacji Popiołów Siekierki Sp. z o.o. <sup>4)</sup>	Poland	PGNiG TERMIKA S.A.	70%	-	70%	-	-	-

1) PGNiG S.A.'s direct interest is 22.5%, with a 52.5% interest held indirectly through PGNiG Technologie S.A. PGNiG S.A. has the right to appoint the majority of the company's Supervisory Board members.

2) PGNiG S.A.'s indirect interest in Gas Assets Management Sp. z o.o. is 100%, with 99% held through PGNiG SPV 6 Sp. z o.o. and 1% held through PGNiG SPV 5 Sp. z o.o.

3) The company was deleted from the National Court Register on August 18th 2014.

4) In accordance with the articles of association, decisions concerning significant activities require unanimous consent of the parties; as of June 30th 2015, the company became jointly controlled by PGNiG S.A.

## **2. Changes in the Group's structure, including changes resulting from mergers, acquisitions or disposals of Group entities, as well as long-term investments, demergers, restructuring or discontinuation of operations**

The most important changes in the structure of the PGNiG Group in H1 2015 were as follows:

- Gas Asset Management Sp. z o.o. w organizacji (in formation) was registered with the National Court Register on February 17th 2015 and as of that date the company has been operating as Gas Assets Management Sp. z o.o.
- On March 5th 2015, Polskie Elektrownie Gazowe Sp. z o.o. w likwidacji (in liquidation) was deleted from the National Court Register.
- On March 12th 2015, the share capital of Zakład Separacji Popiołów Siekierki Sp. z o.o. was increased by PLN 9m, to PLN 10m, through an issue of 90 thousand new equal and indivisible shares with a par value of PLN 100 per share. The new shares were acquired by the existing shareholders pro rata to their existing holdings. As a result, the percentage share of PGNiG Termika in the share capital and total voting rights has remained unchanged. The share capital increase was registered with the National Court Register on April 23rd 2015.
- On June 23rd 2015, PST Europe Sales GmbH was entered in the Commercial Register maintained by the District Court in Munich, Germany. The company's share capital is EUR 500,000; 100% of shares in the new company were acquired by PGNiG Sales & Trading GmbH.
- In June 2015, GAZ Sp. z o.o. repurchased its shares from minority shareholders and cancelled them. Since June 30th 2015 (the date of the GAZ General Meeting's resolution to cancel 40 shares repurchased from minority shareholders) Polish Gas Company Sp. z o.o. has been the sole shareholder of GAZ Sp. z o.o. As the shares were cancelled in accordance with Article 199.6 of the Commercial Companies Code, the share capital of GAZ Sp. z o.o. (PLN 300,000) and the par value per share (PLN 1,500) have not changed. The number of shares was reduced (from 200 to 160). It is expected that the General Meeting of GAZ Sp. z o.o. will consider and pass a resolution to increase the par value of the company shares to ensure that their total par equals the amount of the share capital.

In addition, until the date of this report the following changes occurred in the Group's structure:

- On July 15th 2015, the Extraordinary General Meeting of PGNiG SPV 6 Sp. z o.o. of Warsaw resolved to increase the company's share capital from PLN 250,000 to PLN 51,381,000, i.e. by PLN 51,131,000, by issuing 511,310 new shares with a par value of PLN 100 per share. Until the date of this report, the share capital increase has not been registered.
- On July 16th 2015, Gas Assets Management Sp. z o.o., an indirect subsidiary of PGNiG S.A., acquired from PHZ BARTIMPEX SA 21,523 shares in GAS-TRADING S.A., representing 36.17% of the share capital and total votes at the General Meeting of GAS-TRADING S.A. Following the acquisition, the PGNiG Group holds a total of 79.58% of shares and votes at the General Meeting of GAS-TRADING S.A.

## **3. Basis of preparation and format of the financial statements contained in this report**

These interim condensed consolidated financial statements and interim condensed separate financial statements for H1 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting and the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz.U. No. 33, item 259, as amended).

This report presents the financial standing of the PGNiG Group as at June 30th 2015 and its financial performance for the period January 1st 2015–June 30th 2015, and the comparative data for the corresponding periods of 2014.

The financial data is stated in the Polish zloty (PLN), and all amounts, unless indicated otherwise, are stated in millions of the zloty. Differences, if any, between the totals and the sum of particular items are due to rounding off.

These financial statements of the PGNiG Group have been prepared based on the assumption that the Group will continue as a going concern for at least 12 months subsequent to the balance-sheet date. As at the date of approval of these financial statements, no facts and circumstances were identified which would indicate any threat to the Group's continuing as a going concern.



This interim report for H1 2015 has been approved for issue by the Parent's Management Board on August 14th 2015.

### 3.1. Functional and reporting currency

The Polish zloty (PLN) is the functional currency (measurement currency) and the reporting currency of all companies of the PGNiG Group with the exception of:

- POGC Libya B.V. – US dollar (USD),
- PGNiG Upstream International AS – Norwegian krone (NOK),
- PGNiG Sales & Trading GmbH – euro (EUR),
- PGNiG Finance AB – Swedish krona (SEK).

The method of translation of items denominated in foreign currencies is presented in the full-year consolidated financial statements for the period ended December 31st 2014.

### 4. Applied accounting policies

The policies applied to prepare these interim condensed consolidated financial statements and interim condensed separate financial statements are consistent with the general policies applied to draw up the full-year consolidated financial statements for the year ended December 31st 2014, issued on March 5th 2015, except that the following amendments to financial reporting standards and new interpretations effective for annual periods beginning on or after January 1st 2015 have been applied:

- Amendments to IFRS (2010-2012) – changes in the procedure of introducing annual amendments to IFRS – effective for reporting periods beginning on or after July 1st 2014;
- Amendments to IFRS (2011-2013) – changes in the procedure of introducing annual amendments to IFRS – effective for reporting periods beginning on or after July 1st 2014;
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions – effective for reporting periods beginning on or after July 1st 2014.

Application of the above amendments to standards has not caused any material changes in the accounting policies of the Group or in the presentation of data in its financial statements.

### 5. Effect of new standards and interpretations on the Group's financial statements

Standards and interpretations adopted by the International Accounting Standards Board, which as at June 30th 2015 had not been endorsed for use by the European Commission (EC) and therefore have not been applied in these financial statements:

- IFRS 9 Financial Instruments – effective for reporting periods beginning on or after January 1st 2018;
- Amendments to IFRS (2012-2014) – changes in the procedure of introducing annual amendments to IFRS – planned to be effective for reporting periods beginning on or after July 1st 2016;
- Amendments to IFRS 10 and IAS 28 Sales or Contributions of Assets between an Investor and Its Associate/Joint Venture – effective for reporting periods beginning on or after January 1st 2016;
- IFRS 14 Regulatory Deferral Accounts – effective for reporting periods beginning on or after January 1st 2016;
- IFRS 15 Revenue from Contracts with Customers – effective for reporting periods beginning on or after January 1st 2018;
- Amendments to IAS 16 Property, Plant and Equipment – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IAS 1 Disclosure Initiative – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IAS 27 Equity Method in Separate Financial Statements – effective for reporting periods beginning on or after January 1st 2016.

The Group estimates that the above standards and amendments to standards would not have had a material effect on the financial statements if they had been applied by the Group as at the end of the reporting period.

## 6. Brief description of significant achievements or failures in the reporting period, including identification of key events

- On January 14th 2015, the Court of Appeal in Warsaw, 6th Civil Division, issued a ruling concerning the Company's breach of the terms of the Licence to trade in natural gas with foreign partners in 2007 and 2008. The Court of Appeal's ruling changes the challenged ruling of the Competition and Consumer Protection Court of the Regional Court of Warsaw, dated October 10th 2013, issued with respect to the decision of the President of the Energy Regulatory Office of December 16th 2010, imposing a fine on PGNiG, which the Company subsequently challenged.

The fine was imposed on PGNiG for breach of the terms of the Licence to trade in natural gas with foreign partners. The breach consisted in failure to observe, in 2007 and 2008, the minimum level of diversification of foreign sources of gas supplies defined in the Council of Ministers' Regulation of October 24th 2000, as a result of which in that period the Company exceeded the maximum share of gas imported from a single country in total gas imports for each of the two years.

The Court of Appeal decided to change the challenged Decision by reducing the fine imposed on the Company to PLN 500 thousand, given the small extent of the breach, steps taken by PGNiG to meet the obligation to diversify gas supply sources, limited diversification opportunities and little harm involved in the breach. In the remaining part, the appeal was dismissed.

Upon receipt of the written grounds of the judgment, in May 2015 the Company filed a cassation complaint.

- On January 20th 2015, PGNiG Upstream International (PUI) was awarded a 40% interest in the PL 799 licence in the Norwegian Sea as the licence operator. PUI's new licence partners are Statoil Petroleum AS, VNG Norge AS and Explora Petroleum AS, each holding a 20% interest.

The PL 799 licence is located close to the Skarv field, brought onstream in late 2012, and the Snadd field, for which a field development plan is being matured. PUI is a shareholder of both deposits.

Geological and geophysical analyses will be performed in the next two years to make a precise estimate of the licence potential. In that period a drill-or-drop decision will be made.

- On April 16th 2015, the Annual General Meeting of PGNiG S.A. appointed Ms Irena Ożóg and Mr Maciej Mazurkiewicz as new Supervisory Board members.
- On April 16th 2015, the President of the Energy Regulatory Office (URE) made a decision to amend the PGNiG Gas Fuel Supply Tariff (wholesale tariff) and extend its term until July 31st 2015.

PGNiG's total cost of gas procurement was reduced due to the persistently low prices of crude oil and relatively low prices of natural gas across wholesale markets in north-western Europe. Consequently, the average high-methane gas price decreased by 7.1%, while the price of nitrogen-rich gas dropped on average by 3.2%. The reduced wholesale tariff was approved by the President of the Energy Regulatory Office for the period May 1st–July 31st 2015.

- On May 4th 2015, the Company and Chevron Polish Energy Resources Sp. z o.o. (Chevron) terminated a first stage collaboration agreement for shale gas exploration (the Agreement) of March 31st 2014.

Under the agreement, the parties were to cooperate in appraising shale gas deposits in four exploration licence areas in south-eastern Poland:

- Zwierzyniec and Grabowiec (licences held by Chevron), and
- Tomaszów Lubelski and Wiszniów-Tarnoszyn (licences held by PGNiG).

Under the Agreement, the Majdan Sopocki well was drilled and seismic surveys were carried out. The termination of the Agreement takes place following the completion of the work provided for in the Agreement and Chevron's decision to discontinue operations in Poland.

- On May 13th 2015, the Company called PAO Gazprom and OOO Gazprom export (Gazprom) to arbitration proceedings before the Arbitration Court in Stockholm. The dispute relates to change of the price terms of the long-term gas supply contract of September 25th 1996 (Contract). Calling Gazprom

to arbitration opens the arbitration procedure provided for under the Contract. The value of the claim or the date of resolution cannot be specified at this stage of the dispute.

The Company became entitled to initiate arbitration proceedings in early May 2015 following the expiry of six months from the date of the request to renegotiate the Contract's price terms. Submitting the dispute for resolution by the Arbitration Court does not preclude trade negotiations and an amicable settlement with the supplier. The steps taken by PGNiG aim to bring the Contract in line with the current conditions on the European natural gas market.

- As a result of the rejection by the Employer on May 21st 2015 of demands put forward by trade unions active at PGNiG, a collective dispute was formally initiated.

The trade unions demanded that PGNiG:

1. increases salaries and wages by 6% in 2015;
2. increases the value of vouchers to PLN 2,000 per year;
3. distributes the 2014 annual bonus in an amount equal to 11.7% of the calculation basis, that is in accordance with the annual bonus calculation rules applied in 2013.

In the opinion of the Management Board, the demands specified in item 1 and item 2 cannot give rise to a collective dispute within the meaning of Art. 1 of the Act on Resolution of Collective Disputes of May 23rd 1991, as these matters are governed by the Company's Collective Labour Agreement.

As regards item 3, the Company did not grant the demand for the following reasons:

- deregulation of the Polish gas market and increased competition;
- changes in the market environment (dramatic decline in crude oil prices on global markets);
- changes of the regulatory regime.

In July 2015, mediation between the parties began. An impartial mediator, proposed by the Minister of Labour and Social Policy, was engaged. Their task is to find a solution that will be viable and acceptable to both parties.

## 7. Factors and events, particularly of a non-recurring nature, with a material effect on financial performance

In H1 2015, the PGNiG Group's revenue was PLN 20,390m, that is PLN 4,009m (or 24%) more than a year before, when revenue was reported at PLN 16,381m. With costs rising by PLN 3,569m (or 25%), the Group earned consolidated operating profit of PLN 2,609m in H1 2015. This represents an increase of PLN 440m (or 20%) on to the same period of 2014.

### Trade and Storage

The Trade and Storage segment improved operational efficiency. Its H1 2015 operating profit was PLN 741m, which represents a PLN 661m increase year on year. The segment's performance in H1 2015 was mainly driven by the cost and structure of gas fuel procurement.

The segment's revenue in H1 2015 increased by PLN 4,518m (or 34%) year on year, driven principally by higher revenue from gas traded on the Polish Power Exchange, whose volume was 4.41 bcm as at the end of H1 2015, relative to 0.24 bcm the year before (sales by PGNiG S.A.). The segment's operating expenses in H1 2015 increased by PLN 3,857m (or 29%) year on year, mainly on the back of higher costs of gas fuel purchases on the Polish Power Exchange (by PGNiG Obrót Detaliczny Sp. z o.o.). Sale and purchase transactions carried out on the Polish Power Exchange by, respectively, PGNiG S.A. and PGNiG Obrót Detaliczny Sp. z o.o. (which commenced operations on August 1st 2014) are not eliminated in the consolidated financial statements.

Excluding the effect of higher revenue and expenses related to gas fuel purchases and sales on the Polish Power Exchange (described above), the segment's performance was also driven by changes in the structure and price of gas fuel imports (the volumes of gas fuel sold to third-party customers and gas fuel imports were similar year on year). Changes in the structure of gas imports by PGNiG S.A. in relation to the same period of the previous year were as follows:

- higher share of imports from sources other than markets east of Poland – an increase by 72.9%, from 0.59 bcm to 1.02 bcm. These included mainly gas fuel imported from Western European markets, where prices of the fuel, in Polish zloty terms, fell by approximately 3% in H1 2015 relative to the corresponding period of the previous year;

- lower share of gas fuel imports from sources east of Poland – a drop of 10.8%, from 4.54 bcm in H1 2014 to 4.05 bcm in H1 2015. The price of gas fuel imported from markets east of Poland was driven by the nine-month average price of crude oil which, in Polish zloty terms, fell by 13.2%, as well as market prices of gas in Western Europe, which fell by approximately 3%.

In addition to the factors described above, the increase in the segment's operating profit was influenced by reversal of impairment losses on stocks (mainly gas in storage) – the change in the balance of write-downs added approximately PLN 190m to the segment's operating result in H1 2015 compared to H1 2014.

Stocks of gas in underground storage facilities totalled 1.8 bcm as at June 30th 2015, i.e. 12.2% less than a year before (2.05 bcm).

### **Exploration and Production**

In H1 2015, operating profit of the Exploration and Production segment was PLN 847m, down by PLN 469m (35.6%) year on year. At PLN 1,542m, EBITDA was lower than a year before – by PLN 399m (20.6%).

The segment's revenue decreased by PLN 893m (26.1%) year on year, to PLN 2,533m, despite a 9.3% increase in the volume of crude oil sales (mainly from deposits in Norway, where sales grew by approximately 30%). The revenue decline reflected the fall in crude oil prices (in Polish zloty terms, the average price of Brent in H1 2015 was approximately 35% lower than in H1 2014).

A PLN 424m decrease (20.1%) in the segment's operating expenses was a result of lower impairment losses on the segment's assets (PLN 341.1m in H1 2015 vs. PLN 540.6m in H1 2014). In addition, reversal of provisions for well decommissioning costs added PLN 139m to the segment's operating profit, compared with a negative effect of PLN -21m in the same period of the previous year. The reversal was a result of the lower average decommissioning cost per well and the higher discount rate.

### **Distribution**

The Distribution segment's operating profit in H1 2015 increased 14.2% year on year, to PLN 779m, while EBITDA came in at PLN 1,218m, up by PLN 105m year on year. One of the contributing factors were higher revenues, which in H1 2015 increased by PLN 178m compared with the same period in 2014. The revenue increase was primarily driven by the higher tariff for gas fuel distribution services, with the average year-on-year rise of 3%. There was a slight increase in the segment's operating expenses, caused mainly by recognition in Q1 2015 of a provision for workforce optimisation (the provision was used in Q2 2015), which lowered the segment's profit by PLN 96m.

### **Generation**

The segment's operating profit for H1 2015 amounted to PLN 251m, a PLN 118m increase on the previous year. EBITDA was PLN 412m, an improvement of 43.1% year on year. The following factors contributed to the significant improvement:

- higher revenues from sales of heat, resulting mainly from a higher heat tariff (an increase of 6% in August 2014);
- lower procurement costs of coal, the segment's main fuel for heat production (the average price of coal in H1 2015 was 7.1% lower than in the same period of the previous year).

## **8. Seasonality or cyclicity in the Company's operations during the reporting period**

The sale, distribution and storage of gas fuels, as well as cogeneration of heat and electricity, which, in addition to hydrocarbon exploration and production, constitute the core business of the Group, are subject to significant seasonal fluctuations.

The revenue from sales of natural gas and heat in the winter season (Q1 and Q4) is substantially higher than in summer (Q2 and Q3). This is due to the seasonal changes in weather conditions in Poland, and the extent of the fluctuations is determined by the temperatures – low in winter and higher in summer. Gas and heat sales are subject to much greater seasonal changes in the case of households, where gas and heat are used for heating, than in the case of industrial customers.

In order to ensure uninterrupted gas supplies in periods of peak demand and to maintain the security of gas supplies, it is necessary to replenish the gas stocks of underground gas storage facilities in the summer, and to reserve higher transmission and distribution system capacities for the winter.

## **9. Material purchase and sale transactions on property, plant and equipment**

In the reporting period, the Group entities did not execute any material purchase or sale transactions on property, plant and equipment.

## **10. Material liabilities related to purchase of property, plant and equipment**

As at June 30th 2015, the Group entities did not carry any material liabilities related to purchase of property, plant and equipment.

## **11. Material settlements under court proceedings**

In the current reporting period, the Group entities reported no material settlements arising in connection with any court proceedings.

## **12. Changes in the economic environment and trading conditions with a material bearing on the fair value of financial assets and liabilities of the entity**

In the reporting period, the PGNiG Group recorded no changes in its economic environment or trading conditions which would have a material bearing on the fair value of its financial assets and liabilities.

## **13. Default under loans or breach of any material terms of loan agreements, with respect to which no remedial action had been taken by the end of the reporting period**

In the current reporting period, there were no breaches of any material terms of loan agreements to which the Parent or its subsidiaries are parties.

## **14. Related-party transactions, concluded by the Company or any of its subsidiaries, which are individually or jointly material and were concluded on non-arms' length terms**

In the period covered by this report, no transactions were concluded on non-arms' length terms between related entities of the PGNiG Group.

## **15. Issuance, redemption and repayment of equity and non-equity securities**

In order to secure the Group's financial liquidity, the following debt issue programmes are currently open:

- Under the Note Programme agreement executed by the Parent on June 10th 2010, the Parent may issue discount or coupon notes maturing in one to twelve months, for an aggregate amount of up to PLN 7,000m. On August 8th 2014, an annex was signed to the agreement, extending the Note Programme term until 2020. As at June 30th 2015, no debt was outstanding under the agreement.
- On August 25th 2011, the Parent and PGNiG Finance AB executed documentation for a Euro Medium Term Notes Programme with Société Générale S.A., BNP Paribas S.A. and Unicredit Bank AG, pursuant to which PGNiG Finance AB may issue notes with maturities of up to ten years, up to the aggregate amount of EUR 1,200m. As at June 30th 2015, the nominal value of the debt outstanding under the Euronotes was PLN 2,097.2m (translated at the mid rate quoted by the NBP for June 30th 2015).
- On May 22nd 2012, the Parent executed a PLN 4,500m Note Programme agreement with Bank Pekao S.A. and ING Bank Śląski S.A. In the period covered by these financial statements, PGNiG did not issue any notes under the Programme. As at June 30th 2015, the nominal debt outstanding under the Programme was PLN 2,500m.
- On October 2nd 2014, the Parent executed an agreement for the arrangement of a Note Programme for up to PLN 1bn with Bank Gospodarstwa Krajowego. The agreement expires on September 30th 2024. Under the Programme, PGNiG may issue notes with maturities of at least 12 months. In accordance with the agreement, the proceeds from the Programme may only be used to finance capital expenditure related to, among other things, maintenance of production capacity, diversification of gas supply sources, oil and gas exploration and appraisal, development of the power segment and ongoing projects involving the construction of storage infrastructure. In the period covered by these financial statements, PGNiG did not issue any notes under the Programme. As at June 30th 2015, no debt was outstanding under the agreement.

- On July 4th 2012, PGNiG Termika S.A. executed a Note Programme with the following banks: ING Bank Śląski S.A., PKO Bank Polski S.A., Nordea Bank Polska S.A. and Bank Zachodni WBK S.A. On November 1st 2014, two of the underwriters for the issue, PKO Bank Polski S.A. and Nordea Bank Polska S.A., merged. As a result of negotiations concerning the terms of the Note Programme held with three banks: PKO Bank Polski S.A., ING Bank Śląski S.A. and BZ WBK S.A., on December 15th 2014 annexes were signed to amend the underwriting, agency and deposit agreements. The changes made in the terms of the Note Programme included:
  - extension of the Programme tenor by two years – until December 29th 2019;
  - reduction of the margin and underwriting fee.

Under the Programme, PGNiG Termika S.A. may issue coupon or discount notes for up to PLN 1,500m. In the current reporting period, the following events related to the Programme took place:

- in January and February 2015 – issue of discount notes with a total nominal value of PLN 200m, maturing in Q1 2015;
- in January–March 2015 – redemption of discount notes with a total nominal value of PLN 390m, including PLN 190m attributable to notes issued in Q4 2014.

As at June 30th 2015, no debt was outstanding under the Programme.

## 16. Dividend paid or declared

On April 16th 2015, the Annual General Meeting of PGNiG S.A. passed a resolution on distribution of the Company's 2014 net profit and decided to allocate PLN 1,180m to dividend. This would translate into dividend per share of PLN 0.20. The dividend record date and the dividend payment date were set for July 15th 2015 and August 4th 2015, respectively.

The dividend for 2013 was paid on September 4th 2014. In accordance with the decision of the Annual General Meeting of PGNiG S.A., the dividend was PLN 885m (PLN 0.15 per share), and the dividend record date was August 14th 2014.

## 17. Events subsequent to the date of the condensed financial statements, undisclosed in the financial statements but potentially significant to the Company's future financial performance

The following events with a potential bearing on the PGNiG's future financial performance took place after June 30th 2015, i.e. the date of these condensed financial statements:

- On July 17th 2015, the President of the Energy Regulatory Office ("President of URE") approved a new wholesale fuel gas distribution tariff.

Due to the persistently low prices of crude oil and relatively low prices of natural gas across wholesale markets in north-western Europe, PGNiG's total cost of gas procurement fell below the cost assumed for the purpose of calculating the Tariff effective until the end of July 2015. Therefore, the average trading price of gas fuel was reduced by 5.0% for high-methane gas and by 4.9% for nitrogen-rich gas.

The term of the new Tariff was set from August 1st to December 31st 2015.

- On July 22nd 2015, Mr Wojciech Chmielewski resigned from the position of Chairman and Member of PGNiG's Supervisory Board, with effect as of that date.
- On July 28th 2015, the PGNiG Supervisory Board elected Ms Agnieszka Woś as Chairman of the Supervisory Board; previously, Ms Woś served as Vice-Chairman of the Board. Also, Mr Andrzej Janiak was elected Deputy Chairman of the PGNiG Supervisory Board.

## 18. Changes in contingent liabilities or assets subsequent to the end of the previous financial year

### Contingent receivables

	As at Jun 30 2015	As at Dec 31 2014
From related entities:		
guarantees and sureties received	-	1
promissory notes received	-	78
<b>Total contingent receivables from related entities</b>	<b>-</b>	<b>79</b>
From other entities:		
guarantees and sureties received	7	104
promissory notes received	24	52
other contingent assets	57	154
<b>Total contingent receivables from other entities</b>	<b>88</b>	<b>310</b>
<b>Total contingent assets</b>	<b>88</b>	<b>389</b>

### Contingent liabilities

	As at Jun 30 2015	As at Dec 31 2014
To other entities		
guarantees and sureties issued*	8,182	7,889
promissory notes issued	1,549	1,559
other contingent liabilities	53	72
<b>Total contingent liabilities to other entities</b>	<b>9,784</b>	<b>9,520</b>
<b>Total contingent liabilities</b>	<b>9,784</b>	<b>9,520</b>

\* Contingent liabilities in foreign currencies translated at exchange rates quoted by the National Bank of Poland for June 30th 2015.

As at the end of June 2015, contingent receivables declined, primarily due to an analysis of the probability of consumption of economic benefits as at the reporting date, and the expiry of bank guarantees and performance bonds.

The amount of contingent liabilities towards other entities under guarantees and sureties as at June 30th 2015 was driven primarily by the issuance of new performance bonds by the Parent; the performance bonds were issued to third-party trading partners and totalled EUR 115m (PLN 483m as translated at the exchange rate quoted by the National Bank of Poland for June 30th 2015). The weakening of the euro against the zloty at the end of H1 2015 helped reduce the amount of the Parent's contingent liabilities denominated in the euro. The largest item of the liabilities was PUI's performance bond for the state of Norway (its amount fell by PLN 43m at the NBP rate quoted for June 30th 2015).

## 19. Other information the Company believes to be material to the assessment of its human resources, assets, financial standing and performance, or changes in any of the foregoing, and information which is material to the assessment of the Company's ability to fulfil its obligations

In H1 2015, the Group companies continued to implement the Efficiency Improvement Programme. The Programme is part of an effort to improve the Group's cost and organisational efficiency pursued under the PGNiG Group's Strategy for 2014-2022 adopted in 2014.

Apart from the information disclosed in this report, the PGNiG Group is not aware of any information which could be material to the assessment of its staffing levels, assets, financial standing and performance, or changes in any of the foregoing, or information which could be material to the assessment of the Company's ability to fulfil its obligations.

## **IV. MANAGEMENT BOARD'S REPRESENTATIONS**

### **1. Representation on reliability of the interim condensed financial statements**

The Management Board of PGNiG S.A. hereby represents that to the best of its knowledge the interim condensed consolidated financial statements of the PGNiG Group and the interim condensed separate financial statements of PGNiG S.A. as at June 30th 2015, and the comparative data have been prepared in compliance with the applicable accounting standards and give a true, clear and fair view of the assets, financial standing and financial performance of the PGNiG Group and PGNiG S.A.

The Management Board of PGNiG S.A. further represents that to the best of its knowledge the Directors' Report on the operations of the PGNiG Group and PGNiG S.A. gives a fair view of the Group's and the Company's development, achievements, and standing, and includes a description of key risks and threats.

### **2. Representation on the qualified auditor appointed to carry out a review of the interim condensed financial statements**

The Management Board of PGNiG S.A. represents that the qualified auditor of financial statements that reviewed the interim condensed consolidated financial statements of the PGNiG Group and the interim condensed separate financial statements of PGNiG S.A. as at June 30th 2015 had been appointed in accordance with the applicable laws,

and that the auditing firm and the qualified auditors who performed the review met the conditions necessary to issue an impartial and independent review report in accordance with the applicable regulations and professional standards.



PGNiG Management Board:

President of the  
Management Board

Mariusz Zawisza

.....

Vice-President of the  
Management Board

Jarosław Bauc

.....

Vice-President of the  
Management Board

Zbigniew Skrzypkiewicz

.....

Vice-President of the  
Management Board

Waldemar Wójcik

.....

Warsaw, July 31st 2015