



PGNiG

Polskie Górnictwo Naftowe
i Gazownictwo SA

CONSOLIDATED
INTERIM REPORT
FOR THE FIRST QUARTER OF 2014

POLISH FINANCIAL SUPERVISION AUTHORITY
Consolidated Quarterly Report QSr 1 / 2014

quarter / year

(pursuant to Par. 82.2 and Par. 83.1 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 quarter of the 2014 financial year, covering the period from **January 1st** to **March 31st 2014**, containing interim condensed consolidated financial statements prepared in accordance with International Financial Reporting Standards in the Polish złoty (PLN), and interim condensed separate financial statements prepared in accordance with International Financial Reporting Standards in the Polish złoty (PLN).

May 9th 2014

(filing date)

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PGNiG Group
Interim report for Q1 2014 (PLNm)
Interim condensed consolidated financial statements

FINANCIAL HIGHLIGHTS

Interim condensed consolidated financial data	PLNm		EURm	
	Jan 1–Mar 31	Jan 1–Mar 31	Jan 1–Mar 31	Jan 1–Mar 31
	2014	2013	2014	2013
Revenue	9,537	10,255	2,276	2,457
Operating profit/(loss)	1,558	1,427	372	342
Profit/(loss) before tax	1,520	1,280	363	307
Net profit/(loss) attributable to owners of the parent	1,181	1,073	282	257
Net profit/(loss)	1,180	1,074	282	257
Comprehensive income attributable to owners of the parent	1,044	1,214	249	291
Total comprehensive income	1,043	1,215	249	291
Net cash flows from operating activities	2,901	3,578	692	857
Net cash flows from investing activities	(684)	(739)	(163)	(177)
Net cash flows from financing activities	(1,365)	(1,708)	(326)	(409)
Change in cash	852	1,131	203	271
Earnings/(loss) and diluted earnings/(loss) per share attributable to owners of the parent (PLN and EUR, respectively)	0.20	0.18	0.05	0.04
	Mar 31 2014	Dec 31 2013	Mar 31 2014	Dec 31 2013
Total assets	46,788	47,144	11,217	11,285
Total liabilities	17,292	18,691	4,146	4,474
Total non-current liabilities	10,870	10,853	2,606	2,598
Total current liabilities	6,422	7,838	1,540	1,876
Total equity	29,496	28,453	7,071	6,811
Share capital	5,900	5,900	1,414	1,412
Weighted average number of shares	5,900	5,900	5,900	5,900
Book value per share and diluted book value per share (in PLN and EUR, respectively)	5.00	4.82	1.20	1.15
	Mar 31 2014	Dec 31 2013	Mar 31 2014	Dec 31 2013
	Mar 31 2014	Jan 1–Mar 31 2013	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Revenue	8,065	8,918	1,925	2,137
Operating profit/(loss)	886	657	211	157
Profit/(loss) before tax	922	664	220	159
Net profit/(loss)	744	546	178	131
Total comprehensive income	577	664	138	159
Net cash flows from operating activities	2,002	2,710	478	649
Net cash flows from investing activities	(221)	(517)	(53)	(124)
Net cash flows from financing activities	(1,149)	(1,194)	(274)	(286)
Change in cash	632	999	151	239
Earnings/(loss) and diluted earnings/(loss) per ordinary share (PLN and EUR, respectively)	0.13	0.09	0.03	0.02
	Mar 31 2014	Dec 31 2013	Mar 31 2014	Dec 31 2013
Total assets	34,723	35,424	8,325	8,541
Total liabilities	11,177	12,455	2,680	3,003
Total non-current liabilities	7,002	7,023	1,679	1,693
Total current liabilities	4,175	5,432	1,001	1,310
Total equity	23,546	22,969	5,645	5,538
Share capital	5,900	5,900	1,414	1,423
Weighted average number of shares	5,900	5,900	5,900	5,900
Book value per share and diluted book value per share (in PLN and EUR, respectively)	3.99	3.89	0.96	0.94

Items of the income statement, 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

	Mar 31 2014	Mar 31 2013	Dec 31 2013
Average exchange rate in the period	4.1894	4.1738	4.2110
Exchange rate at end of the period	4.1713	4.1774	4.1472

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
	unaudited	restated
Revenue	9,537	10,255
Raw material and consumables used	(5,940)	(6,989)
Employee benefits	(686)	(671)
Depreciation and amortisation	(623)	(549)
Services	(585)	(646)
Work performed by the entity and capitalised	190	197
Other income and expenses	(335)	(170)
Total operating expenses	(7,979)	(8,828)
Operating profit/(loss)	1,558	1,427
Finance income	32	61
Finance costs	(63)	(208)
Share in net profit/(loss) of equity-accounted entities	(7)	-
Profit/(loss) before tax	1,520	1,280
Income tax	(340)	(206)
Net profit/(loss)	1,180	1,074
Attributable to:		
Owners of the parent	1,181	1,073
Non-controlling interests	(1)	1
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares of the parent (PLN)	0.20	0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
	unaudited	unaudited
Net profit/(loss)	1,180	1,074
Other comprehensive income that will be reclassified to profit or loss if specific conditions are met, relating to:	(137)	141
Exchange differences on translating foreign operations	32	30
Hedge accounting	(208)	137
Deferred tax	39	(26)
Total comprehensive income	1,043	1,215
Attributable to:		
Owners of the parent	1,044	1,214
Non-controlling interests	(1)	1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Mar 31 2014	Dec 31 2013
	unaudited	audited
ASSETS		
Non-current assets		
Property, plant and equipment	33,035	33,033
Investment property	9	9
Intangible assets	1,145	1,164
Investments in equity-accounted associates	721	727
Financial assets available for sale	50	51
Other financial assets	198	191
Deferred tax assets	989	993
Other non-current assets	69	71
Total non-current assets	36,216	36,239
Current assets		
Inventories	2,269	3,378
Trade and other receivables	3,851	4,086
Current tax assets	5	48
Other assets	561	171
Derivative financial instrument assets	201	307
Cash and cash equivalents	3,679	2,827
Assets held for sale	6	88
Total current assets	10,572	10,905
Total assets	46,788	47,144
LIABILITIES AND EQUITY		
Equity		
Share capital	5,900	5,900
Share premium	1,740	1,740
Accumulated other comprehensive income	(186)	(49)
Retained earnings/(deficit)	22,037	20,856
Equity attributable to owners of the parent	29,491	28,447
Equity attributable to non-controlling interests	5	6
Total equity	29,496	28,453
Non-current liabilities		
Borrowings and other debt instruments	5,358	5,385
Employee benefit obligations	504	502
Provisions	1,433	1,405
Deferred income	1,525	1,533
Deferred tax liabilities	1,992	1,970
Other non-current liabilities	58	58
Total non-current liabilities	10,870	10,853
Current liabilities		
Trade and other payables	3,905	4,033
Borrowings and other debt instruments	889	2,276
Derivative financial instrument liabilities	364	124
Current tax liabilities	117	184
Employee benefit obligations	404	375
Provisions	549	645
Deferred income	194	186
Liabilities associated with assets held for sale	-	15
Total current liabilities	6,422	7,838
Total liabilities	17,292	18,691
Total liabilities and equity	46,788	47,144

CONSOLIDATED STATEMENT OF CASH FLOWS

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
	unaudited	restated
Cash flows from operating activities		
Net profit/(loss)	1,180	1,074
Adjustments:		
Share in net profit/(loss) of equity-accounted entities	7	-
Depreciation and amortisation	623	549
Net foreign exchange gains/(losses)	(22)	(9)
Net interest and dividend	1	50
Gain/(loss) on investing activities	4	(1)
Current tax expense	340	206
Other items, net	73	(142)
Income tax paid	(294)	(130)
Cash flows from operating activities before changes in working capital	1,912	1,597
Change in working capital:		
Change in receivables	242	301
Change in inventories	1,108	843
Change in employee benefit obligations	30	(54)
Change in provisions	(95)	64
Change in current liabilities	113	1,184
Change in other assets	(391)	(357)
Change in deferred income	(18)	-
Net cash flows from operating activities	2,901	3,578
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	7	14
Purchase of property, plant and equipment and intangible assets	(710)	(761)
Purchase of shares in non-consolidated entities	-	(1)
Other items, net	19	9
Net cash flows from investing activities	(684)	(739)
Cash flows from financing activities		
Increase in loans and borrowings	53	145
Proceeds from issue of debt securities	40	960
Repayment of borrowings	(221)	(61)
Repayment of debt securities	(1,209)	(2,683)
Payment of finance lease liabilities	(13)	(14)
Cash inflow from derivative financial instruments	84	83
Cash outflow on derivative financial instruments	(25)	(35)
Interest paid	(74)	(101)
Other items, net	-	(2)
Net cash flows from financing activities	(1,365)	(1,708)
Net change in cash	852	1,131
Cash and cash equivalents at beginning of the period	2,826	1,947
Cash and cash equivalents at end of the period	3,678	3,078

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	exchange differences on translating foreign operations	Accumulated other comprehensive income, including: hedge accounting	actuarial gains/(losses) on employee benefits	Retained earnings/(deficit)			Total
As at Jan 1 2014 (audited)	5,900	1,740	(84)	(1)	36	20,856	28,447	6	28,453
Total comprehensive income	-	-	32	(169)	-	1,181	1,044	(1)	1,043
Net profit/(loss) for Q1 2014	-	-	-	-	-	1,181	1,181	(1)	1,180
Other comprehensive income, net, for Q1 2014	-	-	32	(169)	-	-	(137)	-	(137)
As at Mar 31 2014 (unaudited)	5,900	1,740	(52)	(170)	36	22,037	29,491	5	29,496
As at Jan 1 2013 (audited)	5,900	1,740	(31)	(59)	(59)	19,701	27,192	4	27,196
Total comprehensive income	-	-	30	111	-	1,073	1,214	1	1,215
Net profit/(loss) for Q1 2013	-	-	-	-	-	1,073	1,073	1	1,074
Other comprehensive income, net, for Q1 2013	-	-	30	111	-	-	141	-	141
As at Mar 31 2013 (unaudited)	5,900	1,740	(1)	52	(59)	20,774	28,406	5	28,411

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Deferred tax

	Deferred tax assets	Deferred tax liabilities
As at Jan 1 2014	993	1,970
Increase	65	59
Decrease	(78)	(40)
Exchange differences on translating deferred tax attributable to foreign operations	6	-
Reclassification to/from assets held for sale	3	3
As at Mar 31 2014	989	1,992
As at Jan 1 2013	1,136	1,936
Increase	120	51
Decrease	(224)	(20)
Exchange differences on translating deferred tax attributable to foreign operations	(40)	-
Reclassification to/from assets held for sale	(2)	-
Reclassifications	3	3
As at Dec 31 2013	993	1,970

2. Impairment losses

	Property, plant and equipment	Intangible assets	Assets and disposal groups held for sale	Other financial assets	Investments in equity-accounted associates	Non-current financial assets available for sale	Inventories	Current receivables	Current portion of non-current loans	Other (current) assets	Total
As at Jan 1 2014	1,678	37	15	-	834	45	35	660	31	-	3,335
Recognised	21	2	-	1	9	-	2	58	1	1	95
Transfers	11	-	(11)	-	-	-	-	-	-	-	-
Used/reversed	(23)	-	(1)	-	-	-	-	(51)	-	-	(75)
Currency translation differences	2	-	-	-	-	-	-	-	-	-	2
As at Mar 31 2014	1,689	39	3	1	843	45	37	667	32	1	3,357
As at Jan 1 2013	1,205	11	4	-	811	42	29	866	29	-	2,997
Recognised	1,001	32	-	-	23	3	18	365	2	-	1,444
Transfers	(11)	-	11	-	-	-	-	-	-	-	-
Used/reversed	(505)	(5)	-	-	-	-	(12)	(571)	-	-	(1,093)
Currency translation differences	(12)	(1)	-	-	-	-	-	-	-	-	(13)
As at Dec 31 2013	1,678	37	15	-	834	45	35	660	31	-	3,335

3. Provisions

	Provision for well decommissioning costs	Provision for penalty imposed by the Office of Competition and Consumer Protection	Provision for environmental liabilities	Provision for claims under extra-contractual use of land	Provision for liabilities associated with exploration work in Pakistan, Egypt and Libya	Provision for the buy-out price on energy savings certificates - white certificates	Other provisions	Total
As at Jan 1 2014	1,254	60	87	81	153	134	281	2,050
Recognised	44	-	-	6	1	69	38	158
Used/reversed	(17)	-	-	(6)	(2)	(134)	(70)	(229)
Currency translation differences	3	-	-	-	-	-	-	3
As at Mar 31 2014	1,284	60	87	81	152	69	249	1,982
As at Jan 1 2013	1,661	60	94	77	28	-	222	2,142
Recognised	68	-	-	33	148	134	171	554
Used/reversed	(461)	-	(7)	(29)	(22)	-	(111)	(630)
Currency translation differences	(14)	-	-	-	(1)	-	(1)	(16)
As at Dec 31 2013	1,254	60	87	81	153	134	281	2,050

4. Revenue

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
High-methane gas	7,129	8,008
Nitrogen-rich gas	433	480
Crude oil and natural gasoline	658	510
Helium	42	59
NGL	32	20
Electricity	452	320
Heat	405	430
Geophysical and geological services	59	76
Drilling and well services	137	171
Construction and installation services	47	29
Connection charge	21	17
Other sales	122	135
Total	9,537	10,255

5. Operating expenses

Raw material and consumables used

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Cost of gas sold	(5,253)	(6,389)
Fuels for electricity and heat generation	(320)	(397)
Electricity for trading	(231)	(52)
Other raw material and consumables used	(136)	(151)
Total	(5,940)	(6,989)

Services

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Transmission services	(246)	(291)
Cost of dry wells written off	(38)	(23)
Other services	(301)	(332)
Total	(585)	(646)

6. Income tax expense

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Profit/(loss) before tax	1,520	1,280
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	(289)	(243)
Difference in tax rates	25	(3)
Investment tax credit (Norway)	(53)	94
Permanent differences between profit/(loss) before tax and tax base	(23)	(54)
Tax expense in the consolidated income statement	(340)	(206)
Current tax expense	(269)	(298)
Deferred tax expense	(71)	92
Effective tax rate	22%	16%

7. Property, plant and equipment by category

	Mar 31 2014	Dec 31 2013
Land	77	77
Buildings and structures	17,153	17,188
Plant and equipment	8,531	8,663
Vehicles and other	1,207	1,213
Total tangible assets	26,968	27,141
Tangible assets under construction - exploration for and evaluation of mineral resources	2,236	2,102
Other tangible assets under construction	3,831	3,790
Total property, plant and equipment	33,035	33,033

8. 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 period from January 1st to March 31st 2014, the Group (mostly the Parent) entered into the following derivative transactions:

- purchase of European currency call options,
- purchase of Asian currency call options,
- purchase of currency forward,
- purchase of currency forward settled based on the difference to the average price in a period,
- purchase of Asian commodity call options,
- purchase of commodity swap settled based on the difference to the average price in a period,
- purchase / sale of commodity futures (with no physical delivery),
- purchase / sale of commodity forwards (with physical delivery).

Furthermore, in the case of the Parent, all eligible transactions accounted for in the period January 1st–March 31st 2014 are covered by cash flow or fair value hedge accounting. In the period, the Parent was party to CCIRS transactions, entered into in previous periods. These transactions are not covered by hedge accounting, since 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 Q1 2014, 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 table below presents the Group companies' open derivative transactions as at March 31st 2014.

Hedged item	Par value in currency	Currency / asset	Maturity date	Exercise price (exercise price range)	Measurement at fair value		Hedged risk
					Mar 31 2014	Dec 31 2013	
Cross Currency Interest Rate Swap							
Euronotes	500	EUR	1-3 years	4.1580	70	108	currency exchange rate and interest rate
loan	730	NOK	3-12 months	0.5595	39	35	currency exchange rate and interest rate
loan	4,350	NOK	1-3 years	0.5033	(27)	(14)	currency exchange rate and interest rate
loan	3,900	NOK	1-3 months	0.5051	-	(25)	currency exchange rate and interest rate
loan	1,150	NOK	1-3 months	0.5664	-	64	currency exchange rate and interest rate
					82	168	
Interest Rate Swap							
loan	1,500	PLN	more than 3 years	-	(30)	(23)	interest rate
					(30)	(23)	

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Forward						
trading activities	-	electricity	0	0.0000	40	- energy prices
trading activities	-	electricity	0	0.0000	(40)	- energy prices
payments for gas	30	EUR	1-3 months	4.3015	(3)	- currency exchange rate
payments for gas	66	EUR	3-12 months	4.2423	(2)	- currency exchange rate
payments for gas	40	USD	1-3 months	3.0281	-	- currency exchange rate
payments for gas	80	USD	1-3 months	3.1234	(7)	- currency exchange rate
payments for gas	11	EUR	1-3 months	4.2055	-	- currency exchange rate
payments for gas	10	USD	3-12 months	3.1047	-	- currency exchange rate
payments for gas	18	EUR	3-12 months	4.2270	-	- currency exchange rate
CO2 emission allowances	3	EUR	3-12 months	4.2660	-	- currency exchange rate
EUR/PLN	1	EUR	1-3 months	4.2195	-	- currency exchange rate
loan	333	NOK	1-3 months	0.4978	-	1 currency exchange rate
payments for gas	10	EUR	1-3 months	4.2659	-	(1) currency exchange rate
payments for gas	29	EUR	3-12 months	4.2189	-	(1) currency exchange rate
payments for gas	130	USD	1-3 months	3.1221	-	(14) currency exchange rate
payments for gas	80	USD	3-12 months	3.1234	-	(7) currency exchange rate
payments for gas	24	EUR	1-3 months	4.2889	-	(3) currency exchange rate
payments for gas	78	EUR	3-12 months	4.2660	-	(6) currency exchange rate
EUR/PLN	1	EUR	up to 1 month	4.4530	-	- currency exchange rate
EUR/PLN	1	EUR	up to 1 month	4.4300	-	- currency exchange rate
EUR/PLN	1	EUR	6-12 months	4.2195	-	- currency exchange rate

(12) **(31)**

Futures						
trading activities	1.0	electricity	1-3 months	151.3070	-	7 energy prices
trading activities	1.0	electricity	1-3 months	151.3070	-	(3) energy prices
trading activities	10.0	electricity	3-12 months	151.8480	-	8 energy prices
trading activities	10.0	electricity	3-12 months	151.8480	-	(12) energy prices
trading activities	0.2	TGE gas	1-3 months	116.8200	-	1 gas prices
trading activities	1.0	TGE gas	3-12 months	114.8530	-	- gas prices

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Call options

payments for gas	150.000	USD	1-3 months	3.2929	1	-	currency exchange rate
payments for gas	20.000	EUR	1-3 months	4.3270	-	-	currency exchange rate
payments for gas	175.000	EUR	1-3 months	4.4046	-	-	currency exchange rate
payments for gas	23.000	EUR	3-12 months	4.3339	1	-	currency exchange rate
payments for gas	168.000	EUR	3-12 months	4.3166	6	-	currency exchange rate
payments for gas	220.000	USD	3-12 months	3.2273	8	-	currency exchange rate
payments for gas	35.000	EUR	1-3 months	4.3826	-	-	currency exchange rate
payments for gas	21.000	EUR	3-12 months	4.3515	-	1	currency exchange rate
payments for gas	188.000	EUR	1-3 months	4.4278	-	-	currency exchange rate
payments for gas	265.000	EUR	3-12 months	4.3848	-	6	currency exchange rate
payments for gas	160.000	USD	1-3 months	3.3566	-	-	currency exchange rate
payments for gas	180.000	USD	3-12 months	3.3077	-	5	currency exchange rate
trading activities	0.044	TGE gas	1-3 years	111.0000	-	-	gas prices
					16	12	

Commodity call options

payments for gas	0.213	FO	1-3 months	645.76	-	-	commodity prices
payments for gas	0.109	GO	1-3 months	947.12	2	-	commodity prices
payments for gas	4.560	TTF	1-3 months	26.97	-	-	commodity prices
payments for gas	0.459	FO	3-12 months	636.24	11	-	commodity prices
payments for gas	0.237	GO	3-12 months	953.14	3	-	commodity prices
payments for gas	7.970	TTF	3-12 months	26.20	4	-	commodity prices
payments for gas	0.026	GO	1-3 years	925.00	1	-	commodity prices
payments for gas	0.046	FO	1-3 years	625.00	3	-	commodity prices
payments for gas	0.077	FO	1-3 months	576.13	-	-	commodity prices
payments for gas	0.058	GO	1-3 months	818.02	-	-	commodity prices
payments for gas	0.109	FO	3-12 months	564.13	-	-	commodity prices
payments for gas	0.051	GO	3-12 months	836.72	-	-	commodity prices
payments for gas	0.150	FO	1-3 months	711.52	-	-	commodity prices
payments for gas	0.502	FO	3-12 months	643.72	-	3	commodity prices
payments for gas	0.038	FO	1-3 years	630.00	-	1	commodity prices
payments for gas	0.186	FO	3-12 months	569.08	-	-	commodity prices
payments for gas	0.084	GO	1-3 months	1 050.45	-	-	commodity prices
payments for gas	0.251	GO	3-12 months	955.38	-	8	commodity prices
payments for gas	0.020	GO	1-3 years	955.00	-	1	commodity prices
payments for gas	5.800	TTF	1-3 months	28.11	-	1	commodity prices
payments for gas	8.650	TTF	3-12 months	26.73	-	26	commodity prices
					24	40	

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

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Net gain/(loss) on valuation of derivative financial instruments – unrealised	(148)	28
Net gain/(loss) on valuation of derivative financial instruments – realised	(47)	(106)
Total net gain/(loss) on valuation of derivative financial instruments recognised in profit or loss	(195)	(78)
including:		
recognised in raw materials and consumables used	1	(63)
recognised in other income and expenses	(206)	(55)
recognised in finance income or costs	10	40
Net gain/(loss) on valuation of derivative financial instruments recognised in other comprehensive income – unrealised	(208)	137
Total net gain/(loss) on valuation of derivative financial instruments – recognised in equity	(403)	59

9. 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 the presentation of electricity trading

The Group has introduced presentation changes with respect to electricity trading. Before the change, the cost of purchase of electricity intended for trading was disclosed in the income statement under “Other income and expenses”. Starting from the interim report for Q3 2013, this cost has been presented in the income statement under “Raw material and consumables used”.

Transfer of an entity between the reporting segments

On July 1st 2013, INVESTGAS S.A. (target company) was merged with Operator Systemu Magazynowania Sp. z o.o. (acquiring company). Accordingly, in the presentation of the comparative data in the Reporting Segments note, INVESTGAS S.A. was transferred from Other Segments to Trade and Storage.

Change of presentation of capitalised interest repayment

The Group has reclassified interest amounts capitalised in interest-bearing liabilities at the beginning of a given reporting period and paid in the current reporting period. So far, these amounts were disclosed in the statement of cash flows under “Repayment of borrowings”, “Repayment of debt securities” and “Payment of finance lease liabilities”, depending on which item the capitalised interest related to. Starting from 2014, these amounts are disclosed under “Interest paid”.

Change in presentation of purchase of gas fuel transmission services at entry points

The Group changed the presentation of cost of gas fuel transmission services purchased at the system entry points (pursuant to the Regulation of the Minister of Economy on detailed rules for determining and calculating tariffs for gas fuels and on settlement of transactions in gas fuels trading). As of 2014, the costs are disclosed in the income statement under “Raw material and consumables used” (increase in gas fuel purchase costs), and not under “Services” as was the case previously.

The purpose of these changes was to increase the transparency and usefulness of the data presented in the financial statements. As a result, the comparative data for 2013 were adjusted, as presented below.

Consolidated income statement – restatement of comparative data

	Jan 1–Mar 31 2013 before the change	Change in the presentation of electricity trading	Change in presentation of gas fuel transmission costs	Jan 1–Mar 31 2013 after the change
Revenue	10,255	-	-	10,255
Raw material and consumables used	(6,845)	(52)	(92)	(6,989)
Employee benefits	(671)	-	-	(671)
Depreciation and amortisation	(549)	-	-	(549)
Services	(738)	-	92	(646)
Work performed by the entity and capitalised	197	-	-	197
Other income and expenses	(222)	52	-	(170)
Total operating expenses	(8,828)	-	-	(8,828)
Operating profit/(loss)	1,427	-	-	1,427
Finance income	61	-	-	61
Finance costs	(208)	-	-	(208)
Share in net profit/(loss) of equity-accounted entities	-	-	-	-
Profit/(loss) before tax	1,280	-	-	1,280
Income tax	(206)	-	-	(206)
Net profit/(loss)	1,074	-	-	1,074

Consolidated statement of cash flows – restatement of comparative data

	Jan 1–Mar 31 2013 before the change	Reclassification of capitalised interest repayment	Jan 1–Mar 31 2013 after the change
Net cash flows from operating activities	3,578	-	3,578
Net cash flows from investing activities	(739)	-	(739)
Net cash flows from financing activities	(1,708)	-	(1,708)
including:			
Repayment of borrowings	(63)	2	(61)
Repayment of debt securities	(2,751)	68	(2,683)
Payment of finance lease liabilities	(14)	-	(14)
Interest paid	(31)	(70)	(101)
Net change in cash	1,131	-	1,131
Cash and cash equivalents at beginning of the period	1,947	-	1,947
Cash and cash equivalents at end of the period	3,078	-	3,078

Reportable segments – restatement of comparative data

Period ended Mar 31 2013	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Eliminations	Total
Segment's operating profit/(loss) before the changes	723	(45)	604	157	(15)	3	1,427
Changes, including:	-	2	-	-	(3)	1	-
Transfer of INVESTGAS S.A. from Other Segments to Trade and Storage*	-	2	-	-	(3)	1	-
Segment's operating profit/(loss) after the changes	723	(43)	604	157	(18)	4	1,427
Segment's assets before the changes	16,741	18,330	14,031	4,214	453	(7,382)	46,387
Changes, including:	-	57	-	-	(68)	11	-
Transfer of INVESTGAS S.A. from Other Segments to Trade and Storage*	-	57	-	-	(68)	11	-
Segment's assets after the changes	16,741	18,387	14,031	4,214	385	(7,371)	46,387
Segment's liabilities before the changes	6,068	5,451	2,648	1,941	150	(6,971)	9,287
Changes, including:	-	24	-	-	(35)	11	-
Transfer of INVESTGAS S.A. from Other Segments to Trade and Storage*	-	24	-	-	(35)	11	-
Segment's liabilities after the changes	6,068	5,475	2,648	1,941	115	(6,960)	9,287

* The change is a result of the merger of INVESTGAS S.A. and OSM Sp. z o.o. in Q3 2013

II. INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

SEPARATE INCOME STATEMENT

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
	unaudited	restated
Revenue	8,065	8,918
Raw material and consumables used	(4,972)	(6,086)
Employee benefits	(208)	(191)
Depreciation and amortisation	(176)	(158)
Services	(1,602)	(1,758)
Work performed by the entity and capitalised	3	1
Other income and expenses	(224)	(69)
Total operating expenses	(7,179)	(8,261)
Operating profit/(loss)	886	657
Finance income	118	111
Finance costs	(82)	(104)
Profit/(loss) before tax	922	664
Income tax	(178)	(118)
Net profit/(loss)	744	546
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares of the parent (PLN)	0.13	0.09

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
	unaudited	unaudited
Net profit/(loss)	744	546
Other comprehensive income that will be reclassified to profit or loss once specific conditions are met, relating to:	(167)	118
Exchange differences on translating foreign operations	2	7
Hedge accounting	(209)	137
Deferred tax	40	(26)
Total comprehensive income	577	664

SEPARATE STATEMENT OF FINANCIAL POSITION

	Mar 31 2014	Dec 31 2013
	unaudited	audited
ASSETS		
Non-current assets		
Property, plant and equipment	13,821	13,775
Investment property	1	1
Intangible assets	281	282
Financial assets available for sale	7,863	7,796
Other financial assets	4,657	4,668
Deferred tax assets	400	380
Other non-current assets	42	44
Total non-current assets	27,065	26,946
Current assets		
Inventories	1,709	2,707
Trade and other receivables	3,312	3,695
Current tax assets	-	-
Other assets	120	18
Financial assets available for sale	-	-
Derivative financial instrument assets	201	307
Cash and cash equivalents	2,316	1,683
Assets held for sale	-	68
Total current assets	7,658	8,478
Total assets	34,723	35,424
LIABILITIES AND EQUITY		
Equity		
Share capital	5,900	5,900
Share premium	1,740	1,740
Accumulated other comprehensive income	(153)	14
Retained earnings/(deficit)	16,059	15,315
Total equity	23,546	22,969
Non-current liabilities		
Borrowings and other debt instruments	4,406	4,432
Employee benefit obligations	154	154
Provisions	1,164	1,156
Deferred income	625	621
Deferred tax liabilities	602	609
Other non-current liabilities	51	51
Total non-current liabilities	7,002	7,023
Current liabilities		
Trade and other payables	2,677	2,888
Borrowings and other debt instruments	544	1,691
Derivative financial instrument liabilities	364	123
Current tax liabilities	107	175
Employee benefit obligations	122	117
Provisions	358	434
Deferred income	3	4
Total current liabilities	4,175	5,432
Total liabilities	11,177	12,455
Total liabilities and equity	34,723	35,424

SEPARATE STATEMENT OF CASH FLOWS

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
	unaudited	restated
Cash flows from operating activities		
Net profit/(loss)	744	546
Adjustments:		
Depreciation and amortisation	176	158
Net foreign exchange gains/(losses)	(40)	31
Net interest and dividend	(76)	(18)
Gain/(loss) on investing activities	(16)	1
Current tax expense	178	118
Other items, net	189	(11)
Income tax paid	(233)	(66)
Cash flows from operating activities before changes in working capital	922	759
Change in working capital:		
Change in receivables	366	342
Change in inventories	998	693
Change in employee benefit obligations	5	(77)
Change in provisions	(76)	53
Change in current liabilities	(109)	1,024
Change in other assets	(102)	(90)
Change in deferred income	(2)	6
Net cash flows from operating activities	2,002	2,710
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	5	6
Purchase of property, plant and equipment and intangible assets	(101)	(16)
Payments for tangible assets under construction - exploration for and evaluation of mineral resources	(207)	(298)
Purchase of shares in related entities	(19)	(908)
Decrease in loans advanced	152	1,055
Loans advanced	(27)	(283)
Cash inflow from derivative financial instruments	84	41
Cash outflow on derivative financial instruments	(135)	(131)
Interest received	26	4
Proceeds from finance leases	4	1
Other items, net	(3)	12
Net cash flows from investing activities	(221)	(517)
Cash flows from financing activities		
Proceeds from issue of debt securities	365	1,745
Repayment of debt securities	(1,502)	(2,894)
Cash inflow from derivative financial instruments	84	83
Cash outflow on derivative financial instruments	(25)	(35)
Interest paid	(71)	(95)
Other items, net	-	2
Net cash flows from financing activities	(1,149)	(1,194)
Net change in cash	632	999
Exchange differences on cash and cash equivalents	1	(5)
Cash and cash equivalents at beginning of the period	1,683	1,043
Cash and cash equivalents at end of the period	2,315	2,042

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Accumulated other comprehensive income, including:						Total equity
	Share capital	Share premium	exchange differences on translating foreign operations	hedge accounting	actuarial gains/(losses) on employee benefits	Retained earnings	
As at Jan 1 2014 (audited)	5,900	1,740	(6)	(1)	20	15,315	22,969
Total comprehensive income	-	-	2	(169)	-	744	577
Net profit/(loss) for Q1 2014	-	-	-	-	-	744	744
Other comprehensive income, net, for Q1 2014	-	-	2	(169)	-	-	(167)
As at Mar 31 2014 (unaudited)	5,900	1,740	(4)	(170)	20	16,059	23,546
As at Jan 1 2013 (audited)	5,900	1,740	-	(59)	(7)	14,388	21,962
Total comprehensive income	-	-	7	111	-	552	670
Net profit/(loss) for Q1 2013	-	-	-	-	-	546	546
Other comprehensive income, net, for Q1 2013	-	-	7	111	-	-	118
Effect of business combination	-	-	-	-	-	6	6
As at Mar 31 2013 (unaudited)	5,900	1,740	7	52	(7)	14,939	22,631

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

1. Deferred tax

	Deferred tax assets	Deferred tax liabilities
As at Jan 1 2014	380	609
Increase	63	47
Decrease	(43)	(54)
As at Mar 31 2014	400	602
As at Jan 1 2013	397	632
Increase	35	32
Decrease	(52)	(55)
As at Dec 31 2013	380	609

2. Impairment losses

	Property, plant and equipment and intangible assets	Assets and disposal groups held for sale	Non-current financial assets available for sale	Inventories	Current receivables	Current portion of non-current loans	Total
As at Jan 1 2014	1,370	19	2,076	5	524	31	4,025
Recognised	2	-	-	-	38	1	41
Transferred	-	(19)	19	-	-	-	-
Used/reversed	(20)	-	-	(1)	(42)	-	(63)
As at Mar 31 2014	1,352	-	2,095	4	520	32	4,003
As at Jan 1 2013	1,143	19	1,656	4	757	29	3,608
Recognised	728	-	420	1	294	2	1,445
Transferred	(502)	-	-	-	(527)	-	(1,029)
Used/reversed	1	-	-	-	-	-	1
As at Dec 31 2013	1,370	19	2,076	5	524	31	4,025

3. Provisions

	Provision for well decommissioning costs	Provision for penalty imposed by the Office of Competition and Consumer Protection	Provision for environmental liabilities	Provision for claims under extra-contractual use of land	Provision for liabilities associated with exploration work in Pakistan, Egypt and Libya	Provision for the buy-out price on energy savings certificates - white certificates	Other provisions	Total
As at Jan 1 2014	1,134	60	41	15	153	134	53	1,590
Recognised	26	-	-	-	1	69	1	97
Used/reversed	(17)	-	-	-	(2)	(134)	(12)	(165)
As at Mar 31 2014	1,143	60	41	15	152	69	42	1,522
As at Jan 1 2013	1,538	60	46	16	28	-	42	1,730
Recognised	55	-	-	-	148	134	26	363
Used/reversed	(459)	-	(5)	(1)	(23)	-	(17)	(505)
Effect of business combination	-	-	-	-	-	-	2	2
As at Dec 31 2013	1,134	60	41	15	153	134	53	1,590

4. Revenue

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
High-methane gas	6,594	7,483
Nitrogen-rich gas	440	481
Crude oil and natural gasoline	497	510
Helium	42	59
Propane-butane gas	23	17
LNG	15	16
Electricity	278	149
Geophysical and geological services	-	8
Drilling and well services	1	14
Entitlement to operate storage facilities	139	141
Merchandise and materials	8	22
Other sales of products and services	28	18
Total	8,065	8,918

5. Operating expenses

Raw material and consumables used

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Cost of gas sold	(4,669)	(5,883)
Electricity for trading	(282)	(184)
Other raw material and consumables used	(21)	(19)
Total	(4,972)	(6,086)

Services

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Purchase of transmission, distribution, and storage services	(1,443)	(1,614)
Cost of dry wells written off	(37)	(25)
Other services	(122)	(119)
Total	(1,602)	(1,758)

6. Income tax expense

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Profit/(loss) before tax	922	664
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	(175)	(126)
Permanent differences between profit/(loss) before tax and tax base	(3)	8
Tax expense in the separate income statement	(178)	(118)
Current tax expense	(165)	(167)
Deferred tax expense	(13)	49
Effective tax rate	19%	18%

7. Property, plant and equipment by category

	Mar 31 2014	Dec 31 2013
Land	30	30
Buildings and structures	6,510	6,611
Plant and equipment	2,085	2,119
Vehicles and other	125	125
Total tangible assets	8,750	8,885
Tangible assets under construction - exploration for and evaluation of mineral resources	2,206	2,081
Other tangible assets under construction	2,865	2,809
Total property, plant and equipment	13,821	13,775

8. 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

Merger of PGNiG S.A. and PGNiG Energia S.A.

In connection with the merger of the Parent (as the acquirer) with PGNiG Energia S.A. (as the acquiree), effected on July 23rd 2013, the comparative data was restated in accordance with the applied Accounting Policies.

Change of presentation of exchange differences and capitalised interest repayment

The Company also reclassified exchange differences and interest amounts capitalised in interest-bearing liabilities at the beginning of a given reporting period and paid in the current reporting period (for details, see Note I.9).

Change in presentation of purchase of gas fuel transmission services at entry points

The Company changed the presentation of costs of gas fuel transmission services purchased at system entry points (for details, see Note I.9).

As a result of the above changes, relevant adjustments were made to the income statement and statement of cash flows to ensure comparability of the data for Q1 2013. Only restated items are presented in the tables below.

Separate income statement – restatement of comparative data

	Jan 1–Mar 31 2013 before the change	Effect of business combination	Change in presentation of gas fuel transmission costs	Jan 1–Mar 31 2013 after the change
Revenue	8,750	168	-	8,918
Raw material and consumables used	(5,825)	(169)	(92)	(6,086)
Employee benefits	(189)	(2)	-	(191)
Services	(1,848)	(2)	92	(1,758)
Other income and expenses	(71)	2	-	(69)
Total operating expenses	(8,090)	(171)	-	(8,261)
Operating profit/(loss)	660	(3)	-	657
Finance income	110	1	-	111
Profit/(loss) before tax	666	(2)	-	664
Net profit/(loss)	548	(2)	-	546

Separate statement of cash flows – restatement of comparative data

	Jan 1–Mar 31 2013 before the change	Effect of business combination	Change of presentation of exchange differences and capitalised interest repayment	Jan 1–Mar 31 2013 after the change
Cash flows from operating activities				
Net profit/(loss)	548	(2)	-	546
Adjustments:				
Net foreign exchange gains/(losses)	26	-	5	31
Other items, net	(12)	1	-	(11)
Cash flows from operating activities before changes in working capital	755	(1)	5	759
Change in working capital:				
Change in receivables	355	(13)	-	342
Change in inventories	697	(4)	-	693
Change in provisions	54	(1)	-	53
Change in current liabilities	993	31	-	1,024
Net cash flows from operating activities	2,693	12	5	2,710
Cash flows from investing activities	(517)	-	-	(517)
Cash flows from financing activities				
Repayment of borrowings	(72)	-	72	-
Repayment of debt securities	(2,877)	-	(17)	(2,894)
Interest paid	(41)	-	(55)	(96)
Net cash flows from financing activities	(1,194)	-	-	(1,194)
Net change in cash	981	13	5	999
Exchange differences on cash and cash equivalents	-	-	(5)	(5)
Cash and cash equivalents at beginning of the period	1,034	9	-	1,043
Cash and cash equivalents at end of the period	2,015	22	-	2,042

III. ADDITIONAL INFORMATION TO THE INTERIM REPORT

1. 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 Q1 2014 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 condition of the PGNiG Group as at March 31st 2014 and for the period January 1st-March 31st 2014, and the comparative data for the corresponding periods of 2013.

The financial data is stated in the Polish złoty (PLN), and all amounts, unless indicated otherwise, are stated in millions of the złoty. 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 PGNiG S.A. ("PGNiG", the "Company", the "Parent") and its subsidiaries will continue as going concerns 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 Q1 2014 has been approved for issue by the Parent's Management Board on May 9th 2014.

2. 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 annual consolidated financial statements for the year ended December 31st 2013, issued on March 5th 2014, except to the extent of application of the following amendments to financial reporting standards and new interpretations effective for annual periods beginning on or after January 1st 2014:

- IFRS 10 Consolidated Financial Statements, endorsed by the European Commission on December 11th 2012,
- IFRS 11 Joint Arrangements, endorsed by the European Commission on December 11th 2012,
- IFRS 12 Disclosure of Interests in Other Entities, endorsed by the European Commission on December 11th 2012,
- IAS 27 (revised 2011) Separate Financial Statements, endorsed by the European Commission on December 11th 2012,
- IAS 28 (revised 2011) Investments in Associates and Joint Ventures, endorsed by the European Commission on December 11th 2012,
- Amendments to IAS 32 Financial Instruments: Presentation– Offsetting Financial Assets and Financial Liabilities, endorsed by the European Commission on December 13th 2012,
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, and IAS 27 Separate Financial Statements – Investment Entities, endorsed by the European Commission on November 20th 2013,
- Amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets, endorsed by the European Commission on December 19th 2013,
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting, endorsed by the European Commission on December 19th 2013.

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.

3. 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 March 31st 2014 have not yet been endorsed for use by the European Commission and therefore have not yet been applied in these financial statements:

- IFRS 9 Financial Instruments – effective for annual periods beginning on or after January 1st 2015;
- Amendments to IAS 19 Employee Benefits – Employee Contributions – effective for reporting periods beginning on or after July 1st 2014,
- 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,
- IFRS 14 Regulatory Deferral Accounts – effective for reporting periods beginning on or after January 1st 2016,
- IFRIC 21 Levies – effective for annual periods beginning on or after January 1st 2014.

The Group estimates that the above standards, interpretations 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.

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

- On January 30th 2014, an annex was signed to the general gas supply contract of July 30th 2010, entered into between PGNiG S.A. and KGHM Polska Miedź S.A. of Lubin (“KGHM”).

The Contract provides for sale of natural gas to be used as a power generation fuel in two 45MWe combined-cycle gas turbine (CCGT) units, and will remain in force until June 30th 2033. Under the annex, the annual volume of gas supplies was reduced from 266m cubic metres to 41.5m cubic metres. The change follows from a decision by KGHM to reduce the output of co-generated electricity and heat due to changes in the co-generation support mechanisms in 2013 and low prices of electricity. The estimated value of the annexed Contract is approximately PLN 830m. The parties may restore the original supply volume in future if and when the regulatory and macroeconomic environment improves.

The parties also signed annexes to the three other contracts for gas fuel supplies to KGHM, including:

- the contract of September 25th 2001,
- the contract of January 4th 1999, and
- the contract of October 1st 1998.

The annexes changed only the duration of the contracts, from an indefinite term to the period until June 30th 2033. The contracts secure long-term trading partnership with one of PGNiG's most important customers for nitrogen-rich gas. The estimated aggregate value of the three contracts over their entire term is approximately PLN 2.8bn.

- On March 26th 2014, the Extraordinary General Meeting of PGNiG S.A. appointed Mr Andrzej Janiak as member of the Company's Supervisory Board. Mr Andrzej Janiak meets the independence criteria defined in the Company's Articles of Association.

- On March 31st 2014, PGNiG entered into a well contribution and cooperation agreement with Chevron Polska Energy Resources Sp. z o.o. for the first stage of cooperation in exploration for shale gas.

Under the Agreement, the Parties will 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).

Execution of the Agreement opened the way to first stage of cooperation between the two companies in joint shale gas exploration projects. The joint efforts will include drilling of an exploration well. The detailed scope and schedule of exploration work will be determined by a technical committee jointly appointed by both Parties. Pursuant to the agreement, the parties will also exchange geological data on the above-mentioned licence areas as well as experience gathered so far as part of their respective exploration activities.

Concurrently, the companies will work on preparation of the second collaboration agreement. Execution of the second agreement will be subject to positive evaluation of the first stage exploration programme's results by the technical committee.

If the two companies move to the second stage of cooperation, their efforts will involve further exploration work in relevant licence areas. At all stages of the relationship PGNiG and Chevron intend to jointly carry out the exploration work, determine its scope and decide on the financing methods.

The cooperation will enable the partners to reduce costs, share risks, and increase the pace of the exploration work. As a result, the process of assessing potential shale gas resources in Poland will be completed sooner.

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

In Q1 2014, the PGNiG Group's net profit was PLN 1,180m, up by PLN 106m year on year. This increase was mainly attributable to larger volumes of crude sold and higher margins on gas sales.

Consolidated operating profit for Q1 2014 was PLN 1,558m, and consolidated operating profit before depreciation and amortisation (EBITDA) was PLN 2,181m. This represents an increase of PLN 131m and PLN 205m, respectively, on the corresponding period of 2013.

Trade and Storage

The Trade and Storage segment significantly improved its operational efficiency. Its Q1 2014 operating profit was PLN 189m, which represented a PLN 232m increase from the operating loss of PLN 43m reported for the corresponding period of 2013. The segment's performance improved as a result of: (i) the mild winter when the volume of gas imports decreased by 1bn cubic metres, which in turn contributed to an increase in profitability of gas sales, from -3% in Q1 2013 to +3% in Q1 of the current year; (ii) a 5% decrease in the average price of Brent crude in the period; and (iii) a slight increase in the tariff price of the gas sold. Inventories of gas in storage decreased from 2.09bn cubic metres at the end of 2013 to 1.26bn cubic metres at the end of Q1 2014.

Exploration and Production

The Q1 2014 operating profit of the Exploration and Production segment was PLN 845m, up PLN 122m (17%) year on year. The segment's EBITDA was PLN 1,126m, up PLN 214m (or 24%) on the end of Q1 2013. The improvement was attributable to a ca. 40% increase in the production and sales of crude, mainly from the Skarv field (Norway). The higher crude production and sales volumes lifted the segment's revenue by PLN 233m (17%), to PLN 1,617m, while operating expenses increased by PLN 111m.

Distribution

The Distribution segment's operating profit in Q1 2014 decreased year on year by 32%, to PLN 409m, while EBITDA came in at PLN 625m, down by PLN 190m year on year. The segment's performance was significantly affected by a much higher average air temperatures in the period (compared with the same period last year), as a result of which the volume of distributed gas decreased by 18%, and consequently the segment's revenue contracted by PLN 156m (or 11%).

Generation

In Q1 2014, the Generation segment's revenue was PLN 651m, down 14% year on year. The segment's operating profit was PLN 134m, compared with PLN 157m in the comparative period. As in the case of the Distribution business, the segment's performance was considerably affected by higher average air temperatures in the period, which resulted in a year-on-year decrease in volumes of heat and electricity sales (down by 17% and 9%, respectively).

6. 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 sale 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.

7. 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 Issuance 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. The Agreement was originally concluded with six banks (Bank Pekao S.A., ING Bank Śląski S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A., Societe Generale S.A. and BNP Paribas S.A., Polish Branch). Under an annex of November 25th 2011, BRE Bank S.A. (currently mBank S.A.), Bank Zachodni WBK S.A. and Nordea Bank Polska S.A. acceded to the Agreement. As at March 31st 2014, 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 Societe Generale 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. The first tranche of PGNiG Finance AB securities under the Programme, comprising PLN 500m 5-year Euronotes, was issued on February 10th 2012. As at March 31st 2014, debt outstanding under the Euronotes was PLN 2,085.7m (translated at the mid rate quoted by the NBP for March 31st 2014).

- On May 22nd 2012, the Parent executed an agreement for organisation of a PLN 4,500m notes programme with Bank Pekao S.A. and ING Bank Śląski S.A. On July 30th 2012, the five-year notes issued under the programme were floated on the Catalyst market, a multilateral trading facility operated by BondSpot. In the period covered by these financial statements (Q1 2014) PGNiG S.A. did not issue any notes under the programme. As at March 31st 2014, debt outstanding under the programme was PLN 2,500m.
- On July 4th 2012, PGNiG Termika S.A. executed a Note Issuance 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. Under the Programme, PGNiG Termika S.A. may issue coupon or discount notes up to PLN 1,500m. The Programme expires on December 29th 2017. As at March 31st 2014, PGNiG TERMIKA S.A. had PLN 70m in outstanding debt under issued notes.

8. Dividend paid or declared

On April 1st 2014, the PGNiG Management Board made a decision to recommend to the PGNiG General Meeting a PLN 885m dividend (i.e. PLN 0.15 per share) to be paid out from net profit earned in 2013. This would translate into dividend per share of PLN 0.15. The Management Board further proposed August 14th 2014 as the dividend record date and September 4th 2014 as the dividend payment date.

On April 23rd 2014, the Supervisory Board resolved to support the dividend payment as proposed by the Management Board. By the date of preparation of these financial statements, no resolution concerning payment of dividend for 2013 had been passed by the PGNiG General Meeting.

The dividend for 2012 was paid on October 3rd 2013. In accordance with the decision of the PGNiG Annual General Meeting, the dividend was PLN 767m (PLN 0.13 per share), and the dividend record date was July 20th 2013.

9. 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

On April 2nd 2014, PGNiG S.A. gave notice of termination (with effect as of the notice date) of the contract it had executed with a consortium comprising PBG S.A. w upadłości układowej (in company voluntary arrangement), TECNIMONT S.p.A. SOCIETE FRANCAISE D'ETUDES ET DE REALISATIONS D'EQUIPEMENTS GAZIERS SOFREGAZ, PLYNOSTAV PARDUBICE HOLDING A.S. and PLYNOSTAV – REGULACE PLYNU A.S. in organisational bankruptcy.

The contract, dated November 19th 2008, governed the provision of general contractor services under the project "Construction of the Wierchowice Underground Gas Storage Facility, phase: 3.5bn m³, sub-phase: 1.2bn m³".

In the grounds for the notice, PGNiG cited the Consortium's non-performance and improper or defective performance of the contract in conflict with the Agreement, as well as a delay in execution of work exceeding 30 business days, which continued unrectified even though the Consortium had been given an extended adequate deadline to remove the default.

The notice included a call for payment of contractual penalties under the Agreement in the amount of PLN 133.4m, payable to PGNiG within 14 days of the receipt of the notice.

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

Contingent receivables

	Mar 31 2014	Dec 31 2013
From related entities:		
guarantees and sureties received	1	1
promissory notes received	180	180
Total contingent receivables from related entities	181	181
From other entities:		
guarantees and sureties received	317	283
promissory notes received	156	129
other contingent assets	187	194
Total contingent receivables from other entities	660	606
Total contingent assets	841	787

Contingent liabilities

	Mar 31 2014	Dec 31 2013
To other entities		
guarantees and sureties issued*	10,627	9,952
promissory notes issued	784	782
other contingent liabilities	1	1
Total contingent liabilities to other entities	11,412	10,735
Total contingent liabilities	11,412	10,735

* Contingent liabilities in foreign currencies translated at exchange rates quoted by the National Bank of Poland for March 31st 2014

The increase in contingent receivables in Q1 2014 was attributable to the fact that the Group entities entered into new bank guarantee and performance bond agreements, and that new promissory notes were issued for the benefit of the Parent by third-party trading partners to secure payment of amounts due for gas fuel.

The increase in contingent liabilities towards other entities under guarantees and sureties was caused primarily by the issuance of new performance bonds by the Parent to third-party trading partners, for an aggregate amount of EUR 138m (PLN 577m, translated at the exchange rate quoted by the National Bank of Poland for March 31st 2014). In addition, the weakening of the zloty against the euro in Q1 2014 caused an increase in contingent liabilities related to the following guarantees issued by the Parent: a guarantee for repayment of liabilities under Euronotes (up by PLN 36m, translated at the exchange rate quoted by the NBP for March 31st 2014) and a performance bond provided to the Government of Norway in respect of subsidiary PGNiG Upstream International AS (up by PLN 15m).

11. 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 March 31st 2014 and March 31st 2013.

Period ended Mar 31 2014	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Eliminations	Total
Income statement							
Sales to third-party customers	1,144	7,874	37	422	60	-	9,537
Inter-segment sales	473	75	1,227	229	26	(2,030)	-
Total segment revenue	1,617	7,949	1,264	651	86	(2,030)	9,537
Depreciation and amortisation	(281)	(39)	(216)	(82)	(5)	-	(623)
Other costs	(491)	(7,721)	(639)	(435)	(97)	2,027	(7,356)
Segment's total costs	(772)	(7,760)	(855)	(517)	(102)	2,027	(7,979)
Operating profit/(loss)	845	189	409	134	(16)	(3)	1,558
Net finance costs							(31)
Share in net profit/(loss) of equity-accounted entities		(7)					(7)
Profit/(loss) before tax							1,520
Income tax							(340)
Net profit/(loss)							1,180
STATEMENT OF FINANCIAL POSITION							
Segment's assets	15,458	16,746	14,210	3,989	374	(5,950)	44,827
Investments in equity-accounted entities		721					721
Unallocated assets							251
Deferred tax assets							989
Total assets							46,788
Total equity							29,496
Segment's liabilities	4,994	4,410	2,690	1,940	169	(5,634)	8,569
Unallocated liabilities							6,731
Deferred tax liabilities							1,992
Total liabilities and equity							46,788
Other information							
Capital expenditure on property, plant and equipment and intangible assets	(242)	(66)	(368)	(39)	(2)	7	(710)
Impairment losses on assets	(1,655)	(1,484)	(119)	(34)	(20)	-	(3,312)
Impairment losses on unallocated assets							(45)

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Period ended Mar 31 2013	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Eliminations	Total
Income statement							
Sales to third-party customers	1,054	8,501	28	626	46	-	10,255
Inter-segment sales	330	78	1,392	133	25	(1,958)	-
Total segment revenue	1,384	8,579	1,420	759	71	(1,958)	10,255
Depreciation and amortisation	(189)	(44)	(211)	(100)	(5)	-	(549)
Other costs	(472)	(8,578)	(605)	(502)	(84)	1,962	(8,279)
Segment's total costs	(661)	(8,622)	(816)	(602)	(89)	1,962	(8,828)
Operating profit/(loss)	723	(43)	604	157	(18)	4	1,427
Net finance costs							(147)
Share in net profit/(loss) of equity-accounted entities		-					-
Profit/(loss) before tax							1,280
Income tax							(206)
Net profit/(loss)							1,074
STATEMENT OF FINANCIAL POSITION							
Segment's assets	16,741	18,387	14,031	4,214	385	(7,371)	46,387
Investments in equity-accounted entities		771					771
Unallocated assets							228
Deferred tax assets							1,253
Total assets							48,639
Total equity							28,411
Segment's liabilities	6,068	5,475	2,648	1,941	115	(6,960)	9,287
Unallocated liabilities							8,956
Deferred tax liabilities							1,985
Total liabilities and equity							48,639
Other information							
Capital expenditure on property, plant and equipment and intangible assets	(347)	(65)	(350)	(35)	(5)	41	(761)
Impairment losses on assets	(1,130)	(1,660)	(97)	(36)	(10)	1	(2,932)
Impairment losses on unallocated assets							(41)

IV. SUPPLEMENTARY INFORMATION TO THE INTERIM REPORT

1. General information on the Company and its Group

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna, registered office at ul. Marcina Kasprzaka 25, 01-224 Warsaw, Poland, is the Parent of the PGNiG Group.

On October 30th 1996, the Company was entered in the commercial register maintained by the District Court for the Capital City of Warsaw, 14th Commercial Division, under No. RHB 48382. Currently, the Company is entered in the Register of Entrepreneurs maintained by the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, under No. KRS 0000059492. The Company's Industry Identification Number REGON is 012216736 and its Tax Identification Number NIP is 525-000-80-28.

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, oil and gas production from deposits in Poland, as well as import, storage and distribution of and trade in gas fuels. The PGNiG Group is the main importer to Poland of gas fuel from Russia, Germany and the Czech Republic and the main producer of natural gas from Polish deposits. The Company's upstream operations are one of the key contributors to PGNiG's competitive position on the liberalised gas market in Poland.

The trade in and distribution of natural gas and heat, which together with natural gas and crude oil production constitute the core business of the PGNiG Group, are regulated by the Polish Energy Law. For this reason, the Group's operations require licence and its revenue depends on the tariff rates for gas fuels approved by the President of the Energy Regulatory Office. Exploration and production activities are conducted under licence, subject to the provisions of the Polish Geological and Mining Law.

2. Organisation of the PGNiG Group and its consolidated entities

As at March 31st 2014, the Group comprised PGNiG S.A. (the Parent), and 29 production and service companies, including:

- 22 direct subsidiaries of PGNiG S.A.,
- 7 indirect subsidiaries of PGNiG S.A.

The list of the PGNiG Group companies as at March 31st 2014 is presented in the table below.

Companies of the PGNiG Group

No	Company name	Share capital (PLN) ¹⁾	Value of shares held by PGNiG S.A. (PLN) ¹⁾	Ownership interest (%):	
				equity	voting rights
PGNiG S.A.'s direct subsidiaries					
1	BSiPG Gazoprojekt S.A.	4,000,000	900,000	22.5% ²⁾	22.5% ²⁾
2	Exalo Drilling S.A.	981,500,000	981,500,000	100%	100%
3	GEOFIZYKA Kraków S.A.	64,400,000	64,400,000	100%	100%
4	GEOFIZYKA Toruń S.A.	66,000,000	66,000,000	100%	100%
5	Geovita S.A.	86,139,000	86,139,000	100%	100%
6	Operator Systemu Magazynowania Sp. z o.o.	15,290,000	15,290,000	100%	100%
7	PGNiG Serwis Sp. z o.o.	9,995,000	9,995,000	100%	100%
8	PGNiG Technologie S.A.	182,127,240	182,127,240	100%	100%
9	PGNiG TERMIKA S.A.	670,324,950	670,324,950	100%	100%
10	Polska Spółka Gazownictwa Sp. z o.o.	10,454,206,550	10,454,206,550	100%	100%
11	PGNiG Finance AB	(SEK) 500,000	(SEK) 500,000	100%	100%
12	PGNiG Sales & Trading GmbH	(EUR) 10,000,000	(EUR) 10,000,000	100%	100%
13	PGNiG Upstream International AS	(NOK) 1,092,000,000	(NOK) 1,092,000,000	100%	100%
14	Polish Oil and Gas Company - Libya B.V.	(EUR) 20,000	(EUR) 20,000	100%	100%
15	Biogazownia Ostrowiec Sp. z o.o. w likwidacji (in liquidation)	165,000	165,000	100%	100%
16	BUD-GAZ P.P.U.H. Sp. z o.o. w likwidacji (in liquidation)	51,760	51,760	100%	100%
17	NYSAGAZ Sp. z o.o.	9,881,000	6,549,000	66.28%	66.28%
18	PGNiG Obrót Detaliczny Sp. z o.o.	1,000,000	1,000,000	100%	100%
19	PGNiG SPV 5 Sp. z o.o.	250,000	250,000	100%	100%
20	PGNiG SPV 6 Sp. z o.o.	250,000	250,000	100%	100%
21	PGNiG SPV 7 Sp. z o.o.	250,000	250,000	100%	100%
22	Polskie Elektrownie Gazowe Sp. z o.o. w likwidacji (in liquidation)	1,212,000	1,212,000	100%	100%
PGNiG S.A.'s indirect subsidiaries					
23	CHEMKOP Sp. z o.o.	3,000,000	2,565,350	85.51%	85.51%
24	GAZ Sp. z o.o.	300,000	240,000	80%	80%
25	Powiśle Park Sp. z o.o.	81,131,000	81,131,000	100%	100%
26	Zakład Gospodarki Mieszkaniowej Sp. z o.o.	1,806,500	1,806,500	100%	100%
27	Oil Tech International F.Z.E.	(USD) 20,000	(USD) 20,000	100%	100%
28	Poltava Services LLC	(EUR) 20,000	(EUR) 19,800	99%	99%
29	XOOL GmbH	(EUR) 500,000	(EUR) 500,000	100%	100%

¹⁾ Unless stated otherwise.

²⁾ PGNiG S.A. holds a 22.50% direct interest in the share capital of BSiPG Gazoprojekt S.A., while its indirect interest through PGNiG Technologie S.A. is 52.50%. PGNiG S.A. has the right to appoint the majority of the company's Supervisory Board members.

Consolidated entities of the Group as at March 31st 2014

Consolidated entities of the Group as at March 31st 2014

Company name		Country	% ownership interest of PGNiG S.A.	
PGNiG S.A. (Parent)		Poland		
Indirect subsidiaries of PGNiG S.A.			Mar 31 2014	Mar 31 2013
1	BSiPG Gazoprojekt S.A. ¹⁾	Poland	75.00%	75.00%
2	Exalo Drilling Group ²⁾	Poland	100.00%	100.00%
3	GEOFIZYKA Kraków S.A.	Poland	100.00%	100.00%
4	GEOFIZYKA Toruń S.A.	Poland	100.00%	100.00%
5	Geovita S.A.	Poland	100.00%	100.00%
6	Operator Systemu Magazynowania Sp. z o.o.	Poland	100.00%	100.00%
7	PGNiG Serwis Sp. z o.o.	Poland	100.00%	100.00%
8	PGNiG Technologie S.A.	Poland	100.00%	100.00%
9	PGNiG TERMIKA S.A.	Poland	100.00%	100.00%
10	Polska Spółka Gazownictwa Group (formerly PGNiG SPV 4 Group) ³⁾	Poland	100.00%	-
11	PGNiG Finance AB	Sweden	100.00%	100.00%
12	PGNiG Sales&Trading Group ⁴⁾	Germany	100.00%	100.00%
13	PGNiG Upstream International AS (formerly PGNiG Norway AS)	Norway	100.00%	100.00%
14	Polish Oil and Gas Company – Libya B.V.	The Netherlands	100.00%	100.00%
15	Dolnośląska Spółka Gazownictwa Sp. z o.o. ³⁾	Poland	-	100.00%
16	Górnośląska Spółka Gazownictwa Sp. z o.o. ³⁾	Poland	-	100.00%
17	INVESTGAS S.A. ⁵⁾	Poland	-	100.00%
18	Karpacka Spółka Gazownictwa Sp. z o.o. ³⁾	Poland	-	100.00%
19	Mazowiecka Spółka Gazownictwa Group ^{3), 6)}	Poland	-	100.00%
20	PGNiG Energia S.A. ⁷⁾	Poland	-	100.00%
21	Pomorska Spółka Gazownictwa Sp. z o.o. ³⁾	Poland	-	100.00%
22	Wielkopolska Spółka Gazownictwa Sp. z o.o. ⁴⁾	Poland	-	100.00%
Equity-accounted jointly-controlled and associated entities				
23	GAS-TRADING S.A.	Poland	43.41%	43.41%
24	SGT EUROPOL GAZ S.A. ⁸⁾	Poland	49.74%	49.74%

1) PGNiG S.A. holds a 22.50% direct interest in the share capital of BSiPG Gazoprojekt S.A., while its indirect interest through PGNiG Technologie S.A. is 52.50%. PGNiG S.A. has the right to appoint the majority of the company's Supervisory Board members.

2) The Exalo Drilling Group comprises Exalo Drilling S.A. and its subsidiaries: Oil Tech International-F.Z.E. and Poltava Services LLC.

3) The Polska Spółka Gazownictwa Group comprises Polska Spółka Gazownictwa Sp. z o.o. (on July 1st 2013, the company merged with six gas distribution companies, that is Dolnośląska Spółka Gazownictwa Sp. z o.o., Górnośląska Spółka Gazownictwa Sp. z o.o., Karpacka Spółka Gazownictwa Sp. z o.o., Mazowiecka Spółka Gazownictwa Sp. z o.o., Pomorska Spółka Gazownictwa Sp. z o.o. and Wielkopolska Spółka Gazownictwa Sp. z o.o.), and its subsidiaries Powiśle Park Sp. z o.o. and GAZ Sp. z o.o.

4) The PGNiG Sales & Trading Group comprises PGNiG Sales & Trading GmbH and its subsidiary XOOOL GmbH.

5) On July 1st 2013, INVESTGAS S.A. merged with Operator Systemu Magazynowania Sp. z o.o. (Operator Systemu Magazynowania Sp. z o.o. was the acquiring company);

6) The Mazowiecka Spółka Gazownictwa Group comprised Mazowiecka Spółka Gazownictwa Sp. z o.o. and its subsidiary Powiśle Park Sp. z o.o.

7) On July 23rd 2013, PGNiG Energia S.A. merged with PGNiG S.A. (PGNiG S.A. was the acquiring company);

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

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

On January 20th 2014, GEOFIZYKA Toruń S.A. reported that its subsidiary, PT Geofizyka Toruń Indonezja LLC w likwidacji (in liquidation) was deleted from the business register after the company liquidation process had been completed.

4. Management Board's position on the feasibility of meeting forecasts published for a given year in light of the results presented in the quarterly report

On February 28th 2014, the PGNiG Management Board published a financial forecast of the PGNiG Group's consolidated performance in 2014.

The forecast provides for the PGNiG Group's revenue of ca. PLN 32.7bn, EBITDA of ca. PLN 5.9bn and the debt ratio of no more than 2 x EBITDA.

An analysis of the financial results for Q1, in the context of the seasonality and risks of the Group's business, has not revealed any material deviation from earlier projections which would pose a threat to delivery of the results.

5. Shareholders holding, directly or indirectly through subsidiaries, 5% or more of the total vote at the General Meeting of the Company as at the date of publication of the quarterly report, including information on the number of shares held by those shareholders, their interests in the Company's share capital, the resulting number of votes at the General Meeting and their share in the total vote at the General Meeting, and any changes in the ownership structure of major holdings of the Company shares after the publication of the previous quarterly report

As at the date of issue of the Q1 2014 report, the State Treasury was the only shareholder holding 5% or more of total voting rights at the General Meeting of PGNiG S.A.

PGNiG S.A.'s shareholder structure was as follows:

Shareholder	Number of shares as at the date of issue of the previous interim report*	% share in total vote as at the date of issue of the previous interim report*	% change in the period	% share in total vote at GM as at the date of issue of this report**	Number of shares as at the date of issue of this report**
State Treasury	4,271,740,477	72.40%	0.000%	72.40%	4,271,740,477
Other shareholders	1,628,259,523	27.60%	0.000%	27.60%	1,628,259,523
Total	5,900,000,000	100.00%	0.00%	100.00%	5,900,000,000

*As at Dec 31st 2013.

**As at March 31st 2014.

6. Number of Company shares and options for Company shares held by the management and supervisory staff as at the date of the quarterly report, as well as changes in the number of Company shares and options for Company shares held by the management and supervisory staff after issue of the previous quarterly report (data presented separately for each persons)

	Number of shares and share options as at the date of issue of the previous interim report*	Purchase	Increase due to change of composition	Disposal	Decrease due to change of composition	Number of shares and share options as at the date of issue of this report*
Management staff	0	0	19,500	0	0	19,500
Waldemar Wójcik	-	-	19,500	-	-	19,500
Supervisory staff	28,925	0	10,000	-10,000	0	28,925
Andrzej Janiak	-	-	10,000	-10,000	-	-
Mieczysław Kawecki	19,500	-	-	-	-	19,500
Jolanta Siergiej	9,425	-	-	-	-	9,425

* As at the date of the interim report.

7. Court, arbitration or administrative proceedings for liabilities or debt claims of the Company or its subsidiaries

In the reporting period, there were no proceedings concerning liabilities or debt claims of the Company or its subsidiaries pending before any court, arbitration tribunal or administrative authority whose value would exceed 10% of PGNiG S.A.'s equity.

8. 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.

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 March 31st 2014, 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 reporting period, the Group entities reported no material settlements arising in connection with any court proceedings.

12. 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.

13. Loan sureties or guarantees issued by the Company or its subsidiary to an entity or its subsidiary where the total amount of outstanding sureties or guarantees issued to such entity or subsidiary represents 10% or more of the Company's equity

In the period covered by this report, the Parent and its subsidiaries did not issue any sureties with respect to borrowings or guarantees, whose total amount would represent 10% or more of the Parent's or the subsidiary's equity.

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

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

On April 3rd 2014, the PGNiG Supervisory Board appointed Mr Waldemar Wójcik as member of the PGNiG Management Board elected by the employees, for the joint three-year term of office commencing December 30th 2013. Mr Wójcik assumed his position on April 3rd 2014.

16. Factors which, in the Company's opinion, will affect its performance in the next quarter or beyond

In the forthcoming quarters, the financial performance of the PGNiG Group will be materially affected by the situation on the currency markets, minerals markets (prices of crude oil and petroleum products), as well as the position of the President of the Energy Regulatory Office on gas fuel sale and distribution tariffs and heat sale tariffs.

The Group's performance will also be considerably affected by regulations governing support programmes for electricity from high-efficiency co-generation and renewable sources. Legislative changes in this area and fluctuations in market prices of certificates of origin (red and green) will have a bearing on the Group's future financial position.

The Group's performance will further be materially affected by the volumes of hydrocarbon production from fields located both in Poland (in particular, the Lubiatów-Międzychód-Grotów field) and abroad (mainly under the Skarv project executed on the Norwegian Continental Shelf).

The ongoing gradual deregulation of the gas market is another major driver of the PGNiG Group's performance. New regulations require the Group entities to take a number of steps designed to harmonise their business with the changing environment. In particular, these regulations will require the Parent to modify its business model. For this reason, the Short-Term Value Creation Strategy for the PGNiG Group until 2014 was adopted with a view to preparing the Group to operate on the deregulated gas market.

In the coming quarters, the PGNiG Group intends to maintain a high level of capital expenditure. The spending will focus primarily on projects involving maintenance of hydrocarbon production rates, and diversification of gas supply sources, as well as on projects in the exploration for and evaluation of crude oil and natural gas deposits, and development of the Company's power generation segment, and also on continuation of projects launched before 2014, involving construction of underground gas storage infrastructure.

PGNiG Management Board:

President of the
Management Board

Mariusz Zawisza

.....

Vice-President of the
Management Board

Jarosław Bauc

.....

Vice-President of the
Management Board

Jerzy Kurella

.....

Vice-President of the
Management Board

Andrzej Parafianowicz

.....

Vice-President of the
Management Board

Zbigniew Skrzypkiewicz

.....

Member of the
Management Board

Waldemar Wójcik

.....

Warsaw, April 28th 2014