PGNiG

Polskie Górnictwo Naftowe i Gazownictwo SA

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR Q3 ENDED SEPTEMBER 30TH 2014

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 3 / 2014

quarter / year

(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 third quarter of the 2014 financial year, covering the period from **January 1st** to **September 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).

November 7th 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		EURm	
	9 months ended Sep 30 2014	9 months ended Sep 30 2013	9 months ended Sep 30 2014	9 months ended Sep 30 2013
Revenue	22,819	22,943	5,459	5,433
Operating profit/(loss)	3,084	3,055	738	723
Profit/(loss) before tax	2,869	2,709	686	641
Net profit/(loss) attributable to owners of the parent	2,135	2,079	511	492
Net profit/(loss)	2,136	2,082	511	493
Comprehensive income attributable to owners of the parent	2,120	2,107	507	499
Total comprehensive income	2,121	2,110	507	500
Net cash flows from operating activities	4,424	5,292	1,058	1,253
Net cash flows from investing activities	(1,894)	(2,195)	(453)	(520)
Net cash flows from financing activities	(1,534)	(3,147)	(367)	(745)
Net change in cash	996	(50)	238	(12)
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares of the parent (in PLN and EUR)	0.36	0.35	0.09	0.08
	As at Sep 30 2014	As at Dec 31 2013	As at Sep 30 2014	As at Dec 31 2013
Total assets	48,642	48,384	11,649	11,667
Total liabilities	18,953	19,931	4,539	4,806
Total non-current liabilities	12,166	12,093	2,914	2,916
Total current liabilities	6,787	7,838	1,625	1,890
Total equity	29,689	28,453	7,110	6,861
Share capital	5,900	5,900	1,413	1,423
Weighted average number of shares (million)	5,900	5,900	5,900	5,900
Book value per share and diluted book value per share (in PLN and EUR)	5.03	4.82	1.21	1.16

Interim condensed separate financial data	PLNm		EURm	
	9 months ended Sep 30 2014	9 months ended Sep 30 2013	9 months ended Sep 30 2014	9 months ended Sep 30 2013
Revenue	17,729	19,768	4,241	4,681
Operating profit/(loss)	1,406	2,018	336	478
Profit/(loss) before tax	1,998	2,416	478	572
Net profit/(loss)	1,723	2,032	412	481
Total comprehensive income	1,675	2,060	401	488
Net cash flows from operating activities	1,487	2,976	356	705
Net cash flows from investing activities	(68)	(680)	(16)	(161)
Net cash flows from financing activities	(1,145)	(2,364)	(274)	(560)
Net change in cash	274	(68)	66	(16)
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares (in PLN and EUR)	0.29	0.34	0.07	0.08
	As at Sep 30 2014	As at Dec 31 2013	As at Sep 30 2014	As at Dec 31 2013
Total assets	35,218	35,424	8,434	8,541
Total liabilities	11,459	12,455	2,744	3,003
Total non-current liabilities	7,197	7,023	1,723	1,693
Total current liabilities	4,262	5,432	1,021	1,310
Equity	23,759	22,969	5,690	5,538
Share capital	5,900	5,900	1,413	1,423
Weighted average number of shares (million)	5,900	5,900	5,900	5,900
Book value per share and diluted book value per share (in PLN and EUR)	4.03	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

	Sep 30 2014	Sep 30 2013	Dec 31 2013
Average exchange rate in the period	4.1803	4.2231	4.2110
Exchange rate at end of the period	4.1755	4.2163	4.1472

TABLE OF CONTENTS

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

	3 months ended Sep 30 2014	9 months ended Sep 30 2014	3 months ended Sep 30 2013	9 months ended Sep 30 2013
			restated	restated
	unaudited	unaudited	unaudited	unaudited
Revenue	**6,436**	**22,819**	**6,203**	**22,943**
Raw material and consumables used	(3,777)	(13,286)	(3,540)	(14,378)
Employee benefits	(631)	(2,004)	(697)	(2,115)
Depreciation and amortisation	(604)	(1,902)	(591)	(1,753)
Services	(625)	(2,025)	(612)	(1,892)
Work performed by the entity and capitalised	292	667	240	664
Other income and expenses	(176)	(1,185)	(122)	(414)
Total operating expenses	**(5,521)**	**(19,735)**	**(5,322)**	**(19,888)**
Operating profit/(loss)	**915**	**3,084**	**881**	**3,055**
Finance income	22	68	(74)	76
Finance costs	(131)	(283)	(3)	(386)
Share in net profit/(loss) of equity-accounted entities	-	-	6	(36)
Profit/(loss) before tax	**806**	**2,869**	**810**	**2,709**
Income tax	(190)	(733)	(156)	(627)
Net profit/(loss)	**616**	**2,136**	**654**	**2,082**
Attributable to:				
Owners of the parent	616	2,135	654	2,079
Non-controlling interests	-	1	-	3
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares of the parent (PLN)	0.10	0.36	0.11	0.35

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended Sep 30 2014	9 months ended Sep 30 2014	3 months ended Sep 30 2013	9 months ended Sep 30 2013
			restated	restated
	unaudited	unaudited	unaudited	unaudited
Net profit/(loss)	**616**	**2,136**	**654**	**2,082**
Other comprehensive income that will be reclassified to profit or loss if specific conditions are met, relating to:	**192**	**(4)**	**(100)**	**34**
Exchange differences on translating foreign operations	37	52	(44)	(6)
Hedge accounting	191	(69)	(68)	50
Deferred tax	(36)	13	12	(10)
Other comprehensive income that will not be reclassified to profit or loss, relating to:	**-**	**(11)**	**-**	**(6)**
Actuarial gains/(losses) on employee benefits	-	(13)	-	(7)
Deferred tax	-	2	-	1
Other comprehensive income, net	**192**	**(15)**	**(100)**	**28**
Total comprehensive income	**808**	**2,121**	**554**	**2,110**
Attributable to:				
Owners of the parent	808	2,120	554	2,107
Non-controlling interests	-	1	-	3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at Sep 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	32,722	33,033	33,784
Investment property	9	9	11
Intangible assets	1,123	1,164	1,146
Investments in equity-accounted associates	728	727	771
Financial assets available for sale	47	51	48
Other financial assets	196	191	124
Deferred tax assets	2,092	2,233	2,383
Other non-current assets	84	71	76
Total non-current assets	**37,001**	**37,479**	**38,343**
Current assets			
Inventories	4,314	3,378	3,064
Trade and other receivables	2,919	4,086	5,374
Current tax assets	2	48	150
Other assets	255	171	84
Derivative financial instrument assets	192	307	105
Cash and cash equivalents	3,823	2,827	1,948
Assets held for sale	136	88	108
Total current assets	**11,641**	**10,905**	**10,833**
Total assets	**48,642**	**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	(64)	(49)	(152)
Retained earnings/(deficit)	22,105	20,856	19,705
Equity attributable to owners of the parent	**29,681**	**28,447**	**27,193**
Equity attributable to non-controlling interests	8	6	4
Total equity	**29,689**	**28,453**	**27,197**
Non-current liabilities			
Borrowings and other debt instruments	5,145	5,385	5,509
Employee benefit obligations	556	502	381
Provisions	1,579	1,405	1,792
Deferred income	1,573	1,533	1,448
Deferred tax liabilities	3,244	3,210	3,183
Other non-current liabilities	69	58	53
Total non-current liabilities	**12,166**	**12,093**	**12,366**
Current liabilities			
Trade and other payables	3,197	4,033	3,667
Borrowings and other debt instruments	2,105	2,276	4,702
Derivative financial instrument liabilities	311	124	393
Current tax liabilities	126	184	24
Employee benefit obligations	229	375	356
Provisions	595	645	350
Deferred income	224	186	101
Liabilities associated with assets held for sale	-	15	20
Total current liabilities	**6,787**	**7,838**	**9,613**
Total liabilities	**18,953**	**19,931**	**21,979**
Total liabilities and equity	**48,642**	**48,384**	**49,176**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
		restated
	unaudited	unaudited
Cash flows from operating activities		
Net profit/(loss)	2,136	2,082
Adjustments:		
Share in net profit/(loss) of equity-accounted entities	-	36
Depreciation and amortisation	1,902	1,753
Net foreign exchange gains/(losses)	70	102
Net interest and dividend	81	175
Gain/(loss) on investing activities	331	(127)
Current tax expense	733	627
Other items, net	287	45
Income tax paid	(553)	(361)
Cash flows from operating activities before change in working capital	**4,987**	**4,332**
Change in working capital:		
Change in receivables	1,191	2,047
Change in inventories	(936)	(850)
Change in employee benefit obligations	(93)	(40)
Change in provisions	(12)	117
Change in current liabilities	(613)	(291)
Change in other assets	(82)	(204)
Change in deferred income	(18)	181
Net cash flows from operating activities	**4,424**	**5,292**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	21	116
Proceeds from disposal of shares in unrelated entities	1	1
Purchase of property, plant and equipment and intangible assets	(1,983)	(2,307)
Purchase of shares in related entities	(1)	-
Interest received	4	-
Dividends received	2	3
Other items, net	62	(8)
Net cash flows from investing activities	**(1,894)**	**(2,195)**
Cash flows from financing activities		
Increase in borrowings	199	356
Proceeds from issue of debt securities	1,585	1,256
Repayment of borrowings	(963)	(458)
Repayment of debt securities	(1,279)	(4,022)
Payment of finance lease liabilities	(39)	(36)
Cash inflow from derivative financial instruments	84	83
Cash outflow on derivative financial instruments	(74)	(91)
Dividend paid	(885)	-
Interest paid	(157)	(211)
Other items, net	(5)	(24)
Net cash flows from financing activities	**(1,534)**	**(3,147)**
Net change in cash	**996**	**(50)**
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	**3,822**	**1,897**

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**
Transferred	-	-	-	-	-	(1)	**(1)**	1	**-**
Dividend	-	-	-	-	-	(885)	**(885)**	-	**(885)**
Total comprehensive income	**-**	**-**	**52**	**(56)**	**(11)**	**2,135**	**2,120**	**1**	**2,121**
Net profit/(loss)	-	-	-	-	-	2,135	**2,135**	1	**2,136**
Other comprehensive income, net	-	-	52	(56)	(11)	-	**(15)**	-	**(15)**
As at Sep 30 2014 (unaudited)	**5,900**	**1,740**	**(32)**	**(57)**	**25**	**22,105**	**29,681**	**8**	**29,689**
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	**-**	**-**	**(6)**	**40**	**(6)**	**2,079**	**2,107**	**3**	**2,110**
Net profit/(loss)	-	-	-	-	-	2,079	**2,079**	3	**2,082**
Other comprehensive income, net	-	-	(6)	40	(6)	-	**28**	-	**28**
As at Sep 30 2013 (unaudited)	**5,900**	**1,740**	**(37)**	**(19)**	**(68)**	**21,017**	**28,533**	**7**	**28,540**

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	57	20
Decrease	(256)	(37)
Exchange differences on translating deferred tax attributable to foreign operations	55	48
Reclassification to/from assets held for sale	3	3
As at Sep 30 2014	**2,092**	**3,244**
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)	-
Reclassification of deferred tax between assets and liabilities	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	722	5	-	14	2	149	784	4	**1,680**
Transferred	11	-	(7)	-	(4)	-	-	-	**-**
Used/reversed	(431)	(1)	(2)	-	-	(144)	(675)	1	**(1,252)**
Currency translation differences	25	3	-	-	-	1	-	-	**29**
As at Sep 30 2014	**2,005**	**44**	**6**	**848**	**43**	**41**	**769**	**36**	**3,792**
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	196	-	-	10	14	156	50	**426**
Used/reversed	(47)	-	-	(9)	(13)	(134)	(106)	**(309)**
Currency translation differences	5	-	-	-	1	-	1	**7**
As at Sep 30 2014	**1,408**	**60**	**87**	**82**	**155**	**156**	**226**	**2,174**
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

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
High-methane gas	16,394	17,156
Nitrogen-rich gas	984	1,039
Crude oil and natural gasoline	2,112	1,680
Helium	102	135
NGL	95	73
Electricity	1,251	889
Heat	699	732
Geophysical and geological services	219	179
Drilling and well services	356	432
Construction and installation services	113	174
Connection charge	75	65
Other sales	419	389
Total	**22,819**	**22,943**

5. Operating expenses

5.1. Raw material and consumables used

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
Cost of gas sold	(11,495)	(12,812)
Fuels for electricity and heat generation	(515)	(633)
Electricity for trading	(830)	(439)
Other raw material and consumables used	(446)	(494)
Total	**(13,286)**	**(14,378)**

5.2. Services

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
Transmission services	(804)	(823)
Cost of dry wells written off	(157)	(88)
Other services	(1,064)	(981)
Total	**(2,025)**	**(1,892)**

5.3. Other income and expenses

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
Compensations, penalties, fines received	26	146
Other income	129	153
Net exchange differences related to operating activities	93	(206)
Net gain/(loss) on derivative instruments related to operating activities	(287)	86
Change in products	135	91
Change in impairment losses	(351)	160
Change in provisions	(152)	(110)
Taxes and charges	(530)	(485)
Other expenses	(248)	(249)
Total	**(1,185)**	**(414)**

6. Finance income and costs

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
Finance income	**68**	**76**
Gain on measurement and realisation of derivative financial instruments	-	18
Interest income	63	54
Dividends and other profit distributions	3	3
Other finance income	2	1
Finance costs	**(283)**	**(386)**
Loss on measurement and realisation of derivative financial instruments	(59)	-
Interest expense	(155)	(211)
Foreign exchange losses	(44)	(147)
Commission fees paid on bank borrowings	(13)	(20)
Cost of guarantees	(2)	(3)
Other finance costs	(10)	(5)
Net finance income/(cost)	**(215)**	**(310)**

7. Income tax expense

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
Profit/(loss) before tax	2,869	2,709
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	(545)	(515)
Permanent differences between profit/(loss) before tax and taxable income and the difference in tax rates	(188)	(112)
Tax expense in the consolidated income statement	**(733)**	**(627)**
Current tax expense	(535)	(552)
Deferred tax expense	(198)	(75)
Effective tax rate	26%	23%

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 Sep 30 2014	As at Dec 31 2013
Land	71	77
Buildings and structures	16,931	17,188
Plant and equipment	8,123	8,663
Vehicles and other	1,196	1,213
Total tangible assets	**26,321**	**27,141**
Tangible exploration and evaluation assets under construction	2,274	2,102
Other tangible assets under construction	4,127	3,790
Total property, plant and equipment	**32,722**	**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–September 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 Q1–Q3 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.

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
Net gain/(loss) on valuation of derivative financial instruments – unrealised	(208)	194
Net gain/(loss) on valuation of derivative financial instruments – realised	(408)	(120)
Total net gain/(loss) on valuation of derivative financial instruments recognised in profit or loss	**(616)**	**74**
including:		
recognised in raw material and consumables used	(270)	(30)
recognised in other income and expenses	(287)	86
recognised in finance income or costs	(59)	18
Net gain/(loss) on valuation of derivative financial instruments recognised in other comprehensive income -– unrealised	**(69)**	**50**
Total net gain/(loss) on valuation of derivative financial instruments – recognised in equity	**(685)**	**124**

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

Hedged item	Par value in currency	Currency / asset	Maturity date	Exercise price (exercise price range)	Measurement at fair value As at Sep 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	126	108	currency exchange rate and interest rate
loan	730	NOK	3–12 months	0.5595	26	35	currency exchange rate and interest rate
loan	4,350	NOK	1–3 years	0.5033	(115)	(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
					37	**168**	
Interest Rate Swap							
loan	1,500	PLN	more than 3 years	-	(97)	(23)	interest rate
					(97)	**(23)**	
Forward							
CO_2 emission allowances	3	EUR	1–3 months	4.2660	-	-	currency exchange rate
payments for gas	78	USD	1–3 months	3.2526	4	-	currency exchange rate
payments for gas	30	USD	1–3 months	3.3129	-	-	currency exchange rate
trading activities	1	electricity	1–3 months	153.0600	14	-	energy prices
trading activities	1	electricity	1–3 months	157.1400	(14)	-	energy prices

trading activities	1	electricity	3–12 months	167.3800	5	-	energy prices
trading activities	1	electricity	3–12 months	169.4700	(5)	-	energy prices
trading activities	0.20	electricity	1–3 years	167.2600	1	-	energy prices
trading activities	0.20	electricity	1–3 years	171.0000	(1)	-	energy prices
payments for gas	18	EUR	1–3 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
					3	**(31)**	
			Futures				
trading activities	1	electricity	1–3 months	151.3070	-	7	energy prices
trading activities	1	electricity	1–3 months	151.3070	-	(3)	energy prices
trading activities	10	electricity	3–12 months	151.8480	-	8	energy prices
trading activities	10	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	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	6	EUR	1–3 months	4.3320	-	-	foreign exchange risk
payments for gas	84	EUR	1–3 months	4.2981	-	-	foreign exchange risk
payments for gas	100	USD	1–3 months	3.1959	12	-	foreign exchange risk
payments for gas	20	USD	3–12 months	3.3800	1	-	foreign exchange risk
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
					13	**12**	
		Commodity call options					
payments for gas	0.098	Asian commodity call option	1–3 months	636.30	-	-	commodity prices
payments for gas	0.217	Asian commodity call option	3–12 months	625.88	-	-	commodity prices
payments for gas	0.049	Asian commodity call option	1–3 months	961.83	-	-	commodity prices
payments for gas	0.122	Asian commodity call option	3–12 months	937.06	-	-	commodity prices
payments for gas	4.180	Asian commodity call option	1–3 months	25.75	2	-	commodity prices
payments for gas	0.520	Asian commodity call option	3–12 months	25.99	-	-	commodity prices
payments for gas	0.025	Asian commodity put option	1–3 months	557.50	-	-	commodity prices
payments for gas	0.011	Asian commodity put option	1–3 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
					2	**40**	
		Put commodity options					
payments for gas	0.109	GO	3–12 months	826.80	-	-	commodity prices
					-	**-**	

		Commodity swap					
payments for gas	0.085	Commodity swap	1–3 months	602.18	1	-	commodity prices
payments for gas	0.087	Commodity swap	3–12 months	598.25	(5)	-	commodity prices
payments for gas	0.042	Commodity swap	1–3 months	896.29	(1)	-	commodity prices
payments for gas	0.052	Commodity swap	3–12 months	896.24	(7)	-	commodity prices
payments for gas	0.130	Commodity swap	1–3 months	23.91	-	-	commodity prices
payments for gas	4.560	Commodity swap	1–3 months	25.58	(64)	-	commodity prices
payments for gas	0.130	Commodity swap	3–12 months	23.91	1	-	commodity prices
payments for gas	0.780	Commodity swap	3–12 months	25.56	(2)	-	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
					(77)	**16**	
			Total		**(119)**	**183**	
		including:	- positive valuation (assets)		**192**	**307**	
			- negative valuation (liabilities)		**(311)**	**(124)**	

GO – Gasoil
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 September 30th 2014 and September 30th 2013.

Period ended Sep 30 2014	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Eliminations	Total
Income statement							
Sales to third-party customers	3,486	18,287	165	743	138	-	22,819
Inter-segment sales	1,373	319	3,060	583	97	(5,432)	-
Segment's total revenue	4,859	18,606	3,225	1,326	235	(5,432)	22,819
Depreciation and amortisation	(902)	(116)	(647)	(223)	(15)	1	(1,902)
Other costs	(1,924)	(18,324)	(1,740)	(1,017)	(271)	5,443	(17,833)
Segment's total costs	(2,826)	(18,440)	(2,387)	(1,240)	(286)	5,444	(19,735)
Operating profit/(loss)	**2,033**	**166**	**838**	**86**	**(51)**	**12**	**3,084**
Net finance costs							(215)
Share in net profit/(loss) of equity-accounted entities		-					-
Profit/(loss) before tax							**2,869**
Income tax							(733)
Net profit/(loss)							**2,136**
STATEMENT OF FINANCIAL POSITION							
Segment's assets	15,076	18,225	13,598	3,974	323	(5,613)	45,583
Investments in equity-accounted entities		728					728
Unallocated assets							239
Deferred tax assets							2,092
Total assets							**48,642**
Total equity							29,689
Segment's liabilities	4,987	3,904	2,353	1,930	150	(5,304)	8,020
Unallocated liabilities							7,689
Deferred tax liabilities							3,244
Total liabilities and equity							**48,642**
Other information							
Capital expenditure on property, plant and equipment and intangible assets	(837)	(149)	(806)	(164)	(8)	(19)	**(1,983)**
Impairment losses on assets	(1,984)	(1,592)	(117)	(32)	(21)	1	**(3,745)**
Impairment losses on unallocated assets							**(47)**

Period ended Sep 30 2013	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Eliminations	Total
Income statement							
Sales to third-party customers	3,070	18,402	115	1,140	216	-	22,943
Inter-segment sales	1,187	270	3,021	305	77	(4,860)	-
Segment’s total revenue	4,257	18,672	3,136	1,445	293	(4,860)	22,943
Depreciation and amortisation	(720)	(131)	(636)	(250)	(16)	-	(1,753)
Other costs	(1,333)	(18,434)	(1,773)	(1,098)	(299)	4,802	(18,135)
Segment’s total costs	(2,053)	(18,565)	(2,409)	(1,348)	(315)	4,802	(19,888)
Operating profit/(loss)	**2,204**	**107**	**727**	**97**	**(22)**	**(58)**	**3,055**
Net finance costs							(310)
Share in net profit/(loss) of equity-accounted entities		(36)					(36)
Profit/(loss) before tax							**2,709**
Income tax							(627)
Net profit/(loss)							**2,082**
STATEMENT OF FINANCIAL POSITION							
Segment’s assets	16,429	16,865	13,780	3,961	437	(6,689)	44,783
Investments in equity-accounted entities		736					736
Unallocated assets							311
Deferred tax assets							2,283
Total assets							**48,113**
Total equity							28,539
Segment’s liabilities	5,752	4,402	2,655	1,898	165	(6,285)	8,587
Unallocated liabilities							7,792
Deferred tax liabilities							3,195
Total liabilities and equity							**48,113**
Other information							
Capital expenditure on property, plant and equipment and intangible assets	(1,261)	(156)	(810)	(98)	(11)	29	**(2,307)**
Impairment losses on assets	(1,021)	(1,516)	(100)	(35)	(9)	3	**(2,678)**
Impairment losses on unallocated assets							**(42)**

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 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

	9 months ended Sep 30 2013 before the change	Change in presentation of gas fuel transmission costs	Change in presentation of joint-operation transactions	9 months ended Sep 30 2013 after the change
Revenue	**23,003**	**-**	**(60)**	**22,943**
Raw material and consumables used	(14,106)	(272)	-	(14,378)
Employee benefits	(2,115)	-	-	(2,115)
Depreciation and amortisation	(1,753)	-	-	(1,753)
Services	(2,224)	272	60	(1,892)
Work performed by the entity and capitalised	664	-	-	664
Other income and expenses	(414)	-	-	(414)
Total operating expenses	**(19,948)**	**-**	**60**	**(19,888)**
Operating profit/(loss)	**3,055**	**-**	**-**	**3,055**
Finance income	76	-	-	76
Finance costs	(386)	-	-	(386)
Share in net profit/(loss) of equity-accounted entities	(36)	-	-	(36)
Profit/(loss) before tax	**2,709**	**-**	**-**	**2,709**
Income tax	(627)	-	-	(627)
Net profit/(loss)	**2,082**	**-**	**-**	**2,082**

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

	9 months ended Sep 30 2013 before the change	Reclassification of capitalised interest repayment	9 months ended Sep 30 2013 after the change
Net cash flows from operating activities	**5,292**	**-**	**5,292**
Net cash flows from investing activities	**(2,195)**	**-**	**(2,195)**
Net cash flows from financing activities	**(3,147)**	-	**(3,147)**
including:			
Repayment of borrowings	(461)	3	(458)
Repayment of debt securities	(4,067)	45	(4,022)
Payment of finance lease liabilities	(41)	5	(36)
Interest paid	(158)	(53)	(211)
Net change in cash	**(50)**	**-**	**(50)**
Cash and cash equivalents at beginning of the period	**1,947**	**-**	**1,947**
Cash and cash equivalents at end of the period	**1,897**	**-**	**1,897**

II. INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

CONDENSED SEPARATE INCOME STATEMENT

	3 months ended Sep 30 2014	9 months ended Sep 30 2014	3 months ended Sep 30 2013	9 months ended Sep 30 2013
	unaudited	unaudited	restated	restated
Revenue	**4,040**	**17,729**	**5,264**	**19,768**
Raw material and consumables used	(2,642)	(10,863)	(2,921)	(12,365)
Employee benefits	(157)	(565)	(250)	(636)
Depreciation and amortisation	(170)	(523)	(186)	(539)
Services	(642)	(3,567)	(1,161)	(4,129)
Work performed by the entity and capitalised	2	7	-	7
Other income and expenses	13	(812)	(36)	(88)
Total operating expenses	**(3,596)**	**(16,323)**	**(4,554)**	**(17,750)**
Operating profit/(loss)	**444**	**1,406**	**710**	**2,018**
Finance income	174	895	210	858
Finance costs	(175)	(303)	(180)	(460)
Profit/(loss) before tax	**443**	**1,998**	**740**	**2,416**
Income tax	(86)	(275)	(130)	(384)
Net profit/(loss)	**357**	**1,723**	**610**	**2,032**
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares (PLN)	0.06	0.29	0.10	0.34

CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	3 months ended Sep 30 2014	9 months ended Sep 30 2014	3 months ended Sep 30 2013	9 months ended Sep 30 2013
	unaudited	unaudited	restated	restated
Net profit/(loss)	**357**	**1,723**	**610**	**2,032**
Other comprehensive income that will be reclassified to profit or loss if specific conditions are met, relating to:	**170**	**(46)**	**(76)**	**30**
Exchange differences on translating foreign operations	15	10	(20)	(10)
Hedge accounting	191	(69)	(68)	50
Deferred tax	(36)	13	12	(10)
Other comprehensive income that will not be reclassified to profit or loss, relating to:	**-**	**(2)**	**-**	**(2)**
Actuarial gains/(losses) on employee benefits	-	(3)	-	(3)
Deferred tax	-	1	-	1
Other comprehensive income, net	**170**	**(48)**	**(76)**	**28**
Total comprehensive income	**527**	**1,675**	**534**	**2,060**

CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION

	As at Sep 30 2014	As at Dec 31 2013
	unaudited	audited
ASSETS		
Non-current assets		
Property, plant and equipment	13,611	13,775
Investment property	1	1
Intangible assets	270	282
Financial assets available for sale	8,613	7,796
Other financial assets	4,563	4,668
Deferred tax assets	402	380
Other non-current assets	57	44
Total non-current assets	**27,517**	**26,946**
Current assets		
Inventories	3,576	2,707
Trade and other receivables	1,835	3,695
Other assets	50	18
Derivative financial instrument assets	192	307
Cash and cash equivalents	2,046	1,683
Assets held for sale	**2**	**68**
Total current assets	**7,701**	**8,478**
Total assets	**35,218**	**35,424**
LIABILITIES AND EQUITY		
Equity		
Share capital	5,900	5,900
Share premium	1,740	1,740
Accumulated other comprehensive income	(34)	14
Retained earnings/(deficit)	16,153	15,315
Total equity	**23,759**	**22,969**
Non-current liabilities		
Borrowings and other debt instruments	4,455	4,432
Employee benefit obligations	122	154
Provisions	1,307	1,156
Deferred income	675	621
Deferred tax liabilities	576	609
Other non-current liabilities	62	51
Total non-current liabilities	**7,197**	**7,023**
Current liabilities		
Trade and other payables	1,794	2,888
Borrowings and other debt instruments	1,579	1,691
Derivative financial instrument liabilities	311	123
Current tax liabilities	123	175
Employee benefit obligations	30	117
Provisions	424	434
Deferred income	1	4
Total current liabilities	**4,262**	**5,432**
Total liabilities	**11,459**	**12,455**
Total liabilities and equity	**35,218**	**35,424**

CONDENSED SEPARATE STATEMENT OF CASH FLOWS

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
	unaudited	restated
Cash flows from operating activities		
Net profit/(loss)	1,723	2,032
Adjustments:		
Depreciation and amortisation	523	539
Net foreign exchange gains/(losses)	(84)	287
Net interest and dividend paid	(708)	(392)
Gain/(loss) on investing activities	347	(124)
Current tax expense	275	384
Other items, net	446	(216)
Income tax paid	(428)	(186)
Cash flows from operating activities before change in working capital	**2,094**	**2,324**
Change in working capital:		
Change in receivables	1,267	2,062
Change in inventories	(869)	(773)
Change in employee benefit obligations	(64)	(74)
Change in provisions	6	96
Change in current liabilities	(911)	(624)
Change in other assets	(32)	(31)
Change in deferred income	(4)	(4)
Net cash flows from operating activities	**1,487**	**2,976**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	9	98
Proceeds from disposals of shares in other entities	-	1
Purchase of property, plant and equipment and intangible assets	(238)	(526)
Payments for tangible exploration and evaluation assets under construction	(598)	(529)
Purchase of shares in related entities	(379)	(914)
Decrease in loans advanced	502	1,128
Loans advanced	(193)	(390)
Cash inflow from derivative financial instruments	162	110
Cash outflow on derivative financial instruments	(165)	(131)
Interest received	86	90
Dividends received	528	342
Proceeds from finance leases	13	35
Other items, net	205	6
Net cash flows from investing activities	**(68)**	**(680)**
Cash flows from financing activities		
Proceeds from issue of debt securities	1,396	1,451
Repayment of debt securities	(1,501)	(3,583)
Cash inflow from derivative financial instruments	84	83
Cash outflow on derivative financial instruments	(74)	(91)
Dividend paid	(885)	-
Interest paid	(162)	(231)
Other items, net	(3)	7
Net cash flows from financing activities	**(1,145)**	**(2,364)**
Net change in cash	**274**	**(68)**
Exchange differences on cash and cash equivalents	2	-
Cash from/(used in) cash pooling activities	87	-
Cash and cash equivalents at beginning of the period	**1,683**	**1,043**
Cash and cash equivalents at end of the period	**1,957**	**975**

On July 16th 2014, a cash pooling agreement was executed for an indefinite term between Pekao S.A. and the following companies: PGNiG S.A., Polska Spółka Gazownictwa Sp. z o.o., Exalo Drilling S.A., PGNiG Technologie S.A., Geofizyka Kraków S.A., Operator Systemu Magazynowego Sp. z o.o., and PGNiG Serwis Sp. z o.o. On August 1st 2014, Geofizyka Toruń S.A. acceded to the agreement. As the cash flows under the cash pooling transactions serve primarily to manage the Group's current financial liquidity, they are presented in the statement of cash flows as an adjustment to cash under "Cash from/(used in) cash pooling activities".

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	**-**	**-**	**10**	**(56)**	**(2)**	**1,723**	**1,675**
Net profit/(loss) for Q1–Q3 2014	-	-	-	-	-	1,723	**1,723**
Other comprehensive income, net, for Q1–Q3 2014	-	-	10	(56)	(2)	-	**(48)**
As at Sep 30 2014 (unaudited)	**5,900**	**1,740**	**4**	**(57)**	**18**	**16,153**	**23,759**
As at Jan 1 2013 (restated)	**5,900**	**1,740**	**-**	**(59)**	**(7)**	**14,393**	**21,967**
Dividend	-	-	-	-	-	(767)	**(767)**
Total comprehensive income	**-**	**-**	**(10)**	**40**	**(2)**	**2,032**	**2,060**
Net profit/(loss) for Q1–Q3 2013	-	-	-	-	-	2,032	**2,032**
Other comprehensive income, net, for Q1–Q3 2013	-	-	(10)	40	(2)	-	**28**
As at Sep 30 2013 (unaudited)	**5,900**	**1,740**	**(10)**	**(19)**	**(9)**	**15,658**	**23,260**

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	77	17
Decrease	(55)	(50)
As at Sep 30 2014	**402**	**576**
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	695	-	365	142	394	4	**1,600**
Transferred	-	(14)	14	-	-	-	**-**
Used/reversed	(399)	-	-	(143)	(623)	1	**(1,164)**
As at Sep 30 2014	**1,666**	**5**	**2,455**	**4**	**295**	**36**	**4,461**
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	196	-	-	1	14	141	14	**366**
Used/reversed	(46)	-	-	-	(13)	(134)	(32)	**(225)**
As at Sep 30 2014	**1,284**	**60**	**41**	**16**	**154**	**141**	**35**	**1,731**
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

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
High-methane gas	13,664	15,955
Nitrogen-rich gas	999	1,043
Crude oil and natural gasoline	1,387	1,505
Helium	102	134
Propane-butane gas	60	52
LNG	43	44
Electricity	880	474
Entitlement to operate storage facilities	459	415
CO_2 emission allowances	37	64
Merchandise and materials	6	8
Other sales of products and services	92	74
Total	**17,729**	**19,768**

5. Operating expenses

5.1. Raw material and consumables used

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
Cost of gas sold	(9,911)	(11,801)
Electricity for trading	(895)	(503)
Other raw material and consumables used	(57)	(61)
Total	**(10,863)**	**(12,365)**

5.2. Services

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
Purchase of transmission, distribution, and storage services	(3,044)	(3,695)
Cost of dry wells written off	(124)	(89)
Costs of seismic surveys written off	(41)	-
Other services	(358)	(345)
Total	**(3,567)**	**(4,129)**

5.3. Other income and expenses

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
Change in impairment losses	(337)	160
Change in provisions	(143)	(99)
Taxes and charges	(160)	(140)
Foreign exchange differences	3	21
Derivative instruments	(188)	(170)
Compensation, penalties, fines, etc. received	4	120
Other	9	20
Total	**(812)**	**(88)**

6. Finance income and costs

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
Finance income	**895**	**858**
Gain on measurement and realisation of derivative financial instruments	-	289
Interest income	282	218
Foreign exchange gains	80	-
Dividends and other profit distributions	530	344
Other finance income	3	7
Finance costs	**(303)**	**(460)**
Loss on measurement and realisation of derivative financial instruments	(159)	-
Interest expense	(99)	(150)
Foreign exchange losses	-	(288)
Revaluation of investments	(27)	-
Commission fees paid on bank borrowings	(11)	(16)
Costs of guarantees received	(2)	(2)
Other finance costs	(5)	(4)
Net finance income/(cost)	**592**	**398**

7. Income tax expense

	9 months ended Sep 30 2014	9 months ended Sep 30 2013
Profit/(loss) before tax	1,998	2,416
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	(380)	(459)
Permanent differences between profit/(loss) before tax and taxable profit	105	75
Tax expense in the income statement	**(275)**	**(384)**
Current tax expense	(324)	(356)
Deferred tax expense	49	(28)
Effective tax rate	14%	16%

Dividends received, which in the current period amounted to PLN 530m (PLN 344m in the corresponding period of the previous year), were the main factor contributing to the effective tax rate of 14% in the period ended September 30th 2014 (16% in the period ended September 30th 2013).

8. Property, plant and equipment by category

	As at Sep 30 2014	As at Dec 31 2013
Land	25	30
Buildings and structures	6,268	6,611
Plant and equipment	1,998	2,119
Vehicles and other	109	125
Total tangible assets	**8,400**	**8,885**
Tangible exploration and evaluation assets under construction	2,215	2,081
Other tangible assets under construction	2,996	2,809
Total property, plant and equipment	**13,611**	**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

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.11).

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.11).

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

	9 months ended Sep 30 2013 before the change	Change in presentation of transmission costs	Change in presentation of joint-operation transactions	9 months ended Sep 30 2013 after the change
Revenue	**19,828**	**-**	**(60)**	**19,768**
Raw material and consumables used	(12,093)	(272)	-	(12,365)
Services	(4,461)	272	60	(4,129)
Total operating expenses	**(17,810)**	**-**	**60**	**(17,750)**
Operating profit/(loss)	**2,018**	**-**	**-**	**2,018**

Separate statement of cash flows – restatement of comparative data

	9 months ended Sep 30 2013 before the change	Change of presentation of capitalised interest repayment	9 months ended Sep 30 2013 after the change
Cash flows from financing activities			
Repayment of borrowings	(72)	72	-
Repayment of debt securities	(3,566)	(17)	(3,583)
Interest paid	(176)	(55)	(231)
Net cash flows from financing activities	**(2,364)**	**-**	**(2,364)**

III. SUPPLEMENTARY INFORMATION TO THE 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 Q3 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 September 30th 2014 and its financial performance for the period January 1st–September 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 interim report for Q3 2014 was approved for issue by the Parent's Management Board on November 7th 2014.

1.1. 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.

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 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.

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 September 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 2018,
- 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,
- Amendments to IFRS (2012−2014) – changes in the procedure of introducing annual amendments to IFRS – planned effective for reporting periods beginning on or after July 1st 2016,
- IFRS 14 Regulatory Deferral Accounts – effective for reporting periods beginning on or after January 1st 2016,
- IFRS 15 Revenue from Contracts with Customers – effective for reporting periods beginning on or after January 1st 2017,
- Amendments to IAS 16 Property, Plant and Equipment, and IAS 41 Agriculture: Bearer Plants – effective for reporting periods beginning on or after January 1st 2016,
- Amendments to IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation – effective for reporting periods beginning on or after January 1st 2016,
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – 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.

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

- 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.

  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.

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

- On August 7th 2014, Mr Andrzej Parafianowicz tendered his resignation as Member of the PGNiG Management Board, with effect as of that date.

- On August 8th 2014, annexes were signed to the Note Programme of June 10th 2010 (the Programme). The Note Programme documentation includes a Guarantee Agreement and an Agency and Custody Agreement. The Annexes were executed to both these agreements.

  Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., BNP Paribas S.A. Polish Branch, ING Bank N.V., Bank Zachodni WBK S.A., Société Générale S.A., Bank Handlowy w Warszawie S.A., and mBank S.A. act as Guarantors under the Programme.

  Under the annexes, the term of the Note Programme has been extended, with the final redemption date postponed from July 31st 2015 until July 31st 2020.

  Notes will be issued to raise funds that will be used to meet the Company's day-to-day financial needs and to finance PGNiG's investment projects implemented in pursuit of the PGNiG Group's strategy.

- On September 24th 2014, the General Meeting of PGNiG resolved to approve the termination by the PGNiG Management Board of the "Programme for Workforce Streamlining and Redundancy Payments to the Employees of the PGNiG Group for 2009–2011 (Stage 3)", with a notice period of three months and with effect from December 31st 2014.

- On September 29th 2014, PGNiG Upstream International AS (PUI) signed a conditional agreement with Total E&P Norge AS to purchase interests in an asset portfolio comprising four fields on the Norwegian Continental Shelf, together with the rights and obligations under a number of agreements relating to the fields. The portfolio comprises interests in six licences covering the Morvin (6% interest), Vilje (24.243%) and Vale (24.243%) producing fields, and the Gina Krog (8%) field, which is currently being developed.

  The production from the fields attributable to PUI in 2014 is estimated at 320,000 tonnes of crude oil and 90 million cubic metres of natural gas (i.e. approximately 8,000 barrels of oil equivalent per day). An independent auditor's report sets the 2P recoverable reserves of crude oil (72%) and natural gas (28%) attributable to the interests acquired by PUI at 33 million boe. According to operator data, production from the fields will continue for an average period of 14 years.

  The purchase price is NOK 1,950m (i.e. PLN 996m at the NOK/PLN mid rate quoted by the National Bank of Poland for September 29th 2014), with the agreed transaction date being January 1st 2014. A significant portion of the transaction price (approximately 45%) will be settled using cash flows acquired by PUI and generated in the period between the agreed acquisition date and the date of actual settlement. As PUI holds a tax asset valued at approximately NOK 3.4bn as at December 31st 2013, it will not be required to pay any tax on the cash flows. The remainder of the price will be financed with an intra-Group bridge loan from PGNiG and a reserve based loan (RBL). PUI expects that in 2016 the purchase price will be offset by the accumulated cash flows relating to the transaction.

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

The PGNiG Group's net profit after Q3 2014 was PLN 2,136m, up by PLN 54m year on year. This increase was mainly attributable to substantially larger volumes of crude sold and favourable macroeconomic conditions.

Consolidated operating profit for Q1–Q3 2014 was PLN 3,084m, up PLN 30m year on year, and EBITDA reached PLN 4,987m, up PLN 180m year on year.

Trade and Storage

The Trade and Storage segment improved its operational efficiency. Its Q1–Q3 2014 operating profit came at PLN 166m, representing a PLN 59m increase from the operating profit of PLN 107m reported for the corresponding period of 2013. The segment's performance in Q3 was driven by the average cost of gas fuel procurement being in a more favourable relation to selling prices than in the previous year, chiefly as a result of lower volumes.

The segment's revenue in Q3 2014 was down PLN 66m (0.35%) year on year, which was attributable to the aggregate effect of the following:

- Lower volume of gas fuel sold to end customers – gas fuel sales volumes in Q1–Q3 2014, excluding volumes traded on the Polish Power Exchange, were 10.59 bcm, relative to 11.7 bcm in the same period last year (down nearly 10%). The decrease was caused by the average air temperatures being higher by 1.5°C than in the previous year;

- Higher revenue from gas fuel traded on the Polish Power Exchange, whose volume was 1.17 bcm as at the end of Q3 2014, relative to 0.03 bcm in the same period last year (sales by PGNiG S.A.). It should be noted that PGNiG S.A.'s sales on the Polish Power Exchange and the purchases executed there by PGNiG Obrót Detaliczny Sp. z o.o. (PGNiG OD; the company commenced operations on August 1st 2014) are not subject to elimination from the consolidated financial statements.

The segment's operating expenses in Q1–Q3 2014 were down PLN 125m year on year, driven by:

- Decrease of 0.91 bcm (11%) in gas fuel imports, with imports from countries east of Poland declining 0.59 bcm (8.5%). The decrease was in direct correlation with lower sales volumes in the period;
- Lower average Brent prices expressed in PLN (down 4.5%) and lower gas fuel prices on the TTF (down 21%) in the period;
- Higher operating expenses attributable the gas fuel purchased on the Polish Power Exchange (purchase by PGNiG OD).

Favourable macroeconomic and weather conditions drove down the cost of gas fuel sold by PLN 1,316m (-10%) year on year.

As at September 30th 2014, stocks of gas in underground storage facilities totalled approximately 2.7 bcm, up 9% on the corresponding period last year.

Exploration and Production

The Q1–Q3 2014 operating profit of the Exploration and Production segment was PLN 2,033m, down PLN 171m (8%) year on year. At PLN 2,935m, EBITDA remained relatively flat on the previous year. The segment's revenue grew by PLN 602m (14%) year on year, to PLN 4,859m, driven chiefly by a more than 30% 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 (38%), chiefly on the back of impairment losses on exploration and production assets recognised in Q2 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. The segment's operating profit was constrained by impairment losses on assets, which as at the end of Q3 amounted to PLN 325m. 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 at the end of Q3. A year-on-year increase of PLN 182m (25%) in amortisation and depreciation is related chiefly to the Norwegian assets and follows directly from increased crude oil production.

Distribution

The Distribution segment's operating profit in Q1–Q3 2014 grew 15% year on year, to PLN 838m, while EBITDA came in at PLN 1,484m, up by PLN 121m year on year. The segment's performance was driven by the net income from system balancing, which amounted to PLN 70m in Q1–Q3 2014 relative to a net loss of PLN -114m in the corresponding period last year. The higher average air temperatures (up 1.5°C in Q1–Q3 2014 relative to Q1–Q3 2013) translated into lower gas distribution volumes (down 11%) and lower distribution revenues (down 7%), partly offset by a PLN 40m decline (5%) in employee benefit expenses.

Generation

In Q1–Q3 2014, the Generation segment's revenue was PLN 1,326m, down 8% year on year. A similar decline was recorded in the segment's expenses, which dropped by 8% year on year. Consequently, the segment's operating profit in Q1–Q3 fell slightly, to PLN 86m, compared with PLN 97m a year earlier. These figures were attributable to higher average air temperatures in the period (by over 4°C in Q1 and 1.5°C in Q1–Q3), which resulted in a year-on-year decrease in the sales volumes of heat and co-generated electricity (down 14.5% and 6.2%, respectively).

6. 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.

7. 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.

8. Material liabilities related to purchase of property, plant and equipment

As at September 30th 2014, the Group entities did not carry any material liabilities related to purchase of property, plant and equipment.

9. Material settlements under court proceedings

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

10. 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.

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

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

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. Issuance, redemption and repayment of equity and non-equity securities

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

- Under the Note Programme agreement executed by the Parent on June 10th 2010, the Parent may issue discount or coupon notes maturing in one to twelve months, for an aggregate amount of up to PLN 7,000m. On August 8th 2014, an annex was signed to the agreement, extending the Note Programme term until 2020 (for more information, see Note III.4). As at September 30th 2014, nominal debt outstanding under the Agreement was PLN 1,400m, comprising notes with maturities of one month issued in September 2014.
- On August 25th 2011, the Parent and PGNiG Finance AB executed documentation for a Euro Medium Term Notes Programme with Société Générale S.A., BNP Paribas S.A. and Unicredit Bank AG, pursuant to which PGNiG Finance AB may issue notes with maturities of up to ten years, up to the aggregate amount of EUR 1,200m. As at September 30th 2014, nominal debt outstanding under the Euronotes was PLN 2,087.8m (translated at the mid rate quoted by the National Bank of Poland for September 30th 2014).
- On May 22nd 2012, the Parent executed a PLN 4,500m Note Programme agreement with Bank Pekao S.A. and ING Bank Śląski S.A. In the period covered by these financial statements, PGNiG did not issue any notes under the Programme. As at June 30th 2014, nominal debt outstanding under the Programme was PLN 2,500m.

- On July 4th 2012, PGNiG Termika S.A. executed a Note Programme with the following banks: ING Bank Śląski S.A., PKO Bank Polski S.A., Nordea Bank Polska S.A. and Bank Zachodni WBK S.A. 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. In the current reporting period, the following events related to the Programme took place:
  - in July 2014 − the issue of discount notes with a total nominal value of PLN 150m, maturing in Q4 2014;
  - in July 2014 − redemption of three-month coupon-bearing notes with a total nominal value of PLN 70m.

  As at September 30th 2014, PGNiG TERMIKA S.A.'s nominal debt under notes in issue was PLN 150m.

14.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.

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

The following events with a potential bearing on the PGNiG's future financial performance took place after September 30th 2014, i.e. the date of these condensed financial statements:

- On October 2nd 2014, PGNiG and Bank Gospodarstwa Krajowego executed a Note Programme agreement. Under the Programme, PGNiG may carry out multiple issues of notes, whose total nominal value during the term of the Programme may not exceed PLN 1,000m. The final redemption date for the notes was set for September 30th 2024.
- On October 21st 2014, an agreement was executed ending the collective dispute between PGNiG and trade unions active at PGNiG (for more information on the start of the dispute, see section III.4 of these financial statements).

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

Contingent receivables

	As at Sep 30 2014	As at Dec 31 2013
From related entities:		
guarantees and sureties received	-	1
promissory notes received	180	180
Total contingent receivables from related entities	**180**	**181**
From other entities:		
guarantees and sureties received	325	283
promissory notes received	163	129
other contingent assets	136	194
Total contingent receivables from other entities	**624**	**606**
Total contingent assets	**804**	**787**

Contingent liabilities

	As at Sep 30 2014	As at Dec 31 2013
To other entities		
guarantees and sureties issued*	10,656	9,952
promissory notes issued	693	782
other contingent liabilities	64	1
Total contingent liabilities to other entities	**11,413**	**10,735**
Total contingent liabilities	**11,413**	**10,735**

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

The increase in contingent receivables as at the end of Q3 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. Other contingent receivables declined, chiefly as a result of the receipt of grants for which the Group companies had applied in the previous reporting period.

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 703m, translated at the exchange rate quoted by the National Bank of Poland for September 30th 2014). In addition, the weakening of the złoty against the euro as at the end of Q3 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 42m, translated at the exchange rate quoted by the NBP for September 30th 2014) and a performance bond provided to the Government of Norway in respect of subsidiary PGNiG Upstream International AS (up by PLN 18m).

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

On September 30th 2014 the rating agency Moody's Investors Service (Moody's) downgraded PGNiG's credit rating from Baa2 to Baa3, with stable outlook.

According to Moody's, the downgrades reflect PGNiG's evolving business risk profile in light of the increasing share of the exploration and production activities, as well as challenges stemming from the evolution of the Polish gas market given the Company's take-or-pay contracts and the price that it has to pay. The outlook is stable, what reflects the current strong financial and liquidity profile of the Company.

Concurrently, the rating agency has downgraded the provisional rating of the EUR 1,200m medium-term programme of PGNiG Finance AB (publ) to Baa3 from Baa2.

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

IV. ADDITIONAL INFORMATION

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.

2. Organisation of the PGNiG Group and its consolidated entities

As at September 30th 2014, the Group comprised PGNiG S.A. (the Parent), and 29 production and service companies, including:

- 21 subsidiaries of PGNiG, and
- 8 indirect subsidiaries of PGNiG.

In addition, the Group holds shares in the following equity-accounted entities:

Equity-accounted jointly-controlled and associated entities			
Company name	Country	% ownership interest	
		Sep 30 2014	Sep 30 2013
1 GAS - TRADING S.A.	Poland	43.41%	43.41%
2 SGT EUROPOL GAZ S.A. [1)]	Poland	49.74%	49.74%

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

The list of the PGNiG Group companies as at September 30th 2014 is presented in the table below.

No.	Company name	Country	Parent	Ownership interest (%): share capital	Ownership interest (%): voting rights	Consolidation method as at Sep 30 2014	Consolidation method as at Sep 30 2013
	PGNiG S.A.'s direct subsidiaries						
1	BSiPG Gazoprojekt S.A.	Poland	PGNiG S.A.	22.5%[1)]	22.5%[1)]	full	full
2	Exalo Drilling S.A.	Poland	PGNiG S.A.	100%	100%	full	full
3	GEOFIZYKA Kraków S.A.	Poland	PGNiG S.A.	100%	100%	full	full
4	GEOFIZYKA Toruń S.A.	Poland	PGNiG S.A.	100%	100%	full	full
5	Geovita S.A.	Poland	PGNiG S.A.	100%	100%	full	full
6	Operator Systemu Magazynowania Sp. z o.o.	Poland	PGNiG S.A.	100%	100%	full	full
7	PGNiG Obrót Detaliczny Sp. z o.o.	Poland	PGNiG S.A.	100%	100%	full	-
8	PGNiG Serwis Sp. z o.o.	Poland	PGNiG S.A.	100%	100%	full	full
9	PGNiG Technologie S.A.	Poland	PGNiG S.A.	100%	100%	full	full
10	PGNiG TERMIKA S.A.	Poland	PGNiG S.A.	100%	100%	full	full
11	Polska Spółka Gazownictwa Sp. z o.o.	Poland	PGNiG S.A.	100%	100%	full	full
12	PGNiG Finance AB	Sweden	PGNiG S.A.	100%	100%	full	full
13	PGNiG Sales & Trading GmbH	Germany	PGNiG S.A.	100%	100%	full	full
14	PGNiG Upstream International AS	Norway	PGNiG S.A.	100%	100%	full	full
15	Polish Oil and Gas Company - Libya B.V.	The Netherlands	PGNiG S.A.	100%	100%	full	full
16	BUD-GAZ P.P.U.H. Sp. z o.o. w likwidacji (in liquidation)	Poland	PGNiG S.A.	100%	100%	-	-
17	NYSAGAZ Sp. z o.o.	Poland	PGNiG S.A.	66.28%	66.28%	-	-
18	PGNiG SPV 5 Sp. z o.o.	Poland	PGNiG S.A.	100%	100%	-	-
19	PGNiG SPV 6 Sp. z o.o.	Poland	PGNiG S.A.	100%	100%	-	-
20	PGNiG SPV 7 Sp. z o.o.	Poland	PGNiG S.A.	100%	100%	-	-
21	Polskie Elektrownie Gazowe Sp. z o.o. w likwidacji (in liquidation)	Poland	PGNiG S.A.	100%	100%	-	-
	PGNiG S.A.'s indirect subsidiaries						
22	CHEMKOP Sp. z o.o.	Poland	Operator Systemu Magazynowania Sp. z o.o.	85.51%	85.51%	-	-
23	GAZ Sp. z o.o.	Poland	Polska Spółka Gazownictwa Sp. z o.o.	80%	80%	full	full
24	Powiśle Park Sp. z o.o.	Poland	Polska Spółka Gazownictwa Sp. z o.o.	100%	100%	full	full
25	Zakład Gospodarki Mieszkaniowej Sp. z o.o.	Poland	Exalo Drilling S.A.	100%	100%	-	-
26	Zakład Separacji Popiołów Siekierki Sp. z o.o.	Poland	PGNiG TERMIKA S.A.	70%	70%	-	-
27	Oil Tech International F.Z.E.	United Arab Emirates	Exalo Drilling S.A.	100%	100%	full	full
28	Poltava Services LLC	Ukraine	Exalo Drilling S.A.	99%	99%	full	full
29	XOOL GmbH	Germany	PGNiG Sales & Trading GmbH	100%	100%	full	full

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

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

The most important changes in the structure of the PGNiG Group in Q3 2014 were as follows:

- On August 1st 2014, the Extraordinary General Meeting of PGNiG Obrót Detaliczny Sp. z o.o. of Warsaw adopted a resolution to increase the company's share capital by PLN 1,090,000,000, from PLN 1,000,000 to PLN 1,091,000,000, through the issue of 10,900,000 new equal and indivisible shares with a par value of PLN 100 per share and a total par value of PLN 1,090,000,000. All of the newly issued shares in the share capital of PGNiG Obrót Detaliczny Sp. z o.o. were subscribed for by the company's sole shareholder, PGNiG S.A., and paid for by way of a non-cash contribution in the form of an organised part of business. The share capital increase was registered with the National Court Register on September 9th 2014.
- On August 18th 2014, the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, removed Biogazownia Ostrowiec Sp. z o.o. w likwidacji (in liquidation) from the National Court Register.

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 2x EBITDA.

In Q1-Q3 2014, the Group generated revenue of PLN 22.8bn, with an EBITDA of PLN 4.99bn, which represented 69.8% and 84.5% of the annual forecast values, respectively.

Based on an analysis of the financial results, accounting for seasonality and risks inherent to the Group's business, the PGNiG Management Board does not expect 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 Q3 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	4,271,737,336	72.40%	0.000%	72.40%	4,271,717,836
Other shareholders	1,628,262,664	27.60%	0.000%	27.60%	1,628,282,164
Total	**5,900,000,000**	**100.00%**	**0.00%**	**100.00%**	**5,900,000,000**

*As at Jun 30 2014.
**As at Sep 30 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	**19,500**	**-**	**-**	**-**	**-**	**19,500**
Waldemar Wójcik	19,500	-	-	-	-	19,500
Supervisory staff	**19,500**	**-**	**-**	**-**	**-**	**19,500**
Ryszard Wąsowicz	19,500	-	-	-	-	19,500

* 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 current reporting period, the following proceedings concerning the Group's liabilities or debt claims were pending:

- Proceedings instituted by the President of the Polish Office of Competition and Consumer Protection (UOKiK) on December 28th 2010 – the progress of the proceedings did not change relative to that presented in the Directors' Report on the operations of the PGNiG Group and PGNiG S.A. in H1 2014, issued on August 14th 2014.
- Anti-trust proceedings concerning practices employed by PGNiG S.A. which infringe collective consumer interests, instigated on February 22nd 2013 by the President of the UOKiK. The President of the UOKiK accused PGNiG S.A. of using provisions classified as abusive clauses in contract forms based on which comprehensive gas fuel supply contracts are concluded. PGNiG S.A. initiated a review process and submitted a motion to the President of the UOKiK for a commitment decision, in which it

voluntarily agreed to revise the contract forms. By virtue of a decision of June 28th 2013, the President of the UOKiK resolved not to impose a fine on PGNiG S.A. and obliged the Company to fulfil its commitment. PGNiG satisfied this requirement.

- Proceedings instituted by the President of the UOKiK on April 3rd 2013 − the progress of the proceedings did not change relative to that presented in the Directors' Report on the operations of the PGNiG Group and PGNiG S.A. in H1 2014, issued on August 14th 2014.
- On June 13th 2012, PBG S.A. was declared insolvent in voluntary arrangement. On September 21st 2012, a Statement of Claims against the insolvent company was lodged with the District Court of Poznań, Division for Bankruptcy and Recovery Cases, by an attorney-in-fact acting for and on behalf of PGNiG S.A., which included a claim related to incorrect performance of the contract concerning the Grodzisk Nitrogen Rejection Unit Construction Project. The claim related to the Grodzisk Nitrogen Rejection Unit Construction Project was not included in the list of claims. As the date of prescription of the claims filed to be included in the bankruptcy estate of PBG S.A. approached, PGNiG S.A. took due care to interrupt the operation of the prescription period related to the claims under the contract. To this end, on November 5th 2013, the attorney-in-fact of PGNiG S.A. filed with the District Court for Poznań-Stare Miasto in Poznań a request to call for a conciliation hearing. In this request, all consortium members, i.e. parties to the contract concerning the Grodzisk Nitrogen Rejection Unit Construction Project, were called to pay PLN 159m to PGNiG S.A. as compensation for the damage resulting from improper performance of the EPC contract for delivery of the Grodzisk Nitrogen Rejection Unit. On February 18th 2014, PGNiG S.A. was requested to make, by February 25th 2014, a prepayment for costs of translation of the request to call for a conciliation hearing. On September 16th 2014, the District Court for Poznań–Stare Miasto of Poznań, 10th Commercial Division, considered PGNiG's request to call for a conciliation hearing. Given the incorrect presentation of the party called upon, the Court decided to summon a court supervisor and postpone the hearing until November 7th 2014. In performance of the Court's decision, on September 23rd 2014 the PGNiG's attorney-in-fact provided the court supervisor with a copy of the request to call for a conciliation hearing, dated November 4th 2013, along with appendices thereto.

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 (in any one or a series of proceedings) would exceed 10% of PGNiG S.A.'s equity.

8. 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.

9. 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 driven by the following factors:

- conditions prevailing on the currency markets, commodity markets (prices of crude oil and petroleum products), energy markets (prices of electricity and gas), as well as fluctuations in market prices of certificates of origin (red and green),
- regulatory and organisational changes in the upstream and gas sectors, in particular changes related to the gas market deregulation and hydrocarbon production taxing,
- regulations governing support programmes for electricity from high-efficiency co-generation and renewable sources,
- the ongoing gradual deregulation of the gas market; new regulations require the Group companies 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,
- the position of the President of the Energy Regulatory Office on gas fuel sale and distribution tariffs and heat sale tariffs,
- the Qatar contract; following commencement of supplies under the contract, the Group's results may become more sensitive to fluctuations in petroleum product prices.

In the coming quarters, the Group intends to maintain a high level of capital expenditure. 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 appraisal of crude oil and natural gas deposits, and development of the power generation segment.

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	....
Vice-President of the Management Board	Waldemar Wójcik	....

Warsaw, October 28th 2014