INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED
JUNE 30TH 2014

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated half-year report PSr 2014

(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 2014 financial year, covering the period from **January 1st 2014** to **June 30th 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).

August 14th 2014
(filing date)

POLSKIE GÓRNICTWO NAFTOWE i GAZOWNICTWO S.A.
(company name)

PGNiG S.A.	**Fuels industry (pal)**
(abbreviated name)	(sector according to the WSE classification)
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(NIP – Tax Identification Number)	(REGON – Industry Identification Number)

FINANCIAL HIGHLIGHTS

Interim condensed consolidated financial data	PLNm 6 months ended Jun 30 2014	PLNm 6 months ended Jun 30 2013	EURm 6 months ended Jun 30 2014	EURm 6 months ended Jun 30 2013
Revenue	16,383	16,740	3,921	3,972
Operating profit/(loss)	2,169	2,174	519	516
Profit/(loss) before tax	2,063	1,899	494	451
Net profit/(loss) attributable to owners of the parent	1,519	1,425	364	338
Net profit/(loss)	1,520	1,428	364	339
Comprehensive income attributable to owners of the parent	1,312	1,553	314	369
Total comprehensive income	1,313	1,556	314	369
Net cash flows from operating activities	3,703	4,554	886	1,081
Net cash flows from investing activities	(1,239)	(1,559)	(297)	(370)
Net cash flows from financing activities	(1,634)	(2,283)	(391)	(542)
Net change in cash	830	712	199	169
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares of the parent (in PLN and EUR)	0.26	0.24	0.06	0.06
	As at Jun 30 2014	As at Dec 31 2013	As at Jun 30 2014	As at Dec 31 2013
Total assets	47,197	48,384	11,343	11,667
Total liabilities	18,316	19,931	4,402	4,806
Total non-current liabilities	12,268	12,093	2,948	2,916
Total current liabilities	6,048	7,838	1,454	1,890
Total equity	28,881	28,453	6,941	6,861
Share capital	5,900	5,900	1,418	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)	4.90	4.82	1.18	1.16

Interim condensed separate financial data	PLNm 6 months ended Jun 30 2014	PLNm 6 months ended Jun 30 2013	EURm 6 months ended Jun 30 2014	EURm 6 months ended Jun 30 2013
Revenue	13,689	14,504	3,276	3,442
Operating profit/(loss)	962	1,308	230	310
Profit/(loss) before tax	1,555	1,676	372	398
Net profit/(loss)	1,366	1,422	327	337
Total comprehensive income	1,148	1,526	275	362
Net cash flows from operating activities	1,771	3,034	424	720
Net cash flows from investing activities	(167)	(916)	(40)	(217)
Net cash flows from financing activities	(1,009)	(1,551)	(241)	(368)
Net change in cash	595	567	142	135
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares (in PLN and EUR)	0.23	0.24	0.06	0.06
	As at Jun 30 2014	As at Dec 31 2013	As at Jun 30 2014	As at Dec 31 2013
Total assets	34,941	35,424	8,397	8,541
Total liabilities	11,710	12,455	2,814	3,003
Total non-current liabilities	7,175	7,023	1,724	1,693
Total current liabilities	4,535	5,432	1,090	1,310
Equity	23,231	22,969	5,583	5,538
Share capital	5,900	5,900	1,418	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)	3.94	3.89	0.95	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

	Jun 30 2014	Jun 30 2013	Dec 31 2013
Average exchange rate in the period	4.1784	4.2140	4.2110
Exchange rate at end of the period	4.1609	4.3292	4.1472

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I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

	3 months ended Jun 30 2014	6 months ended Jun 30 2014	3 months ended Jun 30 2013	6 months ended Jun 30 2013
			restated	restated
	unaudited	unaudited	unaudited	unaudited
Revenue	**6,846**	**16,383**	**6,505**	**16,740**
Raw material and consumables used	(3,569)	(9,509)	(3,849)	(10,838)
Employee benefits	(687)	(1,373)	(747)	(1,418)
Depreciation and amortisation	(675)	(1,298)	(613)	(1,162)
Services	(815)	(1,400)	(654)	(1,280)
Work performed by the entity and capitalised	185	375	227	424
Other income and expenses	(674)	(1,009)	(122)	(292)
Total operating expenses	**(6,235)**	**(14,214)**	**(5,758)**	**(14,566)**
Operating profit/(loss)	**611**	**2,169**	**747**	**2,174**
Finance income	14	46	89	150
Finance costs	(89)	(152)	(175)	(383)
Share in net profit/(loss) of equity-accounted entities	7	-	(42)	(42)
Profit/(loss) before tax	**543**	**2,063**	**619**	**1,899**
Income tax	(203)	(543)	(265)	(471)
Net profit/(loss)	**340**	**1,520**	**354**	**1,428**
Attributable to:				
Owners of the parent	338	1,519	352	1,425
Non-controlling interests	2	1	2	3
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares of the parent (PLN)	**0.06**	**0.26**	**0.06**	**0.24**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended Jun 30 2014	6 months ended Jun 30 2014	3 months ended Jun 30 2013	6 months ended Jun 30 2013
			restated	restated
	unaudited	unaudited	unaudited	unaudited
Net profit/(loss)	**340**	**1,520**	**354**	**1,428**
Other comprehensive income that will be reclassified to profit or loss if specific conditions are met, relating to:	**(59)**	**(196)**	**(7)**	**134**
Exchange differences on translating foreign operations	(17)	15	8	38
Hedge accounting	(52)	(260)	(19)	118
Deferred tax	10	49	4	(22)
Other comprehensive income that will not be reclassified to profit or loss, relating to:	**(11)**	**(11)**	**(6)**	**(6)**
Actuarial gains/(losses) on employee benefits	(13)	(13)	(7)	(7)
Deferred tax	2	2	1	1
Other comprehensive income, net	**(70)**	**(207)**	**(13)**	**128**
Total comprehensive income	**270**	**1,313**	**341**	**1,556**
Attributable to:				
Owners of the parent	268	1,312	339	1,553
Non-controlling interests	2	1	2	3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at Jun 30 2014	As at Dec 31 2013	As at Jan 1 2013
		restated	restated
	unaudited	audited	audited
ASSETS			
Non-current assets			
Property, plant and equipment	32,538	33,033	33,784
Investment property	9	9	11
Intangible assets	1,128	1,164	1,146
Investments in equity-accounted associates	728	727	771
Financial assets available for sale	49	51	48
Other financial assets	195	191	124
Deferred tax assets	2,104	2,233	2,383
Other non-current assets	69	71	76
Total non-current assets	**36,820**	**37,479**	**38,343**
Current assets			
Inventories	3,011	3,378	3,064
Trade and other receivables	3,084	4,086	5,374
Current tax assets	1	48	150
Other assets	393	171	84
Derivative financial instrument assets	224	307	105
Cash and cash equivalents	3,656	2,827	1,948
Assets held for sale	8	88	108
Total current assets	**10,377**	**10,905**	**10,833**
Total assets	**47,197**	**48,384**	**49,176**
LIABILITIES AND EQUITY			
Equity			
Share capital	5,900	5,900	5,900
Share premium	1,740	1,740	1,740
Accumulated other comprehensive income	(256)	(49)	(152)
Retained earnings/(deficit)	21,490	20,856	19,705
Equity attributable to owners of the parent	**28,874**	**28,447**	**27,193**
Equity attributable to non-controlling interests	7	6	4
Total equity	**28,881**	**28,453**	**27,197**
Non-current liabilities			
Borrowings and other debt instruments	5,341	5,385	5,509
Employee benefit obligations	555	502	381
Provisions	1,569	1,405	1,792
Deferred income	1,577	1,533	1,448
Deferred tax liabilities	3,158	3,210	3,183
Other non-current liabilities	68	58	53
Total non-current liabilities	**12,268**	**12,093**	**12,366**
Current liabilities			
Trade and other payables	3,618	4,033	3,667
Borrowings and other debt instruments	792	2,276	4,702
Derivative financial instrument liabilities	413	124	393
Current tax liabilities	145	184	24
Employee benefit obligations	312	375	356
Provisions	539	645	350
Deferred income	229	186	101
Liabilities associated with assets held for sale	-	15	20
Total current liabilities	**6,048**	**7,838**	**9,613**
Total liabilities	**18,316**	**19,931**	**21,979**
Total liabilities and equity	**47,197**	**48,384**	**49,176**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
		restated
	unaudited	unaudited
Cash flows from operating activities		
Net profit/(loss)	1,520	1,428
Adjustments:		
Share in net profit/(loss) of equity-accounted entities	-	42
Depreciation and amortisation	1,298	1,162
Net foreign exchange gains/(losses)	57	135
Net interest and dividend	27	109
Gain/(loss) on investing activities	336	(77)
Current tax expense	543	471
Other items, net	286	(150)
Income tax paid	(408)	(226)
Cash flows from operating activities before change in working capital	**3,659**	**2,894**
Change in working capital:		
Change in receivables	1,023	2,194
Change in inventories	366	106
Change in employee benefit obligations	(11)	(59)
Change in provisions	(71)	91
Change in current liabilities	(1,047)	(363)
Change in other assets	(224)	(290)
Change in deferred income	8	(19)
Net cash flows from operating activities	**3,703**	**4,554**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	13	16
Proceeds from disposal of shares in non-consolidated entities	1	-
Purchase of property, plant and equipment and intangible assets	(1,321)	(1,568)
Interest received	3	-
Dividends received	2	2
Other items, net	63	(9)
Net cash flows from investing activities	**(1,239)**	**(1,559)**
Cash flows from financing activities		
Increase in borrowings	161	361
Proceeds from issue of debt securities	40	1,039
Repayment of borrowings	(515)	(196)
Repayment of debt securities	(1,209)	(3,300)
Payment of finance lease liabilities	(25)	(25)
Cash inflow from derivative financial instruments	84	83
Cash outflow on derivative financial instruments	(49)	(65)
Interest paid	(119)	(179)
Other items, net	(2)	(1)
Net cash flows from financing activities	**(1,634)**	**(2,283)**
Net change in cash	**830**	**712**
Exchange differences on cash and cash equivalents	-	(1)
Cash and cash equivalents at beginning of the period	**2,826**	**1,947**
Cash and cash equivalents at end of the period	**3,656**	**2,659**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity (attributable to owners of the parent)							**Equity (attributable to non-controlling interests)**	**Total equity**
			Accumulated other comprehensive income, including:						
	Share capital	Share premium	exchange differences on translating foreign operations	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**
Dividend	-	-	-	-	-	(885)	**(885)**	-	**(885)**
Total comprehensive income	**-**	**-**	**15**	**(211)**	**(11)**	**1,519**	**1,312**	**1**	**1,313**
Net profit/(loss)	-	-	-	-	-	1,519	**1,519**	1	**1,520**
Other comprehensive income, net	-	-	15	(211)	(11)	-	**(207)**	-	**(207)**
As at Jun 30 2014 (unaudited)	**5,900**	**1,740**	**(69)**	**(212)**	**25**	**21,490**	**28,874**	**7**	**28,881**
As at Jan 1 2013 (audited)	**5,900**	**1,740**	**(31)**	**(59)**	**(62)**	**19,705**	**27,193**	**4**	**27,197**
Dividend	-	-	-	-	-	(767)	**(767)**	-	**(767)**
Total comprehensive income	**-**	**-**	**38**	**96**	**(6)**	**1,425**	**1,553**	**3**	**1,556**
Net profit/(loss)	-	-	-	-	-	1,425	**1,425**	3	**1,428**
Other comprehensive income, net	-	-	38	96	(6)	-	**128**	-	**128**
As at Jun 30 2013 (unaudited)	**5,900**	**1,740**	**7**	**37**	**(68)**	**20,363**	**27,979**	**7**	**27,986**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Deferred tax

	Deferred tax assets	Deferred tax liabilities
As at Jan 1 2014	**2,233**	**3,210**
Increase	102	55
Decrease	(236)	(109)
Exchange differences on translating deferred tax attributable to foreign operations	2	(1)
Reclassification to/from assets held for sale	3	3
As at Jun 30 2014	**2,104**	**3,158**
As at Jan 1 2013	**2,383**	**3,183**
Increase	132	188
Decrease	(98)	(20)
Exchange differences on translating deferred tax attributable to foreign operations	(185)	(144)
Reclassification to/from assets held for sale	(2)	-
Reclassifications	3	3
As at Dec 31 2013	**2,233**	**3,210**

2. Impairment losses

	Property, plant and equipment	Intangible assets	Assets and disposal groups held for sale	Investments in equity-accounted associates	Non-current financial assets available for sale	Inventories	Current receivables	Current portion of non-current loans	**Total**
As at Jan 1 2014	**1,678**	**37**	**15**	**834**	**45**	**35**	**660**	**31**	**3,335**
Increase	715	6	-	2	1	149	410	2	**1,285**
Transferred	11	-	(7)	-	(4)	-	-	-	**-**
Used/reversed	(397)	-	(2)	-	-	(2)	(258)	-	**(659)**
Currency translation differences	3	-	-	-	-	-	-	-	**3**
As at Jun 30 2014	**2,010**	**43**	**6**	**836**	**42**	**182**	**812**	**33**	**3,964**
As at Jan 1 2013	**1,205**	**11**	**4**	**811**	**42**	**29**	**866**	**29**	**2,997**
Increase	1,001	32	-	23	3	18	365	2	**1,444**
Transferred	(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 certificates of origin and energy savings certificates	Other provisions	**Total**
As at Jan 1 2014	**1,254**	**60**	**87**	**81**	**153**	**134**	**281**	**2,050**
Increase	178	-	-	9	2	112	47	**348**
Used/reversed	(35)	-	-	(9)	(11)	(134)	(101)	**(290)**
As at Jun 30 2014	**1,397**	**60**	**87**	**81**	**144**	**112**	**227**	**2,108**
As at Jan 1 2013	**1,661**	**60**	**94**	**77**	**28**	**-**	**222**	**2,142**
Increase	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

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
High-methane gas	11,771	12,811
Nitrogen-rich gas	725	774
Crude oil and natural gasoline	1,545	1,054
Helium	82	92
NGL	60	48
Electricity	866	552
Heat	582	601
Geophysical and geological services	129	107
Drilling and well services	255	288
Construction and installation services	68	107
Connection charge	45	38
Other sales	255	268
Total	**16,383**	**16,740**

5. Operating expenses

5.1. Raw material and consumables used

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
Cost of gas sold	(8,271)	(9,801)
Fuels for electricity and heat generation	(439)	(534)
Electricity for trading	(530)	(180)
Other raw material and consumables used	(269)	(323)
Total	**(9,509)**	**(10,838)**

5.2. Services

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
Transmission services	(548)	(559)
Cost of dry wells written off	(157)	(81)
Other services	(695)	(640)
Total	**(1,400)**	**(1,280)**

5.3. Other income and expenses

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
Compensations, penalties, fines received	20	81
Other income	95	89
Net exchange differences related to operating activities	7	(12)
Net gain/(loss) on derivative instruments related to operating activities	(175)	(10)
Change in products	256	170
Change in impairment losses	(501)	58
Change in provisions	(89)	(69)
Taxes and charges	(465)	(430)
Other expenses	(157)	(169)
Total	**(1,009)**	**(292)**

6. Finance income and costs

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
Finance income	**46**	**150**
Gain on measurement and realisation of derivative financial instruments	-	105
Interest income	41	42
Dividends and other profit distributions	3	3
Other finance income	2	-
Finance costs	**(152)**	**(383)**
Loss on measurement and realisation of derivative financial instruments	(30)	-
Interest expense	(100)	(145)
Foreign exchange losses	(7)	(216)
Commission fees paid on bank borrowings	(8)	(14)
Cost of guarantees	(2)	(2)
Other finance costs	(5)	(6)
Net finance income/(cost)	**(106)**	**(233)**

7. Income tax expense

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
Profit/(loss) before tax	2,063	1,899
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	(392)	(361)
Permanent differences between profit/(loss) before tax and taxable income and the difference in tax rates	(151)	(110)
Tax expense in the consolidated income statement	**(543)**	**(471)**
Current tax expense	(411)	(402)
Deferred tax expense	(132)	(69)
Effective tax rate	26%	25%

The PGNiG Tax Group (PTG) was registered on February 24th 2014, and commenced operations on April 1st 2014. The PGNiG Tax Group comprises the following companies: PGNiG S.A. – specified in the agreement on the establishment of the tax group 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.

8. Property, plant and equipment by category

	As at Jun 30 2014	As at Dec 31 2013
Land	73	77
Buildings and structures	17,006	17,188
Plant and equipment	8,184	8,663
Vehicles and other	1,194	1,213
Total tangible assets	**26,457**	**27,141**
Tangible exploration and evaluation assets under construction	2,086	2,102
Other tangible assets under construction	3,995	3,790
Total property, plant and equipment	**32,538**	**33,033**

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.

Furthermore, in the case of the Parent, all eligible transactions accounted for in the period January 1st–June 30th 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 H1 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 effect of the valuation of derivative instruments on profit or loss is presented in the table below.

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
Net gain/(loss) on valuation of derivative financial instruments – unrealised	(113)	165
Net gain/(loss) on valuation of derivative financial instruments – realised	(177)	(96)
Total net gain/(loss) on valuation of derivative financial instruments recognised in profit or loss	**(290)**	**69**
including:		
recognised in raw material and consumables used	(85)	(26)
recognised in other income and expenses	(175)	(10)
recognised in finance income or costs	(30)	105
Net gain/(loss) on valuation of derivative financial instruments recognised in other comprehensive income – unrealised	**(260)**	**118**
Total net gain/(loss) on valuation of derivative financial instruments – recognised in equity	**(550)**	**187**

The table below presents the Group companies' open derivative transactions as at June 30th 2014.

Hedged item	Par value in currency	Currency / asset	Maturity date	Exercise price (exercise price range)	Measurement at fair value As at Jun 30 2014	Measurement at fair value As at Dec 31 2013	Hedged risk
Cross Currency Interest Rate Swap							
Euronotes	500	EUR	1–3 years	4.1580	96	108	currency exchange rate and interest rate
loan	730	NOK	3–12 months	0.5595	44	35	currency exchange rate and interest rate
loan	2,940	NOK	1–3 years	0.5049	3	-	currency exchange rate and interest rate
loan	1,410	NOK	1–3 years	0.5000	(6)	-	currency exchange rate and interest rate
loan	4,350	NOK	more than 3 years	0.5033	-	(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
					137	**168**	
Interest Rate Swap							
loan	1,500	PLN	more than 3 years	-	(68)	(23)	interest rate
					(68)	**(23)**	
Forward							
payments for gas	60	USD	1–3 months	3.0479	-	-	currency exchange rate
payments for gas	50	USD	1–3 months	3.0616	-	-	currency exchange rate
payments for gas	18	EUR	1–3 months	4.2270	(1)	-	currency exchange rate
CO_2 emission allowances	3	EUR	3–12 months	4.2660	-	-	currency exchange rate
trading activities	1	electricity	1–3 months	152.7000	18	-	energy prices
trading activities	1	electricity	1–3 months	154.5000	(18)	-	energy prices

trading activities	2	electricity	3–12 months	155.4000	25	-	energy prices
trading activities	2	electricity	3–12 months	154.9000	(25)	-	energy prices
trading activities	1	electricity	1–3 years	167.1500	3	-	energy prices
trading activities	1	electricity	1–3 years	166.0000	(3)	-	energy prices
payments for gas	48	EUR	1–3 months	4.2438	(4)	-	currency exchange rate
payments for gas	18	EUR	3–12 months	4.2383	(1)	-	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	0.16	EUR	up to 1 month	4.2705	-	-	currency exchange rate
EUR/PLN	0.05	EUR	up to 1 month	4.2420	-	-	currency exchange rate
EUR/PLN	0.09	EUR	up to 1 month	4.2410	-	-	currency exchange rate
EUR/PLN	1	EUR	6–12 months	4.2195	-	-	currency exchange rate
EUR/PLN	0.25	EUR	1–3 years	4.4175	-	-	currency exchange rate
EUR/PLN	0.29	EUR	1–3 years	4.3175	-	-	currency exchange rate
					(6)	**(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
trading activities	0.04	TGE gas	1–3 years	111.0000	-	-	gas prices
					-	**1**	
			Call options				
payments for gas	17	EUR	1–3 months	4.3345	-	-	currency exchange rate
payments for gas	6	EUR	3–12 months	4.3320	-	-	currency exchange rate
payments for gas	114	EUR	1–3 months	4.3242	-	-	currency exchange rate
payments for gas	84	EUR	3–12 months	4.2981	2	-	currency exchange rate
payments for gas	200	USD	1–3 months	3.2228	1	-	currency exchange rate

payments for gas	90	USD	3–12 months	3.1788	2	-	currency exchange rate
payments for gas	35	EUR	1–3 months	4.3826	-	-	currency exchange rate
payments for gas	21	EUR	3–12 months	4.3515	-	1	currency exchange rate
payments for gas	188	EUR	1–3 months	4.4278	-	-	currency exchange rate
payments for gas	265	EUR	3–12 months	4.3848	-	6	currency exchange rate
payments for gas	160	USD	1–3 months	3.3566	-	-	currency exchange rate
payments for gas	180	USD	3–12 months	3.3077	-	5	currency exchange rate
trading activities	0.044	TGE gas	1–3 years	111.0000	-	-	gas prices
					5	**12**	
		Commodity call options					
payments for gas	0.191	FO	1–3 months	645.22	-	-	commodity prices
payments for gas	0.314	FO	3–12 months	629.12	8	-	commodity prices
payments for gas	0.093	GO	1–3 months	961.63	1	-	commodity prices
payments for gas	0.171	GO	3–12 months	944.20	2	-	commodity prices
payments for gas	3.660	Title Transfer Facility (TTF)	1–3 months	26.45	-	-	commodity prices
payments for gas	4.700	Title Transfer Facility (TTF)	3–12 months	25.78	-	-	commodity prices
payments for gas	0.085	FO	1–3 months	566.05	-	-	commodity prices
payments for gas	0.025	FO	3–12 months	557.50	-	-	commodity prices
payments for gas	0.040	GO	1–3 months	840.82	-	-	commodity prices
payments for gas	0.011	GO	3–12 months	822.00	-	-	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
					11	**40**	
		Put commodity options					
payments for gas	0.109	GO	3–12 months	826.80	-	-	commodity prices
					-	**-**	

Commodity swap							
payments for gas	0.172	FO	3–12 months	600.19	13	-	commodity prices
payments for gas	0.094	GO	3–12 months	896.26	5	-	commodity prices
payments for gas	6.100	Title Transfer Facility (TTF)	1–3 months	25.75	(202)	-	commodity prices
payments for gas	0.130	Title Transfer Facility (TTF)	3–12 months	23.91	-	-	commodity prices
payments for gas	5.470	Title Transfer Facility (TTF)	3–12 months	25.54	(84)	-	commodity prices
payments for gas	0.023	FO	1–3 months	602.13	-	-	commodity prices
payments for gas	0.042	FO	1–3 months	607.73	-	-	commodity prices
payments for gas	0.015	FO	3–12 months	609.75	-	-	commodity prices
payments for gas	0.085	FO	3–12 months	602.18	-	1	commodity prices
payments for gas	0.028	GO	1–3 months	869.77	-	4	commodity prices
payments for gas	0.049	GO	3–12 months	893.39	-	6	commodity prices
payments for gas	1.730	TTF	1–3 months	27.47	-	3	commodity prices
payments for gas	7.050	TTF	3–12 months	25.79	-	17	commodity prices
payments for gas	4.135	TTF	1–3 months	27.78	-	(10)	commodity prices
payments for gas	2.035	TTF	3–12 months	27.16	-	(5)	commodity prices
					(268)	**16**	
				Total	**(189)**	**183**	
		including:	- positive valuation (assets)		**224**	**307**	
			- negative valuation (liabilities)		**(413)**	**(124)**	

GO – Gas oil
FO – Fuel oil
TTF – Natural gas at the Title Transfer Facility

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 2014 and June 30th 2013.

Period ended Jun 30 2014	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Eliminations	Total
Income statement							
Sales to third-party customers	2,484	13,120	80	608	91	-	16,383
Inter-segment sales	942	186	2,239	427	59	(3,853)	-
Segment's total revenue	3,426	13,306	2,319	1,035	150	(3,853)	16,383
Depreciation and amortisation	(625)	(77)	(431)	(155)	(10)	-	(1,298)
Other costs	(1,485)	(13,149)	(1,206)	(747)	(194)	3,865	(12,916)
Segment's total costs	(2,110)	(13,226)	(1,637)	(902)	(204)	3,865	(14,214)
Operating profit/(loss)	**1,316**	**80**	**682**	**133**	**(54)**	**12**	**2,169**
Net finance costs							(106)
Share in net profit/(loss) of equity-accounted entities		-					-
Profit/(loss) before tax							**2,063**
Income tax							(543)
Net profit/(loss)							**1,520**
STATEMENT OF FINANCIAL POSITION							
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
Total assets							**47,197**
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
Total liabilities and equity							**47,197**
Other information							
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)**

Period ended Jun 30 2013	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Eliminations	Total
Income statement							
Sales to third-party customers	1,972	13,647	85	898	138	-	16,740
Inter-segment sales	740	180	2,221	230	55	(3,426)	-
Segment's total revenue	2,712	13,827	2,306	1,128	193	(3,426)	16,740
Depreciation and amortisation	(466)	(87)	(422)	(176)	(11)	-	(1,162)
Other costs	(871)	(13,710)	(1,248)	(809)	(192)	3,426	(13,404)
Segment's total costs	(1,337)	(13,797)	(1,670)	(985)	(203)	3,426	(14,566)
Operating profit/(loss)	**1,375**	**30**	**636**	**143**	**(10)**	**-**	**2,174**
Net finance costs							(233)
Share in net profit/(loss) of equity-accounted entities		(42)					(42)
Profit/(loss) before tax							**1,899**
Income tax							(471)
Net profit/(loss)							**1,428**
STATEMENT OF FINANCIAL POSITION							
Segment's assets	16,586	17,184	13,906	4,086	439	(7,535)	44,666
Investments in equity-accounted entities		729					729
Unallocated assets							394
Deferred tax assets							2,373
Total assets							**48,162**
Total equity							27,985
Segment's liabilities	5,818	4,799	2,797	1,835	161	(7,122)	8,288
Unallocated liabilities							8,620
Deferred tax liabilities							3,269
Total liabilities and equity							**48,162**
Other information							
Capital expenditure on property, plant and equipment and intangible assets	(891)	(87)	(559)	(51)	(9)	29	**(1,568)**
Impairment losses on assets	(1,049)	(1,688)	(99)	(36)	(11)	1	**(2,882)**
Impairment losses on unallocated assets							**(40)**

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 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 periodic 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 period 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). Starting from 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.

Change in the presentation of deferred tax assets and liabilities

The Group reviewed its presentation of deferred tax assets and liabilities. Beginning from the periodic report for the first half of 2014, the Group stopped presenting some of the deferred tax assets and liabilities in net amounts.

Change in presentation of joint-operation transactions in which the Parent acts as the operator

Beginning from the periodic report for the first half of 2014, the Parent offsets the costs representing the cooperation partner's interest in joint operations against the corresponding revenue under the operator's charge invoice. Such events were previously presented separately under revenue and expenses.

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

	6 months ended Jun 30 2013 before the change	Change in presentation of electricity trading	Change in presentation of gas fuel transmission costs	Change in presentation of joint-operation transactions	6 months ended Jun 30 2013 after the change
Revenue	**16,790**	**-**	**-**	**(50)**	**16,740**
Raw material and consumables used	(10,476)	(179)	(183)	-	(10,838)
Employee benefits	(1,418)	-	-	-	(1,418)
Depreciation and amortisation	(1,162)	-	-	-	(1,162)
Services	(1,513)	-	183	50	(1,280)
Work performed by the entity and capitalised	424	-	-	-	424
Other income and expenses	(471)	179	-	-	(292)
Total operating expenses	**(14,616)**	**-**	**-**	**50**	**(14,566)**
Operating profit/(loss)	**2,174**	**-**	**-**	**-**	**2,174**
Finance income	150	-	-	-	150
Finance costs	(383)	-	-	-	(383)
Share in net profit/(loss) of equity-accounted entities	(42)	-	-	-	(42)
Profit/(loss) before tax	**1,899**	**-**	**-**	**-**	**1,899**
Income tax	(471)	-	-	-	(471)
Net profit/(loss)	**1,428**	**-**	**-**	**-**	**1,428**

Consolidated statement of financial position – restatement of comparative data

	As at Dec 31 2013 before the change	Change in the presentation of deferred tax assets and liabilities	As at Dec 31 2013 after the change
ASSETS			
Total non-current assets	**36,239**	**1,240**	**37,479**
including:			
Deferred tax assets	993	1,240	2,233
Total current assets	**10,905**	**-**	**10,905**
Total assets	**47,144**	**1,240**	**48,384**
LIABILITIES AND EQUITY			
Total equity	**28,453**	**-**	**28,453**
Total non-current liabilities	**10,853**	**1,240**	**12,093**
including:			
Deferred tax liabilities	1,970	1,240	3,210
Total current liabilities	**7,838**	**-**	**7,838**
Total liabilities	**18,691**	**1,240**	**19,931**
Total liabilities and equity	**47,144**	**1,240**	**48,384**

	As at Jan 1 2013 before the change	Change in the presentation of deferred tax assets and liabilities	As at Jan 1 2013 after the change
ASSETS			
Total non-current assets	**37,096**	**1,247**	**38,343**
including:			
Deferred tax assets	1,136	1,247	2,383
Total current assets	**10,833**	**-**	**10,833**
Total assets	**47,929**	**1,247**	**49,176**
LIABILITIES AND EQUITY			
Total equity	**27,197**	**-**	**27,197**
Total non-current liabilities	**11,119**	**1,247**	**12,366**
including:			
Deferred tax liabilities	1,936	1,247	3,183
Total current liabilities	**9,613**	**-**	**9,613**
Total liabilities	**20,732**	**1,247**	**21,979**
Total liabilities and equity	**47,929**	**1,247**	**49,176**

Consolidated statement of cash flows – restatement of comparative data

	6 months ended Jun 30 2013 before the change	Reclassification of capitalised interest repayment	6 months ended Jun 30 2013 after the change
Net cash flows from operating activities	**4,554**	**-**	**4,554**
Net cash flows from investing activities	**(1,559)**	**-**	**(1,559)**
Net cash flows from financing activities	**(2,283)**	**-**	**(2,283)**
including:			
Repayment of borrowings	(198)	2	(196)
Repayment of debt securities	(3,366)	66	(3,300)
Payment of finance lease liabilities	(27)	2	(25)
Interest paid	(109)	(70)	(179)
Net change in cash	**712**	**-**	**712**
Cash and cash equivalents at beginning of the period	**1,947**	**-**	**1,947**
Cash and cash equivalents at end of the period	**2,659**	**-**	**2,659**

Reportable segments – restatement of comparative data

Period ended Jun 30 2013	**Exploration and Production**	**Trade and Storage**	**Distribution**	**Generation**	**Other Segments**	**Eliminations**	**Total**
Segment's operating profit/(loss) before the changes	**1,375**	**28**	**636**	**143**	**(4)**	**(4)**	**2,174**
Changes, including:	**-**	**2**	**-**	**-**	**(6)**	**4**	**-**
Transfer of INVESTGAS S.A. from Other Segments to Trade and Storage*	-	2	-	-	(6)	4	-
Segment's operating profit/(loss) after the changes	**1,375**	**30**	**636**	**143**	**(10)**	**-**	**2,174**
Segment's assets before the changes	**16,586**	**17,130**	**13,906**	**4,086**	**504**	**(7,546)**	**44,666**
Changes, including:	**-**	**54**	**-**	**-**	**(65)**	**11**	**-**
Transfer of INVESTGAS S.A. from Other Segments to Trade and Storage*	-	54	-	-	(65)	11	-
Segment's assets after the changes	**16,586**	**17,184**	**13,906**	**4,086**	**439**	**(7,535)**	**44,666**
Segment's liabilities before the changes	**5,818**	**4,775**	**2,797**	**1,835**	**194**	**(7,131)**	**8,288**
Changes, including:	**-**	**24**	**-**	**-**	**(33)**	**9**	**-**
Transfer of INVESTGAS S.A. from Other Segments to Trade and Storage*	-	24	-	-	(33)	9	-
Segment's liabilities after the changes	**5,818**	**4,799**	**2,797**	**1,835**	**161**	**(7,122)**	**8,288**

* 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

CONDENSED SEPARATE INCOME STATEMENT

	3 months ended Jun 30 2014	6 months ended Jun 30 2014	3 months ended Jun 30 2013	6 months ended Jun 30 2013
	unaudited	unaudited	restated	restated
Revenue	**5,624**	**13,689**	**5,606**	**14,504**
Raw material and consumables used	(3,249)	(8,221)	(3,358)	(9,444)
Employee benefits	(200)	(408)	(195)	(386)
Depreciation and amortisation	(177)	(353)	(195)	(353)
Services	(1,323)	(2,925)	(1,230)	(2,968)
Work performed by the entity and capitalised	2	5	6	7
Other income and expenses	(601)	(825)	17	(52)
Total operating expenses	**(5,548)**	**(12,727)**	**(4,955)**	**(13,196)**
Operating profit/(loss)	**76**	**962**	**651**	**1,308**
Finance income	603	721	537	648
Finance costs	(46)	(128)	(176)	(280)
Profit/(loss) before tax	**633**	**1,555**	**1,012**	**1,676**
Income tax	(11)	(189)	(136)	(254)
Net profit/(loss)	**622**	**1,366**	**876**	**1,422**
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares (PLN)	0.11	0.23	0.15	0.24

CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	3 months ended Jun 30 2014	6 months ended Jun 30 2014	3 months ended Jun 30 2013	6 months ended Jun 30 2013
	unaudited	unaudited	restated	restated
Net profit/(loss)	**622**	**1,366**	**876**	**1,422**
Other comprehensive income that will be reclassified to profit or loss if specific conditions are met, relating to:	**(49)**	**(216)**	**(12)**	**106**
Exchange differences on translating foreign operations	(7)	(5)	3	10
Hedge accounting	(51)	(260)	(19)	118
Deferred tax	9	49	4	(22)
Other comprehensive income that will not be reclassified to profit or loss, relating to:	**(2)**	**(2)**	**(2)**	**(2)**
Actuarial gains/(losses) on employee benefits	(3)	(3)	(3)	(3)
Deferred tax	1	1	1	1
Other comprehensive income, net	**(51)**	**(218)**	**(14)**	**104**
Total comprehensive income	**571**	**1,148**	**862**	**1,526**

CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION

	As at Jun 30 2014 unaudited	As at Dec 31 2013 audited
ASSETS		
Non-current assets		
Property, plant and equipment	13,520	13,775
Investment property	1	1
Intangible assets	278	282
Financial assets available for sale	7,862	7,796
Other financial assets	4,461	4,668
Deferred tax assets	450	380
Other non-current assets	41	44
Total non-current assets	**26,613**	**26,946**
Current assets		
Inventories	2,399	2,707
Trade and other receivables	3,343	3,695
Other assets	83	18
Derivative financial instrument assets	224	307
Cash and cash equivalents	2,278	1,683
Assets held for sale	**1**	**68**
Total current assets	**8,328**	**8,478**
Total assets	**34,941**	**35,424**
LIABILITIES AND EQUITY		
Equity		
Share capital	5,900	5,900
Share premium	1,740	1,740
Accumulated other comprehensive income	(204)	14
Retained earnings/(deficit)	15,795	15,315
Total equity	**23,231**	**22,969**
Non-current liabilities		
Borrowings and other debt instruments	4,400	4,432
Employee benefit obligations	170	154
Provisions	1,302	1,156
Deferred income	675	621
Deferred tax liabilities	566	609
Other non-current liabilities	62	51
Total non-current liabilities	**7,175**	**7,023**
Current liabilities		
Trade and other payables	2,792	2,888
Borrowings and other debt instruments	763	1,691
Derivative financial instrument liabilities	413	123
Current tax liabilities	140	175
Employee benefit obligations	40	117
Provisions	385	434
Deferred income	2	4
Total current liabilities	**4,535**	**5,432**
Total liabilities	**11,710**	**12,455**
Total liabilities and equity	**34,941**	**35,424**

CONDENSED SEPARATE STATEMENT OF CASH FLOWS

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
	unaudited	restated
Cash flows from operating activities		
Net profit/(loss)	1,366	1,422
Adjustments:		
Depreciation and amortisation	353	353
Net foreign exchange gains/(losses)	5	161
Net interest and dividend paid	(677)	(358)
Gain/(loss) on investing activities	359	(72)
Current tax expense	189	254
Other items, net	326	(110)
Income tax paid	(340)	(137)
Cash flows from operating activities before change in working capital	**1,581**	**1,513**
Change in working capital:		
Change in receivables	898	2,163
Change in inventories	308	(6)
Change in employee benefit obligations	(60)	(83)
Change in provisions	(32)	65
Change in current liabilities	(858)	(566)
Change in other assets	(64)	(58)
Change in deferred income	(2)	6
Net cash flows from operating activities	**1,771**	**3,034**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	8	3
Purchase of property, plant and equipment and intangible assets	(166)	(435)
Payments for tangible exploration and evaluation assets under construction	(371)	(323)
Purchase of shares in related entities	(25)	(914)
Decrease in loans advanced	331	1,089
Loans advanced	(27)	(361)
Cash inflow from derivative financial instruments	123	78
Cash outflow on derivative financial instruments	(150)	(131)
Interest received	56	64
Dividends received	1	1
Proceeds from finance leases	9	4
Other items, net	44	9
Net cash flows from investing activities	**(167)**	**(916)**
Cash flows from financing activities		
Proceeds from issue of debt securities	583	1,804
Repayment of debt securities	(1,501)	(3,190)
Cash inflow from derivative financial instruments	84	83
Cash outflow on derivative financial instruments	(49)	(65)
Interest paid	(126)	(188)
Other items, net	-	5
Net cash flows from financing activities	**(1,009)**	**(1,551)**
Net change in cash	**595**	**567**
Exchange differences on cash and cash equivalents	1	-
Cash and cash equivalents at beginning of the period	**1,683**	**1,043**
Cash and cash equivalents at end of the period	**2,278**	**1,610**
including restricted cash	**449**	**233**

CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Accumulated other comprehensive income, including: exchange differences on translating foreign operations	hedge accounting	actuarial gains/(losses) on employee benefits	Retained earnings/(deficit)	**Total equity**
As at Jan 1 2014 (audited)	**5,900**	**1,740**	**(6)**	**(1)**	**20**	**15,315**	**22,969**
Dividend	-	-	-	-	-	(885)	**(885)**
Total comprehensive income	**-**	**-**	**(5)**	**(211)**	**(2)**	**1,366**	**1,148**
Net profit/(loss) for H1 2014	-	-	-	-	-	1,366	**1,366**
Other comprehensive income, net, for H1 2014	-	-	(5)	(211)	(2)	-	**(218)**
As at Jun 30 2014 (unaudited)	**5,900**	**1,740**	**(11)**	**(212)**	**18**	**15,795**	**23,231**
As at Jan 1 2013 (restated)	**5,900**	**1,740**	**-**	**(59)**	**(7)**	**14,388**	**21,962**
Dividend	-	-	-	-	-	(767)	**(767)**
Total comprehensive income	**-**	**-**	**10**	**96**	**(2)**	**1,428**	**1,532**
Net profit/(loss) for H1 2013	-	-	-	-	-	1,422	**1,422**
Other comprehensive income, net, for H1 2013	-	-	10	96	(2)	-	**104**
Effect of business combination	-	-	-	-	-	6	**6**
As at Jun 30 2013 (restated)	**5,900**	**1,740**	**10**	**36**	**(9)**	**15,049**	**22,732**

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	124	58
Decrease	(54)	(101)
As at Jun 30 2014	**450**	**566**
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**
Increase	694	-	26	142	377	2	**1,241**
Transferred	-	(14)	14	-	-	-	**-**
Used/reversed	(368)	-	-	(1)	(238)	-	**(607)**
As at Jun 30 2014	**1,696**	**5**	**2,116**	**146**	**663**	**33**	**4,659**
As at Jan 1 2013	**1,143**	**19**	**1,656**	**4**	**757**	**29**	**3,608**
Increase	728	-	420	1	294	2	**1,445**
Used/reversed	(502)	-	-	-	(527)	-	**(1,029)**
Effect of business combination	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 certificates of origin and energy savings certificates	Other provisions	**Total**
As at Jan 1 2014	**1,134**	**60**	**41**	**15**	**153**	**134**	**53**	**1,590**
Increase	178	-	-	-	2	112	10	**302**
Used/reversed	(34)	-	-	-	(10)	(134)	(27)	**(205)**
As at Jun 30 2014	**1,278**	**60**	**41**	**15**	**145**	**112**	**36**	**1,687**
As at Jan 1 2013	**1,538**	**60**	**46**	**16**	**28**	**-**	**42**	**1,730**
Increase	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

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
High-methane gas	10,891	11,935
Nitrogen-rich gas	733	777
Crude oil and natural gasoline	956	951
Helium	82	92
Propane-butane gas	40	32
LNG	29	29
Electricity	599	311
Entitlement to operate storage facilities	288	277
CO_2 emission allowances	12	-
Merchandise and materials	4	51
Other sales of products and services	55	49
Total	**13,689**	**14,504**

5. Operating expenses

5.1. Raw material and consumables used

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
Cost of gas sold	(7,579)	(9,022)
Electricity for trading	(608)	(395)
Other raw material and consumables used	(34)	(27)
Total	**(8,221)**	**(9,444)**

5.2. Services

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
Purchase of transmission, distribution, and storage services	(2,522)	(2,668)
Cost of dry wells written off	(122)	(82)
Costs of seismic surveys written off	(40)	-
Other services	(241)	(218)
Total	**(2,925)**	**(2,968)**

5.3. Other income and expenses

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
Change in impairment losses	(493)	59
Change in provisions	(98)	(62)
Taxes and charges	(134)	(104)
Foreign exchange differences	11	34
Derivative instruments	(177)	(76)
Compensation, penalties, fines, etc. received	2	53
Other	64	44
Total	**(825)**	**(52)**

6. Finance income and costs

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
Finance income	**721**	**648**
Gain on measurement and realisation of derivative financial instruments	-	171
Interest income	189	129
Dividends and other profit distributions	530	344
Other finance income	2	4
Finance costs	**(128)**	**(280)**
Loss on measurement and realisation of derivative financial instruments	(29)	-
Interest expense	(56)	(102)
Foreign exchange losses	(8)	(160)
Revaluation of investments	(25)	-
Commission fees paid on bank borrowings	(7)	(11)
Costs of guarantees received	(2)	(2)
Other finance costs	(1)	(5)
Net finance income/(cost)	**593**	**368**

7. Income tax expense

	6 months ended Jun 30 2014	6 months ended Jun 30 2013
Profit/(loss) before tax	1,555	1,676
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	(295)	(318)
Permanent differences between profit/(loss) before tax and taxable profit	106	65
Tax expense in the income statement	**(189)**	**(254)**
Current tax expense	(253)	(255)
Deferred tax expense	64	1
Effective tax rate	12%	15%

Dividend received which in the current period amounted to PLN 530m (PLN 344m in the corresponding period of the previous year) was the main factor contributing to the effective tax rate of 12% in the period ended June 30th 2014 (15% in the period ended June 30th 2013).

8. Property, plant and equipment by category

	As at Jun 30 2014	As at Dec 31 2013
Land	25	30
Buildings and structures	6,380	6,611
Plant and equipment	2,034	2,119
Vehicles and other	119	125
Total tangible assets	**8,558**	**8,885**
Tangible exploration and evaluation assets under construction	2,040	2,081
Other tangible assets under construction	2,922	2,809
Total property, plant and equipment	**13,520**	**13,775**

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

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 applicable accounting standards.

Change of presentation of capitalised interest repayment

The Company also reclassified interest amounts capitalised in interest-bearing liabilities as at the beginning of a given reporting period and paid in the current reporting period (for details, see Note I.10).

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.10).

Change in presentation of joint-operation transactions in which the Company acts as the operator

Beginning from the periodic report for the first half of 2014, the Company offsets the costs representing the cooperation partner's interest in joint operations against the corresponding revenue under the operator's charge invoice. Such events were previously presented separately under revenue and expenses.

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.

Separate income statement – restatement of comparative data

	6 months ended Jun 30 2013 before the change	Effect of business combination	Change in presentation of transmission costs	Change in presentation of joint-operation transactions	6 months ended Jun 30 2013 after the change
Revenue	**14,195**	**359**	**-**	**(50)**	**14,504**
Raw material and consumables used	(8,904)	(357)	(183)	-	(9,444)
Employee benefits	(383)	(3)	-	-	(386)
Services	(3,199)	(2)	183	50	(2,968)
Other income and expenses	(54)	2	-	-	(52)
Total operating expenses	**(12,886)**	**(360)**	**-**	**50**	**(13,196)**
Operating profit/(loss)	**1,309**	**(1)**	**-**	**-**	**1,308**
Finance income	649	(1)	-	-	648
Profit/(loss) before tax	**1,678**	**(2)**	**-**	**-**	**1,676**
Income tax	(254)	-	-	-	(254)
Net profit/(loss)	**1,424**	**(2)**	**-**	**-**	**1,422**

Separate statement of cash flows – restatement of comparative data

	6 months ended Jun 30 2013 before the change	Effect of business combination	Change of presentation of capitalised interest repayment	6 months ended Jun 30 2013 after the change
Cash flows from operating activities				
Net profit/(loss)	1,424	(2)	-	**1,422**
Cash flows from operating activities before change in working capital	**1,515**	**(2)**	**-**	**1,513**
Change in working capital:				
including:				
Change in receivables	2,181	(18)	-	**2,163**
Change in current liabilities	(583)	17	-	**(566)**
Change in other assets	(59)	1	-	**(58)**
Net cash flows from operating activities	**3,036**	**(2)**	**-**	**3,034**
Net cash flows from investing activities	**(916)**	**-**	**-**	**(916)**
Cash flows from financing activities				
including:				
Repayment of borrowings	(72)	-	72	**-**
Repayment of debt securities	(3,173)	-	(17)	**(3,190)**
Interest paid	(133)	-	(55)	**(188)**
Net cash flows from financing activities	**(1,551)**	**-**	**-**	**(1,551)**
Net change in cash	569	(2)	-	**567**
Cash and cash equivalents at beginning of the period	1,034	9	-	**1,043**
Cash and cash equivalents at end of the period	**1,603**	**7**	**-**	**1,610**

III. ADDITIONAL 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.

Consolidated entities of the Group as at June 30th 2014

	Company name	Country	% ownership interest of PGNiG S.A.	
	PGNiG S.A. (Parent)	Poland		
	Subsidiaries of PGNiG S.A.		**Jun 30 2014**	**Jun 30 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 4)[3)]	Poland	100.00%	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.[3)]	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) Including a 22.5% direct interest and a 52.5% interest held indirectly through PGNiG Technologie S.A.

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 XOOL 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.

2. Changes in the Group's structure, including changes resulting from mergers, acquisition or loss of control over subsidiaries and long-term investments, restructuring 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.
- On May 22nd 2014, a new company with a share capital of PLN 1,000,000 was incorporated under the name of Zakład Separacji Popiołów Siekierki Spółka z ograniczoną odpowiedzialnością; PGNiG TERMIKA S.A. acquired a 70% equity interest, valued at PLN 700,000, in the newly established entity. The company was registered with the National Court Register on June 17th 2014.

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 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 June 30th 2014 and its financial performance for the period January 1st 2014–June 30th 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 periodic report for H1 2014 has been approved for issue by the Parent's Management Board on August 14th 2014.

3.1. Functional and reporting currency

The Polish złoty (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 2013.

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 2013, issued on March 5th 2014, except that the following amendments to financial reporting standards and new interpretations effective for annual periods beginning on or after January 1st 2014 have been applied:

- 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,
- IFRIC 21 Levies – endorsed by the European Commission on June 13th 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 2014 have not 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 reporting 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,
- IFRS 15 Revenue from Contracts with Customers – effective for reporting periods beginning on or after January 1st 2017,
- Amendments of IAS 16 Property, Plant and Equipment, and IAS 41 Agriculture: Bearer Plants – effective for reporting periods beginning on or after January 1st 2016,
- Amendments of 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.

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

  The contract of 2010 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 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 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 collaboration 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 the 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.

- On April 2nd 2014, PGNiG gave notice of termination (with effect from 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, with reference to the stage of completion of the contract as at the date of the notice.

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

  In the grounds for the notice, PGNiG cited the consortium's non-performance and improper or defective performance of the contract in conflict with its provisions, 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 termination notice included a call for payment of contractual penalties under the contract in the amount of PLN 133.4m, payable to PGNiG within 14 days of the receipt of the notice.

- 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.

- On May 15th 2014, the Annual General Meeting of PGNiG removed Ms Agnieszka Chmielarz, Mr Wojciech Chmielewski, Mr Józef Głowacki, Mr Andrzej Janiak, Mr Mieczysław Kawecki, Mr Marcin Moryń, Mr Janusz Pilitowski, Ms Ewa Sibrecht-Ośka and Ms Jolanta Siergiej from the PGNiG Supervisory Board, with effect from May 15th 2014.

  On the same day, Mr Wojciech Chmielewski, Mr Sławomir Borowiec, Mr Andrzej Janiak, Mr Bogusław Nadolnik, Mr Janusz Pilitowski, Ms Agnieszka Trzaskalska, Mr Ryszard Wąsowicz, Ms Agnieszka Woś and Ms Magdalena Zegarska were appointed as members of the PGNiG Supervisory Board, with effect from May 15th 2014.

- On June 13th 2014, the President of the Energy Regulatory Authority ("President of URE") approved amendments to the PGNiG Gas Fuel Supply Tariff No. 6/2014 ("Tariff") by virtue of his Decision No. DRG-4212-27(9)/2014/652/VI/KS. The amended tariff is effective from July 1st 2014 to December 31st 2014.

  It provides for making settlements with customers in energy units (kWh) starting from August 1st 2014. Until then, settlements will be made in volume units (cubic metres). The obligation to make settlements in energy units is imposed by the Regulation of the Minister of Economy on detailed rules for determining and calculating tariffs for gaseous fuels and on settlement of transactions in gas fuels trading, dated July 17th 2013 (Dz.U. of 2013, item 820), which entered into force on August 1st 2014.

- On June 18th 2014, the Supervisory Board of PGNiG resolved to suspend Mr Andrzej Parafianowicz from duties as Vice-President of the PGNiG Management Board for Corporate Affairs pending an investigation concerning comments he made regarding the Company which have been released into the public domain.

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

In H1 2014, the PGNiG Group's net profit was PLN 1,520m, up by PLN 92m year on year. This increase was mainly attributable to substantially larger volumes of crude sold and higher margins on gas sales.

Consolidated operating profit for H1 2014 was PLN 2,169m, relatively flat year on year, and EBITDA reached PLN 3,467m, up PLN 131m on H1 2013.

Trade and Storage

The Trade and Storage segment improved its operational efficiency. Its H1 2014 operating profit was PLN 80m, which represents a PLN 50m increase from the operating profit of PLN 30m reported for the corresponding period of 2013. The segment's performance improved primarily on the back of the mild winter in Q1 2014, when the volume of gas imports decreased by 0.8bn cubic metres contributing to an increase in profitability of gas sales from -2% in H1 2013 to +0.5% in H1 2014, as well as a 6% decrease in the average price of Brent crude (in PLN) in the period, and a slight increase in the tariff price of the gas sold. Favourable macroeconomic and weather conditions drove down the cost of gas sold by PLN 1,530m (-16%) year on year. As at June 30th 2014, stocks of gas in underground storage facilities totalled 2.05bn cubic metres, relatively similar to the 2.09bn cubic metres recorded as at the end of 2013.

Exploration and Production

The H1 2014 operating profit of the Exploration and Production segment was PLN 1,316m, down PLN 59m (-4%) year on year. The segment's EBITDA was PLN 1,941m, up PLN 100m (or 5%) on H1 2013. The segment's revenue grew by PLN 714m (26%) year on year, to PLN 3,426m, driven chiefly by a 46% year-on-year increase in sales volumes of crude, mainly from the Skarv field (Norway). Operating expenses in the Exploration and Production segment increased by PLN 773m (58%) chiefly on the back of impairment losses of PLN 343m on exploration and production assets recognised in H1 2014, related to using the market price of gas to calculate future cash flows for the purposes of impairment testing, instead of using the tariff price, as was the case previously. The calculation method was revised as a result of changes in the natural gas market, including in particular deregulation of gas prices and introduction of the statutory requirement to sell gas on the exchange market. In addition, based on the analysis of the Group's licences and the effectiveness of its exploration programme, the Group charged PLN 198m of expenditure incurred on dry wells and seismic data acquisition to the segment's expenses in the reporting period. A year-on-year increase of PLN 159m (34%) in amortisation and depreciation is related to the Norwegian assets and follows directly from increase in crude oil production.

Distribution

The Distribution segment's operating profit in H1 2014 increased 7% year on year, to PLN 682m, while EBITDA came in at PLN 1,113m, up by PLN 55m year on year. The segment's performance was affected by higher average air temperatures in the period (up by 2°C compared with the same period last year), as a result of which the volume of distributed gas decreased by 12%, with operating expenses down PLN 33m (or -2%).

Generation

In H1 2014, the Generation segment's revenue was PLN 1,035m, down 8% year on year. A similar decline was recorded in the segment's expenses, which went down by about 9% year on year. Consequently, the segment's operating profit fell slightly, to PLN 133m, compared with PLN 143m a year earlier. These figures were attributable to higher air temperatures in the period (up by over 4°C in Q1 and nearly 2°C in H1), which resulted in a year-on-year decrease in the sales volumes of heat and co-generated electricity (down 14.5% and 4.7%, respectively).

8. Seasonality or cyclicality 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.

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 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.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 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 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., Société Générale 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 June 30th 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 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. The first tranche of PGNiG Finance AB securities under the Programme, comprising PLN 500m five-year Euronotes, was issued on February 10th 2012. As at June 30th 2014, debt outstanding under the Euronotes was PLN 2,080.5m (translated at the mid rate quoted by the National Bank of Poland for June 30th 2014).

- On May 22nd 2012, the Parent executed an agreement for the arrangement of a PLN 4,500m Notes Programme with Bank Pekao S.A. and ING Bank Śląski S.A. On July 30th 2012, 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, PGNiG S.A. did not issue any notes under the Programme. As at June 30th 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 for up to PLN 1,500m. The Programme expires on December 29th 2017. PGNiG Termika S.A.'s debt outstanding under the notes as at June 30th 2014 was PLN 70m and was attributable to coupon notes issued on July 8th 2013 and maturing on July 8th 2014.

16.Dividend paid or declared

On May 15th 2014, the Annual General Meeting of PGNiG made a decision to distribute PLN 885m as dividend from net profit earned in 2013. This would translate into dividend per share of PLN 0.15. The dividend record date and the dividend payment date were set for August 14th 2014 and September 4th 2014, respectively.

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.

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

On July 9th 2013, PGNiG trade unions entered into a collective dispute with the PGNiG Management Board ("Employer") after the Employer had rejected demands put forward by the PGNiG trade unions on July 9th 2014.

The collective dispute relates to the Employer's refusal to grant the following demands:

- to set the remuneration growth rate for 2014 at 5.59% per year;
- to increase the value of vouchers to PLN 2 thousand per year;
- to revoke the termination of Agreements on Annual Bonus of March 27th 2013 and June 24th 2013.

Given the economic situation in Poland and the Company's current standing, and in view of the ongoing PGNiG Group Efficiency Improvement Programme, the Management Board decided not to grant the demands put forward by the PGNiG trade unions.

The Management Board also declared that it would make every effort to resolve this dispute taking into account the Company's financial capacity.

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

Contingent receivables

	As at Jun 30 2014	As at 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	337	283
promissory notes received	159	129
other contingent assets	148	194
Total contingent receivables from other entities	**644**	**606**
Total contingent assets	**825**	**787**

Contingent liabilities

	As at Jun 30 2014	As at Dec 31 2013
To other entities		
guarantees and sureties issued*	10,641	9,952
promissory notes issued	703	782
other contingent liabilities	64	1
Total contingent liabilities to other entities	**11,408**	**10,735**
Total contingent liabilities	**11,408**	**10,735**

* Contingent liabilities in foreign currencies translated at exchange rates quoted by the National Bank of Poland for June 30th 2014.

The increase in contingent receivables in H1 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 168m (PLN 701m, translated at the exchange rate quoted by the National Bank of Poland for June 30th 2014). In addition, the weakening of the złoty against the euro in H1 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 21m, translated at the exchange rate quoted by the National Bank of Poland for June 30th 2014) and a performance bond provided to the Government of Norway in respect of subsidiary PGNiG Upstream International AS (up by PLN 9m).

19.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 June 30th 2014, Ms Agnieszka Trzaskalska resigned as member of the PGNiG Supervisory Board with effect from that date.

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 2014, 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 2014 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	Jerzy Kurella	
Vice-President of the Management Board	Zbigniew Skrzypkiewicz	
Member of the Management Board	Waldemar Wójcik	

Warsaw, July 31st 2014