Polskie Górnictwo Naftowe i Gazownictwo SA

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR Q1 ENDED MARCH 31ST 2016

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 1 / 2016

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 first quarter of the 2016 financial year, covering the period from **January 1st** to **March 31st 2016**, containing interim condensed consolidated financial statements prepared in accordance with International Financial Reporting Standards in the Polish zloty (PLN), and interim condensed separate financial statements prepared in accordance with International Financial Reporting Standards in the Polish zloty (PLN).

May 9th 2016
(filing date)

POLSKIE GÓRNICTWO NAFTOWE i GAZOWNICTWO SPÓŁKA AKCYJNA
(company name)

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

FINANCIAL HIGHLIGHTS

	PLNm		EURm	
Interim condensed consolidated financial data	**3 months ended Mar 31 2016**	**3 months ended Mar 31 2015**	**3 months ended Mar 31 2016**	**3 months ended Mar 31 2015**
Revenue	10,980	12,495	2,521	3,012
Operating profit/(loss)	1,721	1,662	395	401
Profit/(loss) before tax	1,769	1,590	406	383
Net profit/(loss) attributable to owners of the parent	1,386	1,243	318	300
Net profit/(loss)	1,386	1,244	318	300
Comprehensive income attributable to owners of the parent	1,362	1,361	313	328
Total comprehensive income	1,362	1,362	313	328
Net cash (used in)/generated by operating activities	2,806	3,016	644	727
Net cash (used in)/generated by investing activities	(768)	(851)	(176)	(205)
Net cash (used in)/generated by financing activities	16	(341)	4	(82)
Net increase/(decrease) in cash and cash equivalents	2,054	1,824	472	440
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares of the parent (in PLN and EUR)	0.23	0.21	0.05	0.05
	As at Mar 31 2016	**As at Dec 31 2015**	**As at Mar 31 2016**	**As at Dec 31 2015**
Total assets	50,960	49,825	11,939	11,692
Total liabilities	18,857	19,084	4,418	4,478
Total non-current liabilities	10,812	12,795	2,533	3,002
Total current liabilities	8,045	6,289	1,885	1,476
Total equity	32,103	30,741	7,521	7,214
Share capital	5,900	5,900	1,382	1,384
Weighted average number of shares (million)	5,900	5,900	5,900	5,900
Book value per share and diluted book value per share (in PLN and EUR)	5.44	5.21	1.27	1.22
Dividend per share declared or paid (in PLN and EUR)	-	0.20	-	0.05

	PLNm		EURm	
Interim condensed separate financial data	**3 months ended Mar 31 2016**	**3 months ended Mar 31 2015**	**3 months ended Mar 31 2016**	**3 months ended Mar 31 2015**
Revenue	5,596	6,311	1,285	1,521
Operating profit/(loss)	911	932	209	225
Profit/(loss) before tax	901	960	207	231
Net profit/(loss)	729	773	167	186
Total comprehensive income	718	859	165	207
Net cash (used in)/generated by operating activities	1,769	1,461	406	352
Net cash (used in)/generated by investing activities	(447)	205	(103)	49
Net cash (used in)/generated by financing activities	424	(32)	97	(8)
Net increase/(decrease) in cash and cash equivalents	1,746	1,634	401	394
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares (in PLN and EUR)	0.12	0.13	0.03	0.03
	As at Mar 31 2016	**As at Dec 31 2015**	**As at Mar 31 2016**	**As at Dec 31 2015**
Total assets	36,339	35,027	8,513	8,219
Total liabilities	11,883	11,289	2,784	2,649
Total non-current liabilities	5,105	7,205	1,196	1,691
Total current liabilities	6,778	4,084	1,588	958
Equity	24,456	23,738	5,730	5,570
Share capital	5,900	5,900	1,382	1,384
Weighted average number of shares (million)	5,900	5,900	5,900	5,900
Book value per share and diluted book value per share (in PLN and EUR)	4.15	4.02	0.97	0.94

Items of the statement of profit or loss, statement of comprehensive income and statement of cash flows were translated at the EUR/PLN rate of exchange 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 the given reporting period.

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

Average EUR/PLN exchange rates quoted by the NBP

	Mar 31 2016	Mar 31 2015	Dec 31 2015
Average exchange rate in period	4.3559	4.1489	4.1848
Exchange rate at end of period	4.2684	4.0890	4.2615

TABLE OF CONTENTS

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 months ended Mar 31 2016	3 months ended Mar 31 2015
		unaudited	unaudited
Revenue	**4**	**10,980**	**12,495**
Raw materials and consumables used	5.1	(7,636)	(8,837)
Employee benefits expense		(545)	(698)
Depreciation and amortisation expenses		(672)	(664)
Services	5.2	(521)	(523)
Work performed by the entity and capitalised		163	206
Other income and expenses	5.3	(48)	(317)
Total operating expenses	**10**	**(9,259)**	**(10,833)**
Operating profit/(loss)		**1,721**	**1,662**
Finance income	6	102	62
Finance costs	6	(54)	(134)
Share in net profit/(loss) of equity-accounted entities		-	-
Profit/(loss) before tax		**1,769**	**1,590**
Income tax	7	(383)	(346)
Net profit/(loss)		**1,386**	**1,244**
Attributable to:			
Owners of the parent		1,386	1,243
Non-controlling interests		-	1
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares of the parent (PLN)		0.23	0.21

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
	unaudited	unaudited
Net profit/(loss)	**1,386**	**1,244**
Other comprehensive income that will be reclassified to profit or loss if specific conditions are met, relating to:	**(24)**	**118**
Exchange differences on translating foreign operations	(23)	52
Hedge accounting	(1)	82
Deferred tax	-	(16)
Other comprehensive income, net	**(24)**	**118**
Total comprehensive income	**1,362**	**1,362**
Attributable to:		
Owners of the parent	1,362	1,361
Non-controlling interests	-	1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at Mar 31 2016	As at Dec 31 2015
		unaudited	audited
ASSETS			
Non-current assets			
Property, plant and equipment	8	32,945	32,967
Investment property		11	12
Intangible assets		1,078	1,138
Investments in equity-accounted entities		840	840
Other financial assets		278	275
Deferred tax assets	1	1,461	1,575
Other non-current assets		151	152
Total non-current assets		**36,764**	**36,959**
Current assets			
Inventories		1,334	2,229
Trade and other receivables		3,214	3,372
Current tax assets		23	7
Other assets		523	146
Derivative financial instrument assets	9	653	709
Cash and cash equivalents		8,285	6,239
Assets held for sale		164	164
Total current assets		**14,196**	**12,866**
Total assets		**50,960**	**49,825**
EQUITY AND LIABILITIES			
Equity			
Share capital		5,900	5,900
Share premium		1,740	1,740
Accumulated other comprehensive income		(661)	(637)
Retained earnings/(deficit)		25,119	23,733
Equity attributable to owners of the parent		**32,098**	**30,736**
Equity attributable to non-controlling interests		5	5
Total equity		**32,103**	**30,741**
Non-current liabilities			
Borrowings and other debt instruments		3,784	5,799
Employee benefit obligations		564	565
Provisions	3	1,738	1,728
Deferred revenue		1,478	1,511
Deferred tax liabilities	1	3,130	3,090
Other non-current liabilities		118	102
Total non-current liabilities		**10,812**	**12,795**
Current liabilities			
Trade and other payables		3,127	3,288
Borrowings and other debt instruments		2,568	583
Derivative financial instrument liabilities	9	1,207	1,165
Current tax liabilities		145	53
Employee benefit obligations		334	352
Provisions	3	514	694
Deferred revenue		150	154
Total current liabilities		**8,045**	**6,289**
Total liabilities		**18,857**	**19,084**
Total equity and liabilities		**50,960**	**49,825**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
	unaudited	unaudited
Cash flows from operating activities		
Net profit/(loss)	1,386	1,244
Adjustments:		
Share in net profit/(loss) of equity-accounted entities	-	-
Depreciation and amortisation expenses	672	664
Net foreign exchange gains/(losses)	(24)	(24)
Net interest and dividend	42	14
Gain/(loss) on investing activities	(45)	(28)
Current tax expense	383	346
Other items, net	(29)	166
Income tax paid	(155)	(459)
Net cash (used in)/generated by operating activities before movements in working capital	**2,230**	**1,923**
Movements in working capital:		
Change in receivables	153	374
Change in inventories	895	975
Change in employee benefit obligations	(19)	105
Change in provisions	(176)	(133)
Change in current liabilities	141	208
Change in other assets	(379)	(411)
Change in deferred revenue	(39)	(25)
Net cash (used in)/generated by operating activities	**2,806**	**3,016**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	8	19
Payments for property, plant and equipment and intangible assets	(778)	(873)
Payments for shares in related entities	-	(6)
Other items, net	2	9
Net cash (used in)/generated by investing activities	**(768)**	**(851)**
Cash flows from financing activities		
Proceeds from borrowings	198	41
Proceeds from issue of debt securities	-	199
Repayment of borrowings	(37)	(164)
Repayment of debt securities	(110)	(390)
Payment of finance lease liabilities	(9)	(12)
Proceeds from derivative financial instruments	89	84
Payment for derivative financial instruments	(20)	(21)
Interest paid	(96)	(77)
Other items, net	1	(1)
Net cash (used in)/generated by financing activities	**16**	**(341)**
Net increase/(decrease) in cash and cash equivalents	**2,054**	**1,824**
Effects of exchange rate changes on the balance of cash held in foreign currencies	(8)	-
Cash and cash equivalents at beginning of period	**6,238**	**2,956**
Cash and cash equivalents at end of period	**8,292**	**4,780**

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	Hedging reserve	Actuarial gains/(losses) on employee benefits	Retained earnings/ (deficit)	**Total**		
As at Jan 1 2016 (audited)	**5,900**	**1,740**	**(51)**	**(565)**	**(21)**	**23,733**	**30,736**	**5**	**30,741**
Total comprehensive income	**-**	**-**	**(23)**	**(1)**	**-**	**1,386**	**1,362**	**-**	**1,362**
Net profit/(loss)	-	-	-	-	-	1,386	**1,386**	-	**1,386**
Other comprehensive income, net	-	-	(23)	(1)	-	-	**(24)**	-	**(24)**
As at Mar 31 2016 (unaudited)	**5,900**	**1,740**	**(74)**	**(566)**	**(21)**	**25,119**	**32,098**	**5**	**32,103**
As at Jan 1 2015 (audited)	**5,900**	**1,740**	**(66)**	**(216)**	**12**	**22,794**	**30,164**	**5**	**30,169**
Total comprehensive income	**-**	**-**	**52**	**66**	**-**	**1,243**	**1,361**	**1**	**1,362**
Net profit/(loss)	-	-	-	-	-	1,243	**1,243**	1	**1,244**
Other comprehensive income, net	-	-	52	66	-	-	**118**	-	**118**
As at Mar 31 2015 (unaudited)	**5,900**	**1,740**	**(14)**	**(150)**	**12**	**24,037**	**31,525**	**6**	**31,531**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Deferred tax

	Deferred tax assets	Deferred tax liabilities
As at Jan 1 2016	**1,575**	**3,090**
Increase	30	24
Decrease	(156)	(10)
Exchange differences on translating deferred tax attributable to foreign operations	12	26
As at Mar 31 2016	**1,461**	**3,130**
As at Jan 1 2015	**1,783**	**3,250**
Increase	248	152
Decrease	(379)	(184)
Exchange differences on translating deferred tax attributable to foreign operations	(38)	(75)
Tax relating to investment tax credit (Norway)	-	(14)
Reclassification of deferred tax assets and liabilities	(39)	(39)
As at Dec 31 2015	**1,575**	**3,090**

2. Impairment losses/write-downs

	Property, plant and equipment	Intangible assets	Assets and disposal groups held for sale	Other financial assets	Investments in equity-accounted entities	Inventories	Current receivables	Current portion of non-current loans	Other (current) assets	**Total**
As at Jan 1 2016	**2,942**	**74**	**22**	**34**	**813**	**309**	**742**	**48**	**1**	**4,985**
Increase	18	-	-	-	6	89	94	-	1	**208**
Used/reversed	(78)	-	-	-	-	(259)	(112)	(1)	-	**(450)**
Currency translation differences	(13)	(1)	-	-	-	-	-	-	-	**(14)**
As at Mar 31 2016	**2,869**	**73**	**22**	**34**	**819**	**139**	**724**	**47**	**2**	**4,729**
As at Jan 1 2015	**2,406**	**57**	**8**	**42**	**725**	**113**	**786**	**39**	**1**	**4,177**
Increase	1,053	27	1	1	88	269	242	9	-	**1,690**
Transfers	(6)	(2)	16	(8)	-	-	-	-	-	**-**
Used/reversed	(546)	(12)	(3)	(1)	-	(73)	(285)	-	-	**(920)**
Currency translation differences	35	4	-	-	-	-	(1)	-	-	**38**
As at Dec 31 2015	**2,942**	**74**	**22**	**34**	**813**	**309**	**742**	**48**	**1**	**4,985**

3. Provisions

	Provision for well decommissioning costs	Provision for UOKiK fine	Provision for environmental liabilities	Provision for claims under extra-contractual use of land	Provision for liabilities associated with exploration work abroad	Provision for certificates of origin and energy efficiency certificates	Other provisions	**Total**
As at Jan 1 2016	**1,573**	**65**	**98**	**46**	**182**	**215**	**243**	**2,422**
Increase	12	-	-	2	-	54	32	**100**
Used/reversed	(5)	-	-	(15)	(7)	(214)	(35)	**(276)**
Currency translation differences	6	-	-	-	-	-	-	**6**
As at Mar 31 2016	**1,586**	**65**	**98**	**33**	**175**	**55**	**240**	**2,252**
As at Jan 1 2015	**1,608**	**60**	**94**	**87**	**164**	**228**	**282**	**2,523**
Increase	193	11	4	18	18	214	71	**529**
Used/reversed	(210)	(6)	-	(59)	-	(227)	(111)	**(613)**
Currency translation differences	(18)	-	-	-	-	-	1	**(17)**
As at Dec 31 2015	**1,573**	**65**	**98**	**46**	**182**	**215**	**243**	**2,422**

4. Revenue

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
High-methane gas	8,605	10,310
Nitrogen-rich gas	441	457
LNG	152	10
Crude oil and natural gasoline	335	461
Helium	16	19
NGL	31	24
Electricity	475	439
Heat	485	433
Geophysical and geological services	37	31
Drilling and well services	58	69
Construction and installation services	12	51
Distribution services	197	47
Connection charge	23	23
Other sales	113	121
Total	**10,980**	**12,495**

5. Operating expenses

5.1. Raw materials and consumables used

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
Cost of gas sold	(6,993)	(8,206)
Fuels for electricity and heat generation	(282)	(274)
Electricity for trading	(249)	(203)
Other raw materials and consumables used	(112)	(154)
Total	**(7,636)**	**(8,837)**

5.2. Services

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
Transmission services	(239)	(247)
Cost of written-off exploration and evaluation assets	(46)	(2)
Repair and construction services	(29)	(37)
Mineral resources production services	(50)	(44)
Rental services	(20)	(23)
Other services	(137)	(170)
Total	**(521)**	**(523)**

5.3. Other income and expenses

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
Compensations, penalties, fines received	11	9
Other income	59	49
Net exchange differences related to operating activities	20	(21)
Net gain/(loss) on derivative instruments related to operating activities	(45)	(26)
Change in products	215	186
Change in impairment losses	206	40
Change in provisions	2	(50)
Taxes and charges	(448)	(424)
Other expenses	(68)	(80)
Total	**(48)**	**(317)**

6. Finance income and costs

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
Finance income	**102**	**62**
Interest income	22	19
Foreign exchange gains	80	43
Finance costs	**(54)**	**(134)**
Loss on measurement and realisation of derivative financial instruments	(3)	(92)
Interest expense	(46)	(31)
Commission fees paid on bank borrowings	(4)	(5)
Cost of guarantees	(1)	(1)
Other finance costs	-	(5)
Net finance income/(costs)	**48**	**(72)**

7. Income tax expense

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
Profit/(loss) before tax	1,769	1,590
Tax rate applicable in period	19%	19%
Tax calculated at the applicable tax rate	(336)	(302)
Permanent differences between profit/(loss) before tax and taxable income and the difference in tax rates	(47)	(44)
Tax expense in the consolidated statement of profit or loss	**(383)**	**(346)**
Current tax expense	(242)	(332)
Deferred tax expense	(141)	(14)
Effective tax rate	22%	22%

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

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

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

The other Group companies are separate CIT taxpayers.

8. Property, plant and equipment by category

	As at Mar 31 2016	As at Dec 31 2015
Land	67	67
Buildings and structures	18,065	18,055
Plant and equipment	8,427	8,518
Vehicles and other	1,170	1,181
Total tangible assets	**27,729**	**27,821**
Tangible exploration and evaluation assets under construction	2,375	2,237
Other tangible assets under construction	2,841	2,909
Total property, plant and equipment	**32,945**	**32,967**

9. Derivative financial instruments

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

In the case of the Parent, all eligible transactions in the period January 1st–March 31st 2016 were accounted for using cash flow or fair value hedge accounting. In the period, the Company was party to CCIRS transactions, entered into in previous periods. They are excluded from hedge accounting, as the valuation of both the hedged item and the hedge (the derivative transaction) is recognised in profit or loss, which produces the same effect as if hedge accounting was applied.

In Q1 2016, 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.

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
Net gain/(loss) on valuation of derivative financial instruments – unrealised	(98)	(109)
Net gain/(loss) on valuation of derivative financial instruments – realised	(198)	(20)
Total net gain/(loss) on valuation of derivative financial instruments recognised in profit or loss	**(296)**	**(129)**
including:		
recognised in raw materials and consumables used	(248)	(11)
recognised in other income and expenses	(45)	(26)
recognised in finance income or costs	(3)	(92)
Net gain/(loss) on valuation of derivative financial instruments recognised in other comprehensive income – unrealised	**(1)**	**82**
Total net gain/(loss) on valuation of derivative financial instruments – recognised in equity	**(297)**	**(47)**

The table below presents the Group companies' open derivative transactions as at March 31st 2016.

Hedged item	Nominal value of hedged item (m)	Currency / asset	Maturity date	Exercise price (exercise price range)	Exercise price (exercise price range) designation	Measurement at fair value: As at Mar 31 2016	Measurement at fair value: As at Dec 31 2015	Hedged risk
Cross Currency Interest Rate Swap								
Euronotes	500	EUR	3-12 months	4.1580	PLN (3M WIBOR)/ EUR (fixed rate)	92	159	currency exchange rate and interest rate
loan	2,618	NOK	3-12 months	0.5050	PLN (3M WIBOR)/ NOK (3M OIBOR)	134	-	currency exchange rate and interest rate
loan	2,940	NOK	1-3 years	0.5049	PLN (3M WIBOR)/ NOK (3M OIBOR)	-	144	currency exchange rate and interest rate
						226	**303**	
Interest Rate Swap								
loan	1,500	PLN	1-3 years	1	PLN (fixed rate)/ PLN (3M WIBOR)	(80)	(83)	interest rate
						(80)	**(83)**	
Forward								
CO_2 emission allowances	12	EUR	3-12 months	4.4016	EUR/PLN	(1)	-	currency exchange rate
gas contracts	91	USD	1-3 months	3.7496	USD/PLN	5	-	currency exchange rate
gas contracts	51	USD	1-3 months	4.1289	USD/PLN	(19)	-	currency exchange rate
gas contracts	10	USD	3-12 months	3.7084	USD/PLN	1	-	currency exchange rate
gas contracts	25	GBP	1-3 months	5.8552	GBP/PLN	12	-	currency exchange rate
trading activities	3	electricity (MWh)	1-3 months	164.5401	PLN/MWh	7	-	price
trading activities	1	electricity (MWh)	1-3 months	164.6930	PLN/MWh	(7)	-	price
trading activities	6	electricity (MWh)	3-12 months	167.4650	PLN/MWh	19	-	price
trading activities	2	electricity (MWh)	3-12 months	163.2889	PLN/MWh	(17)	-	price
trading activities	2	electricity (MWh)	1-3 years	167.7616	PLN/MWh	3	-	price
trading activities	1	electricity (MWh)	1-3 years	160.6950	PLN/MWh	(3)	-	price
trading activities	1	CO_2 emission allowances (t)	3-12 months	30.5209	PLN/t	13	-	price

trading activities	0.16	CO_2 emission allowances (t)	3-12 months	23.0864	PLN/t	(4)	-	price
trading activities	4	gas OTC (MWh)	1-3 years	18.9600	EUR/MWh	(99)	-	price
trading activities	4	gas OTC (MWh)	6-12 months	20.1900	EUR/MWh	(118)	-	price
trading activities	0.07	gas OTC (MWh)	3-6 months	13.9900	EUR/MWh	(1)	-	price
trading activities	5	gas OTC (MWh)	1-3 years	19.0100	EUR/MWh	103	-	price
trading activities	4	gas OTC (MWh)	6-12 months	19.7200	EUR/MWh	127	-	price
trading activities	0.12	gas OTC (MWh)	3-6 months	15.7300	EUR/MWh	2	-	price
trading activities	0.33	gas OTC (MWh)	1-3 months	13.9700	EUR/MWh	3	-	price
trading activities	0.40	electricity OTC (MWh)	1-3 years	30.2800	EUR/MWh	(14)	-	price
trading activities	0.34	electricity OTC (MWh)	6-12 months	32.4700	EUR/MWh	(13)	-	price
trading activities	1	electricity OTC (MWh)	1-3 years	30.4300	EUR/MWh	24	-	price
trading activities	1	electricity OTC (MWh)	6-12 months	32.9300	EUR/MWh	21	-	price
trading activities	0.05	electricity OTC (MWh)	3-6 months	28.1300	EUR/MWh	1	-	price
CO_2 emission allowances	9	EUR	3-12 months	4.3849	EUR/PLN	-	(1)	currency exchange rate
payments for gas	40	USD	1-3 months	3.9530	EUR/PLN	-	2	currency exchange rate
payments for gas	70	USD	3-12 months	3.7112	EUR/PLN	-	14	currency exchange rate
trading activities	103	electricity (MWh)	1-3 months	157.9198	PLN/MWh	-	4	price
trading activities	510	electricity (MWh)	1-3 months	164.8958	PLN/MWh	-	(4)	price
trading activities	1,072	electricity (MWh)	3-12 months	164.7299	PLN/MWh	-	10	price
trading activities	395	electricity (MWh)	3-12 months	164.2402	PLN/MWh	-	(9)	price
trading activities	161	electricity (MWh)	1-3 years	164.1005	PLN/MWh	-	5	price
trading activities	230	electricity (MWh)	1-3 years	165.9836	PLN/MWh	-	(5)	price
trading activities	0.15	gas OTC (MWh)	more than 3 years	15.6068	EUR/MWh	-	(1)	price
trading activities	7	gas OTC (MWh)	1-3 years	21.8953	EUR/MWh	-	(176)	price
trading activities	1	gas OTC (MWh)	6-12 months	17.9978	EUR/MWh	-	(16)	price
trading activities	2	gas OTC (MWh)	3-6 months	21.7167	EUR/MWh	-	(61)	price
trading activities	0.48	gas OTC (MWh)	1-3 months	16.2471	EUR/MWh	-	(3)	price
trading activities	7	gas OTC (MWh)	1-3 years	22.1167	EUR/MWh	-	197	price
trading activities	1	gas OTC (MWh)	6-12 months	19.3960	EUR/MWh	-	20	price
trading activities	2	gas OTC (MWh)	3-6 months	21.2013	EUR/MWh	-	57	price
trading activities	1	gas OTC (MWh)	1-3 months	16.8227	EUR/MWh	-	8	price
trading activities	1	electricity OTC (MWh)	1-3 years	33.5467	EUR/MWh	-	(18)	price
trading activities	0.03	electricity OTC (MWh)	3-6 months	36.4040	EUR/MWh	-	(1)	price
trading activities	1	electricity OTC (MWh)	1-3 years	33.8782	EUR/MWh	-	28	price
trading activities	0.04	electricity OTC (MWh)	6-12 months	30.7475	EUR/MWh	-	1	price
trading activities	0.05	electricity OTC (MWh)	3-6 months	36.4039	EUR/MWh	-	1	price
						45	**52**	

				Futures				
trading activities	2	CO_2 emission allowances (t)	3-12 months	24.1379	PLN/t	(11)	-	price
trading activities	0.12	gas – EEX AG (MWh)	6-12 months	20.6900	EUR/MWh	(4)	-	price
trading activities	0.04	gas – EEX AG (MWh)	6-12 months	20.6300	EUR/MWh	1	-	price
trading activities	0.17	gas – ICE ENDEX B.V. (MWh)	1-3 years	17.7100	EUR/MWh	(3)	-	price
trading activities	1	gas – ICE ENDEX B.V. (MWh)	6-12 months	16.4500	EUR/MWh	(15)	-	price
trading activities	0.04	gas – ICE ENDEX B.V. (MWh)	3-6 months	15.3000	EUR/MWh	(1)	-	price
trading activities	0.13	gas – ICE ENDEX B.V. (MWh)	1-3 years	16.9500	EUR/MWh	2	-	price
trading activities	1	gas – ICE ENDEX B.V. (MWh)	6-12 months	16.2500	EUR/MWh	16	-	price
trading activities	0.24	gas – POWERNEXT SA (MWh)	1-3 years	16.3300	EUR/MWh	3	-	price
trading activities	0.49	gas – POWERNEXT SA (MWh)	6-12 months	19.2300	EUR/MWh	14	-	price
trading activities	1	gas – POWERNEXT SA (MWh)	1-3 years	18.0200	EUR/MWh	(10)	-	price
trading activities	1	gas – POWERNEXT SA (MWh)	6-12 months	19.1700	EUR/MWh	(17)	-	price
trading activities	1	electricity – EEX AG (MWh)	1-3 years	26.9500	EUR/MWh	(12)	-	price
trading activities	0.36	electricity – EEX AG (MWh)	6-12 months	32.8400	EUR/MWh	(14)	-	price
trading activities	0.27	electricity – EEX AG (MWh)	1-3 years	23.4300	EUR/MWh	3	-	price
trading activities	0.15	electricity – EEX AG (MWh)	6-12 months	30.6100	EUR/MWh	5	-	price
trading activities	26	CO_2 emission allowances (t)	3-12 months	37.1285	PLN/t	-	1	price
trading activities	26	CO_2 emission allowances (t)	3-12 months	37.1413	PLN/t	-	(1)	price
trading activities	0.10	gas – EEX AG (MWh)	1-3 years	20.9545	EUR/MWh	-	(3)	price
trading activities	0.04	gas – EEX AG (MWh)	6-12 months	20.2500	EUR/MWh	-	(1)	price
trading activities	0.05	gas – EEX AG (MWh)	1-3 years	20.6333	EUR/MWh	-	1	price
trading activities	0.21	gas – ICE ENDEX B.V. (MWh)	1-3 years	19.2164	EUR/MWh	-	(3)	price
trading activities	1	gas – ICE ENDEX B.V. (MWh)	6-12 months	17.2111	EUR/MWh	-	(6)	price
trading activities	1	gas – ICE ENDEX B.V. (MWh)	3-6 months	19.3634	EUR/MWh	-	(16)	price
trading activities	0.09	gas – ICE ENDEX B.V. (MWh)	1-3 months	16.2659	EUR/MWh	-	(1)	price
trading activities	0.13	gas – ICE ENDEX B.V. (MWh)	1-3 years	19.0103	EUR/MWh	-	2	price
trading activities	1	gas – ICE ENDEX B.V. (MWh)	6-12 months	17.8396	EUR/MWh	-	7	price
trading activities	1	gas – ICE ENDEX B.V. (MWh)	3-6 months	19.7822	EUR/MWh	-	14	price
trading activities	0.07	gas – ICE ENDEX B.V. (MWh)	1-3 months	16.5040	EUR/MWh	-	1	price
trading activities	1	gas – POWERNEXT SA (MWh)	1-3 years	19.3753	EUR/MWh	-	11	price
trading activities	0.12	gas – POWERNEXT SA (MWh)	6-12 months	17.9809	EUR/MWh	-	2	price
trading activities	0.38	gas – POWERNEXT SA (MWh)	3-6 months	19.7383	EUR/MWh	-	8	price
trading activities	0.13	gas – POWERNEXT SA (MWh)	1-3 months	16.1546	EUR/MWh	-	1	price
trading activities	1	gas – POWERNEXT SA (MWh)	1-3 years	19.8459	EUR/MWh	-	(19)	price
trading activities	0.07	gas – POWERNEXT SA (MWh)	6-12 months	18.2438	EUR/MWh	-	(1)	price
trading activities	0.39	gas – POWERNEXT SA (MWh)	3-6 months	20.5228	EUR/MWh	-	(9)	price
trading activities	0.12	gas – POWERNEXT SA (MWh)	1-3 months	16.4669	EUR/MWh	-	(1)	price
trading activities	1	electricity – EEX AG (MWh)	1-3 years	32.9545	EUR/MWh	-	(14)	price
trading activities	0.02	electricity – EEX AG (MWh)	3-6 months	38.2955	EUR/MWh	-	(1)	price
trading activities	0.23	electricity – EEX AG (MWh)	1-3 years	32.1423	EUR/MWh	-	4	price
						(43)	**(24)**	

Call options								
gas contracts	110	USD	3-12 months	4.1255	USD/PLN	3	-	currency exchange rate
gas contracts	12	EUR	1-3 months	4.4798	EUR/PLN	-	-	currency exchange rate
gas contracts	24	EUR	3-12 months	4.5205	EUR/PLN	1	-	currency exchange rate
payments for gas	9	EUR	1-3 months	4.4600	EUR/PLN	-	-	currency exchange rate
payments for gas	36	EUR	3–12 months	4.5068	EUR/PLN	-	1	currency exchange rate
payments for gas	70	USD	1-3 months	3.8857	USD/PLN	-	5	currency exchange rate
payments for gas	40	USD	3-12 months	4.2350	USD/PLN	-	2	currency exchange rate
						4	**8**	
Commodity call options								
gas contracts	2	TTF (MWh)	1-3 months	21.33	EUR/MWh	-	-	price
gas contracts	2	TTF (MWh)	3-12 months	22.60	EUR/MWh	-	-	price
payments for gas	4	TTF (MWh)	1-3 months	21.07	EUR/MWh	-	-	price
payments for gas	3	TTF (MWh)	3-12 months	21.89	EUR/MWh	-	-	price
						-	**-**	
Put commodity options								
gas contracts	0.04	TTF (MWh)	3-12 months	19.00	EUR/MWh	(1)	-	price
gas contracts	0.22	TTF (MWh)	1-3 years	19.00	EUR/MWh	(7)	-	price
payments for gas	0.26	TTF (MWh)	1-3 years	19.00	EUR/MWh	-	(6)	price
						(8)	**(6)**	

Commodity swap

gas contracts	1	BRENT (bbl)	1-3 months	31.53	USD/bbl	36	-	price
gas contracts	0.04	FO (MT)	1-3 months	315.70	USD/MT	(19)	-	price
gas contracts	0.02	GO (MT)	1-3 months	516.27	USD/MT	(8)	-	price
gas contracts	30	NBP (thm)	1-3 months	0.27	GBP/thm	1	-	price
gas contracts	61	NBP (thm)	1-3 months	0.27	GBP/thm	(3)	-	price
gas contracts	5	TTF (MWh)	1-3 months	20.57	EUR/MWh	(186)	-	price
gas contracts	11	TTF (MWh)	3-12 months	20.36	EUR/MWh	(383)	-	price
gas contracts	0.22	TTF (MWh)	1-3 years	13.75	EUR/MWh	1	-	price
gas contracts	6	TTF (MWh)	1-3 years	18.49	EUR/MWh	(137)	-	price
payments for gas	8	TTF (MWh)	1-3 months	20.49	EUR/MWh	-	(161)	price
payments for gas	15	TTF (MWh)	3-12 months	20.56	EUR/MWh	-	(358)	price
payments for gas	8	TTF (MWh)	1-3 years	19.00	EUR/MWh	-	(110)	price
payments for gas	0.11	FO (MT)	1-3 months	312.77	USD/MT	-	(39)	price
payments for gas	0.04	FO (MT)	3-12 months	315.70	USD/MT	-	(20)	price
payments for gas	0.02	GO (MT)	1-3 months	552.13	USD/MT	-	(10)	price
payments for gas	0.02	GO (MT)	3-12 months	516.27	USD/MT	-	(8)	price
						(698)	**(706)**	
			Total			**(554)**	**(456)**	
		including:	- positive valuation (assets)			**653**	**709**	
			- negative valuation (liabilities)			**(1,207)**	**(1,165)**	

GO – Gasoil
FO – Fuel Oil
TTF – Natural Gas at the Title Transfer Facility
NBP - National Balancing Point
thm - therm (unit of heat)

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 March 31st 2016 and March 31st 2015.

Period ended Mar 31 2016	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Eliminations	Total
Statement of profit or loss							
Sales to external customers	678	9,526	244	510	22	-	10,980
Inter-segment sales	367	93	1,153	232	25	(1,870)	-
Segment's total revenue	1,045	9,619	1,397	742	47	(1,870)	10,980
Depreciation and amortisation expenses	(286)	(61)	(225)	(96)	(4)	-	(672)
Other costs	(426)	(8,959)	(639)	(380)	(57)	1,874	(8,587)
Segment's total costs	(712)	(9,020)	(864)	(476)	(61)	1,874	(9,259)
Operating profit/(loss)	**333**	**599**	**533**	**266**	**(14)**	**4**	**1,721**
Net finance costs							48
Share in net profit/(loss) of equity-accounted entities		-					-
Profit/(loss) before tax							**1,769**
Income tax							(383)
Net profit/(loss)							**1,386**
STATEMENT OF FINANCIAL POSITION							
Segment's assets	14,827	19,147	14,783	4,369	267	(5,435)	47,958
Investments in equity-accounted entities		840					840
Unallocated assets							701
Deferred tax assets							1,461
Total assets							**50,960**
Total equity							32,103
Segment's liabilities	3,836	4,649	2,492	1,988	122	(5,066)	8,021
Unallocated liabilities							7,706
Deferred tax liabilities							3,130
Total equity and liabilities							**50,960**
Other information							
Capital expenditure on property, plant and equipment and intangible assets	(294)	(26)	(362)	(105)	(2)	11	**(778)**
Impairment losses on assets	(2,892)	(1,591)	(121)	(60)	(18)	-	**(4,682)**
Impairment losses on unallocated assets							**(47)**

Period ended Mar 31 2015	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Eliminations	Total
Statement of profit or loss							
Sales to external customers	811	11,071	91	457	65	-	12,495
Inter-segment sales	406	119	1,225	231	23	(2,004)	-
Segment's total revenue	1,217	11,190	1,316	688	88	(2,004)	12,495
Depreciation and amortisation expenses	(317)	(40)	(219)	(83)	(5)	-	(664)
Other costs	(339)	(10,571)	(795)	(378)	(89)	2,003	(10,169)
Segment's total costs	(656)	(10,611)	(1,014)	(461)	(94)	2,003	(10,833)
Operating profit/(loss)	**561**	**579**	**302**	**227**	**(6)**	**(1)**	**1,662**
Net finance costs							(72)
Share in net profit/(loss) of equity-accounted entities		-					-
Profit/(loss) before tax							**1,590**
Income tax							(346)
Net profit/(loss)							**1,244**
STATEMENT OF FINANCIAL POSITION							
Segment's assets	15,504	18,798	14,384	4,060	364	(6,643)	46,467
Investments in equity-accounted entities		856					856
Unallocated assets							482
Deferred tax assets							1,704
Total assets							**49,509**
Total equity							31,531
Segment's liabilities	5,291	4,904	2,701	1,961	217	(6,329)	8,745
Unallocated liabilities							6,036
Deferred tax liabilities							3,197
Total equity and liabilities							**49,509**
Other information							
Capital expenditure on property, plant and equipment and intangible assets	(397)	(53)	(367)	(103)	(2)	49	**(873)**
Impairment losses on assets	(2,389)	(1,593)	(114)	(26)	(22)	-	**(4,144)**
Impairment losses on unallocated assets							**(46)**

II. INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

CONDENSED SEPARATE STATEMENT OF PROFIT OR LOSS

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
	unaudited	unaudited
Revenue	**5,596**	**6,311**
Raw materials and consumables used	(4,199)	(4,658)
Employee benefits expense	(133)	(136)
Depreciation and amortisation expenses	(196)	(174)
Services	(363)	(371)
Work performed by the entity and capitalised	2	3
Other income and expenses	204	(43)
Total operating expenses	**(4,685)**	**(5,379)**
Operating profit/(loss)	**911**	**932**
Finance income	74	144
Finance costs	(84)	(116)
Profit/(loss) before tax	**901**	**960**
Income tax	(172)	(187)
Net profit/(loss)	**729**	**773**
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares (PLN)	0.12	0.13

CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
	unaudited	unaudited
Net profit/(loss)	**729**	**773**
Other comprehensive income that will be reclassified to profit or loss if specific conditions are met, relating to:	**(11)**	**86**
Exchange differences on translating foreign operations	(10)	20
Hedge accounting	(1)	82
Deferred tax	-	(16)
Other comprehensive income, net	**(11)**	**86**
Total comprehensive income	**718**	**859**

CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION

	As at Mar 31 2016	As at Dec 31 2015
	unaudited	audited
ASSETS		
Non-current assets		
Property, plant and equipment	13,238	13,234
Intangible assets	198	213
Shares	8,623	8,623
Other financial assets	3,255	3,321
Deferred tax assets	571	624
Other non-current assets	120	122
Total non-current assets	**26,005**	**26,137**
Current assets		
Inventories	801	1,638
Trade and other receivables	1,052	1,329
Other assets	116	18
Current financial assets	660	364
Derivative financial instrument assets	328	346
Cash and cash equivalents	7,372	5,190
Non-current assets held for sale	**5**	**5**
Total current assets	**10,334**	**8,890**
Total assets	**36,339**	**35,027**
EQUITY AND LIABILITIES		
Equity		
Share capital	5,900	5,900
Share premium	1,740	1,740
Accumulated other comprehensive income	(529)	(518)
Retained earnings/(deficit)	17,345	16,616
Total equity	**24,456**	**23,738**
Non-current liabilities		
Borrowings and other debt instruments	2,419	4,513
Employee benefit obligations	159	159
Provisions	1,310	1,303
Deferred revenue	619	641
Deferred tax liabilities	538	538
Other non-current liabilities	60	51
Total non-current liabilities	**5,105**	**7,205**
Current liabilities		
Trade and other payables	2,331	2,209
Borrowings and other debt instruments	2,976	469
Derivative financial instrument liabilities	885	814
Current tax liabilities	138	50
Employee benefit obligations	101	110
Provisions	310	396
Deferred revenue	37	36
Total current liabilities	**6,778**	**4,084**
Total liabilities	**11,883**	**11,289**
Total equity and liabilities	**36,339**	**35,027**

CONDENSED SEPARATE STATEMENT OF CASH FLOWS

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
	unaudited	unaudited
Cash flows from operating activities		
Net profit/(loss)	729	773
Adjustments:		
Depreciation and amortisation expenses	196	174
Net foreign exchange gains/(losses)	(16)	(68)
Net interest and dividend	21	(45)
Gain/(loss) on investing activities	(48)	(24)
Current tax expense	172	187
Other items, net	99	92
Income tax paid	(48)	(225)
Net cash (used in)/generated by operating activities before movements in working capital	**1,105**	**864**
Movements in working capital:		
Change in receivables	113	36
Change in inventories	837	869
Change in employee benefit obligations	(9)	(4)
Change in provisions	(86)	(127)
Change in current liabilities	(80)	(85)
Change in other assets	(98)	(92)
Change in deferred revenue	(13)	-
Net cash (used in)/generated by operating activities	**1,769**	**1,461**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	1	1
Proceeds from disposal of short-term securities	-	446
Purchase of property, plant and equipment and intangible assets	(80)	(152)
Payments for tangible exploration and evaluation assets under construction	(167)	(208)
Acquisition of short-term securities	(397)	-
Repayment of loans advanced	221	560
Loans advanced	(6)	(408)
Proceeds from derivative financial instruments	32	44
Payment for derivative financial instruments	(48)	(111)
Interest received	3	31
Proceeds from finance leases	4	4
Other items, net	(10)	(2)
Net cash (used in)/generated by investing activities	**(447)**	**205**
Cash flows from financing activities		
Proceeds from issue of debt securities	758	471
Repayment of debt securities	(309)	(474)
Proceeds from derivative financial instruments	89	84
Payment for derivative financial instruments	(20)	(21)
Interest paid	(96)	(92)
Other items, net	2	-
Net cash (used in)/generated by financing activities	**424**	**(32)**
Net increase/(decrease) in cash and cash equivalents	**1,746**	**1,634**
Cash and cash equivalents at beginning of period	**4,839**	**1,673**
Cash and cash equivalents at end of period	**6,585**	**3,307**

On July 16th 2014, a cash pooling agreement was executed for an indefinite term between Bank Pekao S.A. and the companies of the PGNiG Group. As at March 31st 2016, the following companies were covered by the cash pooling agreement: PGNiG S.A., Polska Spółka Gazownictwa Sp. z o.o., Exalo Drilling S.A., PGNiG Technologie S.A., Geofizyka Kraków S.A., Geofizyka Toruń S.A., Operator Systemu Magazynowego Sp. z o.o., PGNiG Serwis Sp. z o.o., PGNiG TERMIKA S.A., PGNiG Obrót Detaliczny Sp. z o.o. and Geovita S.A. The objective of the agreement is to manage the Group's current liquidity.

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

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

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

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
Cash and cash equivalents at end of period in the statement of cash flows	**6,585**	**3,307**
Opening balance of net foreign exchange gains/(losses)	1	1
Opening balance of inflows/outflows of cash under cash pooling arrangement	350	268
Net foreign exchange differences for the reporting period	(7)	2
Inflows/(outflows) of cash under cash pooling arrangement in the reporting period	443	251
Cash and cash equivalents at end of period in the statement of financial position	**7,372**	**3,829**

CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Accumulated other comprehensive income, including:			Retained earnings/(deficit)	Total equity
			Exchange differences on translating foreign operations	Hedging reserve	Actuarial gains/(losses) on employee benefits		
As at Jan 1 2016 (audited)	**5,900**	**1,740**	**41**	**(564)**	**4**	**16,616**	**23,738**
Total comprehensive income	**-**	**-**	**(10)**	**(1)**	**-**	**729**	**718**
Net profit/(loss) for Q1 2016	-	-	-	-	-	729	**729**
Other comprehensive income, net, for Q1 2016	-	-	(10)	(1)	-	-	**(11)**
As at Mar 31 2016 (unaudited)	**5,900**	**1,740**	**31**	**(565)**	**4**	**17,345**	**24,456**
As at Jan 1 2015 (audited)	**5,900**	**1,740**	**16**	**(215)**	**13**	**16,325**	**23,780**
Total comprehensive income	**-**	**-**	**20**	**66**	**-**	**773**	**859**
Net profit/(loss) for Q1 2015	-	-	-	-	-	773	**773**
Other comprehensive income, net, for Q1 2015	-	-	20	66	-	-	**86**
As at Mar 31 2015 (unaudited)	**5,900**	**1,740**	**36**	**(149)**	**13**	**17,098**	**24,638**

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

1. Deferred tax

	Deferred tax assets	Deferred tax liabilities
As at Jan 1 2016	**624**	**538**
Increase	18	13
Decrease	(71)	(13)
As at Mar 31 2016	**571**	**538**
As at Jan 1 2015	**469**	**580**
Increase	189	82
Decrease	(34)	(124)
As at Dec 31 2015	**624**	**538**

2. Impairment losses/write-downs

	Property, plant and equipment and intangible assets	Non-current assets held for sale	Shares	Inventories	Current receivables	Loans advanced	Total
As at Jan 1 2016	**2,526**	**13**	**2,508**	**264**	**319**	**48**	**5,678**
Increase	12	-	-	88	32	-	**132**
Used/reversed	(73)	-	-	(259)	(34)	(1)	**(367)**
As at Mar 31 2016	**2,465**	**13**	**2,508**	**93**	**317**	**47**	**5,443**
As at Jan 1 2015	**2,037**	**4**	**2,477**	**73**	**323**	**40**	**4,954**
Increase	1,017	-	43	260	38	8	**1,366**
Transfers	-	12	(12)	-	-	-	**-**
Used/reversed	(528)	(3)	-	(69)	(42)	-	**(642)**
As at Dec 31 2015	**2,526**	**13**	**2,508**	**264**	**319**	**48**	**5,678**

3. Provisions

	Provision for well decommissioning costs	Provision for UOKiK fine	Provision for environmental liabilities	Provision for claims under extra-contractual use of land	Provision for liabilities associated with exploration work abroad	Provision for certificates of origin and energy efficiency certificates	Other provisions	**Total**
As at Jan 1 2016	**1,293**	**65**	**41**	**18**	**182**	**76**	**24**	**1,699**
Increase	12	-	-	-	-	12	14	**38**
Used/reversed	(5)	-	-	(11)	(7)	(79)	(15)	**(117)**
As at Mar 31 2016	**1,300**	**65**	**41**	**7**	**175**	**9**	**23**	**1,620**
As at Jan 1 2015	**1,393**	**60**	**41**	**18**	**164**	**167**	**43**	**1,886**
Increase	111	10	-	2	18	75	22	**238**
Used/reversed	(211)	(5)	-	(2)	-	(166)	(41)	**(425)**
As at Dec 31 2015	**1,293**	**65**	**41**	**18**	**182**	**76**	**24**	**1,699**

4. Revenue

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
High-methane gas	4,294	5,047
Nitrogen-rich gas	356	395
Crude oil and natural gasoline	186	303
Helium	16	19
Propane-butane gas	12	12
LNG	154	12
Electricity	382	290
Right to administer storage facilities	141	171
Other sales of products and services	55	62
Total	**5,596**	**6,311**

5. Operating expenses

5.1. Raw materials and consumables used

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
Cost of gas sold	(3,791)	(4,338)
Electricity for trading	(374)	(286)
Other raw materials and consumables used	(34)	(34)
Total	**(4,199)**	**(4,658)**

5.2. Services

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
Purchase of transmission, distribution, and storage services	(253)	(297)
Cost of wells written off	(46)	-
Other services	(64)	(74)
Total	**(363)**	**(371)**

5.3. Other income and expenses

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
Change in impairment losses	202	37
Change in provisions	40	(10)
Taxes and charges	(122)	(117)
Foreign exchange differences	21	4
Derivative instruments	(5)	(26)
Compensation, penalties, fines, etc. received	3	4
Other	65	65
Total	**204**	**(43)**

6. Finance income and costs

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
Finance income	**74**	**144**
Interest income	46	77
Foreign exchange gains	27	66
Other finance income	1	1
Finance costs	**(84)**	**(116)**
Loss on measurement and realisation of derivative financial instruments	(35)	(84)
Interest expense	(44)	(23)
Commission fees paid on bank borrowings	(4)	(5)
Costs of guarantees received	(1)	(1)
Other finance costs	-	(3)
Net finance income/(costs)	**(10)**	**28**

7. Income tax expense

	3 months ended Mar 31 2016	3 months ended Mar 31 2015
Profit/(loss) before tax	901	960
Tax rate applicable in period	19%	19%
Tax calculated at the applicable tax rate	(171)	(182)
Permanent differences between profit/(loss) before tax and taxable profit	(1)	(5)
Tax expense in the statement of profit or loss	**(172)**	**(187)**
Current tax expense	(119)	(164)
Deferred tax expense	(53)	(23)
Effective tax rate	19%	19%

8. Property, plant and equipment by category

	As at Mar 31 2016	As at Dec 31 2015
Land	24	24
Buildings and structures	7,134	7,202
Plant and equipment	2,834	2,873
Vehicles and other	133	136
Total tangible assets	**10,125**	**10,235**
Tangible exploration and evaluation assets under construction	2,292	2,186
Other tangible assets under construction	821	813
Total property, plant and equipment	**13,238**	**13,234**

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 Q1 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz. U. No. 33, item 259, as amended).

This report presents the financial condition of the PGNiG Group as at March 31st 2016 and its financial performance for the period January 1st−March 31st 2016, and the comparative data for the corresponding periods of 2015.

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

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

This interim report for Q1 2016 has been authorised for issue by the Parent's Management Board on May 9th 2016.

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:

- Polish Oil And Gas Company – Libya B.V. – US dollar (USD),
- PGNiG Upstream International AS – Norwegian krone (NOK),
- PGNiG Supply & Trading GmbH (formerly 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 2015.

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 2015, issued on March 4th 2016, except that the following amendments to financial reporting standards and new interpretations effective for annual periods beginning on or after January 1st 2016 have been applied:

- Amendments to IFRS (2012-2014) – changes in the procedure of introducing annual amendments to IFRS – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IFRS 11 Jo*int Arrangements: Accounting for Acquisitions of Interests in Joint Operations* – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IAS 1 *Disclosure Initiative* – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IAS 16 *Property, Plant and Equipment* – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IAS 16 *Property, Plant and Equipment*, and IAS 38 Intan*gible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation* – effective for reporting periods beginning on or after January 1st 2016;

- Amendments to IAS 27 *Equity Method in Separate Financial Statements* – effective for reporting periods beginning on or after January 1st 2016.

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

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

Standards and interpretations adopted by the International Accounting Standards Board, which as at March 31st 2016 had not been endorsed for use by the European Commission (EC) and therefore have not been applied in these financial statements:

- IFRS 9 *Financial Instruments* – effective for reporting periods beginning on or after January 1st 2018;
- IFRS 14 *Regulatory Deferral Accounts* – effective for reporting periods beginning on or after January 1st 2016 (the European Commission has decided to postpone the endorsement process of this standard until work on its final version is completed);
- IFRS 15 *Revenue from Contracts with Customers* – effective for reporting periods beginning on or after January 1st 2018;
- IFRS 16 *Leasing* – effective for reporting periods beginning on or after January 1st 2019;
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IFRS 10 and IAS 28 S*ales or Contributions of Assets between an Investor and Its Associate/Joint Venture* – the effective date has been postponed for an indefinite period;
- Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* – effective for reporting periods beginning on or after January 1st 2017;
- Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative* – effective for reporting periods beginning on or after January 1st 2017;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* – effective for reporting periods beginning on or after January 1st 2018.

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 January 25th 2016 PGNiG S.A. terminated its agreement with Standard&Poors Rating Services Ltd ("S&P") for credit rating of the Company and rating of the bonds issued by its subsidiary PGNiG Finance AB.

  Both the Company and the bonds issued by PGNiG Finance AB maintain an investment grade rating from Moody's Investors Service.

- On February 10th 2016, the PGNiG S.A. Supervisory Board appointed Deloitte Polska Sp. z o.o. sp.k., with its registered office at Al. Jana Pawła II 19, 00-854 Warsaw, as the auditor of the Company's financial statements and consolidated financial statements for the financial years 2016, 2017 and 2018.

  The resolution to appoint the auditor was passed in compliance with applicable laws, the Company's internal regulations and professional standards.

  Deloitte Polska Sp. z o.o. sp.k. is entered in the list of qualified auditors maintained by the National Chamber of Statutory Auditors under Reg. No. 73. PGNiG S.A. engaged the firm (which previously operated under the name of Deloitte Audyt Sp. z o.o.) to audit its separate and consolidated financial statements in 2003-2012.

  On February 19th 2016 an appeal was filed with the National Appeals Chamber against the appointment of Deloitte Polska Sp. z o.o. sp.k. as the Company's auditor. The appeal was lodged by one of the bidders participating in the tender to select an auditor of the Company's separate and consolidated financial statements for 2016, 2017 and 2018. The appeal was dismissed on March 3rd 2016.

- On March 15th 2016, the President of the Energy Regulatory Office (Urząd Regulacji Energetyki) ("President of URE") approved new Gas Fuel Trading Tariff No. 3 of PGNiG Obrót Detaliczny ("Retail Tariff").

  The amended Retail Tariff provides for the following changes in gas fuel prices relative to the previous Tariff of PGNiG Obrót Detaliczny:

  - for high-methane gas (group E) − average price reduction by 5.4%,
  - for nitrogen-rich gas (group Lw) − average price reduction by 6.1%,
  - for nitrogen-rich gas (group Ls) − average price reduction by 5.8%.

  On average, the price for household customers was cut by 5.3%, and for business customers – by 6.8%.

  Subscription fees remained unchanged.

  The Retail Tariff will remain valid until June 30th 2016.

- On March 15th 2016, the President of URE approved new Gas Fuel Supply Tariff No. 10/2016 of PGNiG S.A. ("Wholesale Tariff").

  Due to the persistently low prices of crude oil and natural gas across wholesale markets in north-western Europe, PGNiG S.A.'s total cost of gas fell below the cost assumed in the calculation of the existing Wholesale Tariff.

  Therefore, the average trading price of gas fuel has been reduced compared with PGNiG S.A.'s previous tariff by 9.5% for high-methane gas and by 8.3% for nitrogen-rich gas. The Wholesale Tariff will remain valid until June 30th 2016.

- On March 15th 2016, the Company's subsidiary PGNiG TERMIKA S.A. made a preliminary non-binding offer to acquire new shares in the increased share capital of Polska Grupa Górnicza Sp. z o.o. ("PGG") with a total value of up to PLN 400m. The offer is subject to the satisfaction of certain pre-conditions, including implementation of restructuring measures to ensure that all PGG entities achieve operating profitability and generate positive cash flows to build up equity, and execution of binding agreements with trade unions to enable the delivery of planned objectives. On April 26th 2016, PGNiG TERMIKA S.A. signed an agreement to commence the operations of Polska Grupa Górnicza Sp. z o.o. (for details, see Note III.15).

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

In Q1 2016, the PGNiG Group's revenue totalled PLN 10,980m, down PLN 1,515m (or 12%) from PLN 12,495m posted the year before. Operating expenses came in at PLN 9,259m (down 15% year on year), as a result of which in Q1 2016 the Group recorded a consolidated operating profit of PLN 1,721m, which was higher by PLN 59m (or 4%) than in the same period of 2015.

Exploration and Production

As at the end of Q1 2016, operating profit of the Exploration and Production (E&P) segment was PLN 333m, down PLN 228m (40.6%) year on year. At PLN 619m, EBITDA was also lower than the year before – by PLN 259m (29.5%).

The segment's revenue decreased by PLN 172m (14%) year on year, to PLN 1,045m, despite a 14% growth in the volume of crude oil sales (mainly from deposits in Norway, where oil sales volumes grew by approximately 47%). The revenue decline reflected the fall in crude oil prices (in Polish zloty terms, the average price of Brent in Q1 2016 was approximately 32% lower than in Q1 2015).

The PLN 56m increase in the E&P segment's operating expenses (up 8.5%) was related to a higher cost of written-off exploration and evaluation assets, which in 1Q 2016 amounted to PLN 46m, compared with PLN 2m a year earlier.

The E&P segment's expenses were also affected by lower depreciation and amortisation, down from PLN 317m in Q1 2015 to PLN 286m in Q1 2016. The decline resulted from a positive effect of the revaluation of reserves on the Norwegian Continental Shelf, which reduced depreciation rates applied to production assets.

Trade and Storage

The Trade and Storage segment slightly improved its operating efficiency. Its Q1 2016 operating profit came in at PLN 599m, representing a PLN 20m (or 3.5%) increase year on year.

In Q1 2016, the segment's revenue was PLN 9,619m, down 14% year on year. The decline in the segment's revenue is due to the ongoing deregulation of the Polish gas market, which allows the segment's largest customers to diversify their gas fuel supplies. In response to the changing market conditions, in 2015 PGNiG S.A. and PGNiG OD revised their tariffs for gas fuel sales several times. As a result, the average tariff price in Q1 2016 was lower by ca. 11% compared with Q1 2015. Moreover, the two companies responsible for gas fuel sales in Poland introduced discount schemes to improve the competitiveness of their offerings, which was also reflected in the segment's lower revenue.

The segment's operating expenses in Q1 2016 amounted to PLN 9,020m, down 15% on Q1 2015, mainly affected by gas costs, i.e.:

- a 42.7% decline in Q1 2016 of the nine-month average price of crude oil expressed in the Polish zloty relative to Q1 2015 (which affected the price of gas fuel purchased from countries east of Poland);
- a 38% decline in Q1 2016 of the average price of gas fuel on West European exchanges, expressed in the Polish zloty, relative to Q1 2015 (which affected the price of gas fuel purchased from countries east of Poland and on gas fuel procurement from countries west of Poland).

The segment's operating performance was also affected by reversal of a write-down on inventories of gas fuel, which in Q1 2016 was higher by PLN 145m compared with the corresponding period of the previous year.

Stocks of gas in underground storage facilities totalled ca. 0.91 bcm as at March 31st 2016, i.e. 27% less than the year before (1.25 bcm).

Distribution

The Distribution segment's operating profit in Q1 2016 grew 76% year on year, to PLN 533m, while EBITDA came in at PLN 758m, up by PLN 237m year on year. The improvement resulted from both lower expenses and stronger revenue. In Q1 2016, expenses were down by PLN 150m (15%) while revenue rose by PLN 81m (6%) compared with the same period a year earlier.

The decline in the segment's expenses was primarily attributable to a significant reduction of employee benefits expense following the 2015 workforce streamlining as part of the Voluntary Redundancy Programme. The significant reduction in employee benefits in Q1 2016 relative to the same period the year before resulted from the fact that in Q1 2015 employee benefits included a PLN 96m provision for workforce streamlining and voluntary redundancy programme.

The higher revenue in Q1 2016 was achieved on a 7% rise in gas fuel distribution volume, owed to the lower average air temperature in Q1 2016 compared with the same period in 2015.

Generation

The segment's operating profit for Q1 2016 amounted to PLN 266m, a PLN 39m increase on the previous year. EBITDA was PLN 362m, an improvement of 17% year on year. Key factors that contributed to the improved segment performance included:

- higher revenue from heat sales due to a rise in heat sales volume (up 7.2% in Q1 2016 vs Q1 2015) and the heat tariff (up 5.3% on average in August 2015);
- lower procurement costs of coal, the segment's main fuel for heat production (the average price of coal in Q1 2016 was 6.4% lower than in the same period of the previous year).

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 March 31st 2016, 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 Issuance Programme Agreement executed by the Parent on June 10th 2010, the Parent may issue discount or coupon notes maturing in one to twelve months, for an aggregate amount of up to PLN 7bn. The Note Issuance Programme Agreement was signed by the following banks: Bank Pekao S.A., ING Bank Śląski S.A., PKO Bank Polski S.A., Bank Handlowy w Warszawie S.A., Societe Generale S.A., BGŻ BNP Paribas S.A. Polish Branch, Bank Zachodni WBK S.A. and mBank S.A. On August 8th 2014, an annex was signed to the agreement, extending the Note Issuance Programme term until July 31st 2020. As at March 31st 2016, no debt was outstanding under the agreement.
- On August 25th 2011, the Parent and PGNiG Finance AB executed documentation for a Euro Medium Term Notes Programme with Societe Generale S.A., BGŻ 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 1.2bn. As at March 31st 2016, nominal value of the debt outstanding under the Euronotes was PLN 2.1bn (translated at the mid rate quoted by the NBP for March 31st 2016). Due to the maturity date of the outstanding notes (February 2017), the item was recognised under current liabilities.
- On May 22nd 2012, the Parent executed a PLN 4.5bn Note Issuance 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 March 31st 2016, the nominal debt outstanding under the Programme was PLN 2.5bn.
- On October 2nd 2014, the Parent executed with Bank Gospodarstwa Krajowego an agreement for organisation of a note issuance programme for up to PLN 1,000m. The agreement expires on September 30th 2024. Under the Programme, PGNiG may issue notes with maturities of at least 12 months. In accordance with the agreement, the proceeds from the Programme may only be used to finance capital expenditure related to, among other things, maintenance of production capacity, diversification of gas supply sources, oil and gas exploration and appraisal, development of the power segment and ongoing projects involving the construction of storage infrastructure. In the period covered by these financial statements, PGNiG did not issue any notes under the Programme. As at March 31st 2016, no debt was outstanding under the agreement.
- On July 4th 2012, PGNiG Termika S.A. executed a Note Issuance Programme with the following banks: ING Bank Śląski S.A., PKO Bank Polski S.A., Nordea Bank Polska S.A. and Bank Zachodni WBK S.A. Under the Programme, PGNiG Termika S.A. may issue coupon or discount notes for up to PLN 1.5bn. On November 1st 2014, there was a merger between two of the issue underwriters, PKO Bank Polski S.A.

and Nordea Bank Polska S.A. Programme is to expire on December 29th 2019, though it may be extended for two years, i.e. until December 29th 2021.

In the reporting period PGNiG TERMIKA S.A. redeemed PLN 110m worth of notes issued in Q4 2015.

As at March 31st 2016, no debt was outstanding under the Programme.

14. Dividends paid or declared

Until the date of this report, the Management Board of PGNiG had not issued any recommendation concerning distribution of the Company's net profit for 2015. Consequently, the Supervisory Board had issued no opinion on the matter, and the General Meeting had not passed a resolution on distribution of the Company's profit for 2015.

The dividend for 2014 was paid on August 4th 2015. In accordance with a decision of the Annual General Meeting of PGNiG S.A., the dividend was PLN 1,180m (PLN 0.20 per share), and the dividend record date was July 15th 2015.

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 Group's future financial performance took place subsequent to March 31st 2016:

- On April 1st 2016, PGNiG S.A.'s shareholder, the State Treasury, appointed Ms Anna Wellisz to the Supervisory Board of PGNiG S.A. with effect as of April 1st 2016.

  Pursuant to the Articles of Association, the State Treasury as a shareholder of the Company, represented by the minister competent for matters pertaining to the State Treasury, has the right to appoint and remove one member of the Supervisory Board.

- On April 4th 2016, the Supervisory Board of PGNiG S.A. approved the PGNiG Group's updated Strategy for 2014–2022.

  Given the significant fluctuations in crude oil prices on global markets, the previously implemented strategy was reviewed and substantially revised. The following key aspects were updated:

  - macroeconomic assumptions (including prices of crude oil, natural gas and electricity, currency exchange rates);
  - market and operating assumptions (including gas balance, volume of gas transmitted over the distribution network and capital expenditure in the Generation segment);
  - strategic goals (through the modification of the existing operating initiatives and implementation of new operating initiatives).

- On April 13th 2016, PGNiG S.A. concluded a Frame Agreement for the sale of gas fuel and bilateral Individual Contracts with Grupa Azoty S.A. and its subsidiaries: Grupa Azoty Zakłady Azotowe Puławy S.A., Grupa Azoty Zakłady Chemiczne Police S.A., Grupa Azoty Zakłady Azotowe Kędzierzyn S.A., Grupa Azoty Kopalnie and Zakłady Chemiczne Siarki Siarkopol S.A. (Customers).

  The Frame Agreement provides for a uniform procedure for the conclusion and termination of Individual Contracts to be followed by all Customers, and describes the procedures for order placement, payments, suspension and limitation of supplies, renegotiation clauses and rules for joint settlement of supplies.

  An Individual Contract is a specific contract under the Frame Agreement, concluded for a definite time, in the form of a sale contract or comprehensive contract, specifying the quantities, timetable, price formulae based on exchange indices and detailed commercial terms of gas fuel supplies to a given Customer.

  The Frame Agreement was concluded for an indefinite term and its provisions apply to supplies made since April 1st 2016, while the Individual Contracts provide for various supply periods, with the longest one ending on September 30th 2019.

  The estimated value of the Frame Agreement, together with the Individual Contracts, is approximately PLN 3.3bn and the maximum volume of supplies over the entire term of the Agreement totals 4.5 bcm.

- On April 19th 2016, the Extraordinary General Meeting of PGNiG TERMIKA S.A. of Warsaw resolved to increase the company's share capital from PLN 670,324,950 to PLN 1,240,324,950, i.e. by PLN 570,000,000, by issuing 57,000,000 new shares with a par value of PLN 10 per share. The shares were subscribed for by PGNiG S.A. By the date of this report, the increase had not been registered with the National Court Register.

- On April 26th 2016, PGNiG TERMIKA S.A., PGNiG's subsidiary, signed an agreement to commence the operations of Polska Grupa Górnicza Sp. z o.o. (Agreement).

  The Parties to the Agreement are Kompania Węglowa S.A., Polska Grupa Górnicza Sp. z o.o. ("PGG"), Węglokoks S.A., Towarzystwo Finansowe Silesia Sp. z o.o. ("TFS"), Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("FIPP"), PGNiG TERMIKA

S.A., Energa Kogeneracja Sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A. ("PGE GiEK") (TFS, FIPP, PGNiG TERMIKA S.A., Energa Kogeneracja Sp. z o.o. and PGE GiEK are jointly referred to as the "Investors"), Alior Bank S.A., Bank BGŻ BNP Paribas S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Bank Zachodni WBK S.A., Bank Gospodarstwa Krajowego S.A. and trade unions operating at Kompania Węglowa S.A. (all jointly referred to as the "Parties").

In the Agreement, the Parties confirmed the rationale for establishing PGG, whose operations will be based on selected mining assets to be acquired from Kompania Węglowa S.A. (11 mines, four plants, and mine and plant support functions).

By signing the Agreement, the Investors have undertaken to purchase PGG shares for a total of PLN 2.4bn, of which PLN 1.8bn is to be contributed in cash and the balance in the form of conversion of TFS's and Węglokoks S.A.'s claims.

PGNiG TERMIKA S.A., as one of the Investors, has undertaken to purchase PGG shares for PLN 500m.

- On April 28th 2016, PGNiG TERMIKA S.A. signed an agreement setting out the terms of financial investment in Polska Grupa Górnicza Sp. z o.o. ("PGG"), particularly the terms on which PGNiG TERMIKA S.A. will acquire 5,000,000 shares in PGG with a total value of PLN 500m ("Investment Agreement").

  The parties to the Investment Agreement are PGNiG TERMIKA S.A., Energa Kogeneracja Sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A., Towarzystwo Finansowe Silesia Sp. z o.o., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Węglokoks S.A. (jointly the "Investors"), and PGG.

  The Investment Agreement provides that the shares will be acquired in the following three stages:

  - In stage one, PGNiG TERMIKA S.A. will acquire shares representing 15.7% of PGG's share capital in exchange for a cash contribution of PLN 361.1m, to be paid within four business days from the date of PGG signing the Investment Agreement;
  - In stage two, PGNiG TERMIKA S.A. will raise its equity interest in PGG to 16.6% in exchange for a cash contribution of PLN 83.3m, to be paid by November 3rd 2016; and
  - In stage three, PGNiG TERMIKA S.A. will further raise its equity interest in PGG to 17.1% in exchange for a cash contribution of PLN 55.6m, to be paid by February 1st 2017.

  Stages two and three will be executed on condition that there is no default under the terms and conditions of the notes issued by PGG in accordance with the Investment Agreement.

  It is assumed that PGG's proceeds under the Investment Agreement and from the note issue will be sufficient for PGG to carry on its operations in accordance with the business plan presented by PGG, approved by the Parties and attached as an appendix to the Investment Agreement, and that no further financing will be required.

  PGG will operate based on a business plan created to optimise coal production costs and achieve the defined profitability ratios. Based on analyses of the investment, the cash flows will ensure a rate of return exceeding the cost of capital employed.

  The Investment Agreement contains provisions that allow Investors' representatives to monitor the financial position of PGG, and the implementation of the business plan in particular, on an ongoing basis. The implementation of the business plan will be reviewed and monitored in reference to a number of ratios, including in particular those measuring PGG's profitability, financial liquidity, debt, and operating efficiency, for which thresholds have been set.

  PGNiG TERMIKA S.A. expects to play an active part in improving PGG's operating efficiency through the Investment Agreement and its corporate rights. In particular, each PGG shareholder may appoint, remove or suspend one member of PGG's Supervisory Board.

  Subject to the exceptions stipulated in the Investment Agreement, for 10 years from PGG's first equity increase, and in the event of PGG's transformation into a joint-stock company – for five years from registering the transformation, no shareholder may sell any PGG shares without the consent of the other PGG shareholders.

Given the lack of control of the company, in line with the definition contained in IFRS 10 *Consolidated Financial Statements*, PGG will not be PGNiG's subsidiary and thus will not be fully consolidated.

- On April 28th 2016, PGNiG TERMIKA S.A. and Spółka Energetyczna Jastrzębie S.A. signed an agreement on purchase of 100% of the shares in Przedsiębiorstwo Energetyki Cieplnej S.A. of Jastrzębie-Zdrój ("PEC"). The value of the transaction was PLN 190.4m.

  PEC is involved in the distribution and generation of heat in the municipalities of Jastrzębie-Zdrój, Czerwionka-Leszczyny, Knurów, Racibórz, Kuźnia Raciborska, Pawłowice, Rybnik, Wodzisław-Śląski and Żory. The company operates 288 km of heating networks and 14 local heating plants, which generate 40% of all heat sold by PEC. Total sales of heat by the company in 2015 amounted to 2.6 PJ.

- On April 28th 2016, PGNiG TERMIKA S.A. made an offer to acquire shares in Spółka Energetyczna Jastrzębie S.A. ("SEJ") from Jastrzębska Spółka Węglowa S.A.

  The business conducted by SEJ consists in the generation of electricity and heat for the needs of Jastrzębska Spółka Węglowa S.A.'s mines and other industrial customers, as well as generation of heat for households, which is distributed by PEC. The amount of heat delivered by SEJ to PEC is about 0.9 PJ per year, which represents 60% of SEJ's total heat output. In addition, SEJ is involved in the generation of compressed air and cold for Jastrzębska Spółka Węglowa S.A.'s mines.

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

Contingent receivables

	As at Mar 31 2016	As at Dec 31 2015
From other entities:		
guarantees and sureties received	4	6
promissory notes received	14	14
other contingent assets	20	31
Total contingent receivables from other entities	**38**	**51**
Total contingent assets	**38**	**51**

Contingent liabilities

	As at Mar 31 2016	As at Dec 31 2015
To other entities		
guarantees and sureties issued	8,107	7,711
promissory notes issued	1,442	1,435
other contingent liabilities	25	27
Total contingent liabilities to other entities	**9,574**	**9,173**
Total contingent liabilities	**9,574**	**9,173**

The decrease in contingent receivables under sureties and guarantees received recorded in the period is primarily attributable to the expiry of bank guarantees and performance bonds. The decrease in other contingent assets is mainly attributable to an analysis of the probability of consumption of economic benefits as at the reporting date (receivables disclosed under contingent receivables as at December 31st 2015 have been disclosed in the statement of financial position as at March 31st 2016).

The increase in contingent liabilities towards other entities under sureties and guarantees granted as at March 31st 2016 is principally driven by new guarantees issued as security for gas supplies in a total amount of EUR 75.7m (PLN 323m at the exchange rate quoted by the NBP for March 31st 2016).

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 February 10th 2016, the Supervisory Board of PGNiG closed the recruitment and selection procedure in which it assessed candidates to the following positions on the Management Board: President, Vice-President − Corporate Affairs, Vice-President − Development, Vice-President − Finance and Vice-President − Trade. The Supervisory Board decided to appoint the following persons, effective as of February 11th 2016, to the Management Board for a joint term of office expiring December 30th 2016:

  - Mr Piotr Woźniak − President of the PGNiG Management Board,
  - Mr Janusz Kowalski – Vice-President of the PGNiG Management Board, Corporate Affairs,
  - Mr Łukasz Kroplewski – Vice-President of the PGNiG Management Board, Development,
  - Mr Bogusław Marzec – Vice-President of the PGNiG Management Board, Finance,
  - Mr Maciej Woźniak – Vice-President of the PGNiG Management Board, Trade.

  Mr Waldemar Wójcik, elected by the employees on April 3rd 2014, continues to hold the position of Vice-President of the Management Board.

- On February 25th 2016, Mr Krzysztof Rogala submitted his resignation from the position of a Supervisory Board member, with effect as of February 25th 2016. Mr Rogala gave no reasons for his resignation.

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. The PGNiG Group's business profile includes:

- oil and gas exploration and production,
- import, storage of, trade in and distribution of gaseous fuels,
- generation of and trade in electricity,
- generation and distribution of heat.

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

2. Organisation of the PGNiG Group and its consolidated entities

As at March 31st 2016, the Group comprised PGNiG S.A. (the Parent), and 30 production and service companies, including:

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

The PGNiG Group also includes an equity-accounted company SGT EUROPOL GAZ S.A.

Equity-accounted joint ventures

No.	Company name	Country	% ownership interest	
			Mar 31 2016	Mar 31 2015
1.	SGT EUROPOL GAZ S.A. 1)	Poland	51.18%	49.74%

1) Including a 48.00% direct interest and a 3.18% (1.74% as at March 31st 2016) interest held indirectly through GAS-TRADING S.A.

The list of the PGNiG Group companies as at March 31st 2016 is presented in the table below.

No.	Company name	Country	The Group's % ownership interest as at		Consolidation method as at	
	PGNiG S.A.'s direct subsidiaries		Mar 31 2016	Mar 31 2015	Mar 31 2016	Mar 31 2015
1	BSiPG Gazoprojekt S.A.	Poland	75%[1)]	75%[1)]	full	full
2	Exalo Drilling S.A.	Poland	100%	100%	full	full
3	GEOFIZYKA Kraków S.A.	Poland	100%	100%	full	full
4	GEOFIZYKA Toruń S.A.	Poland	100%	100%	full	full
5	Geovita S.A.	Poland	100%	100%	full	full
6	Operator Systemu Magazynowania Sp. z o.o.	Poland	100%	100%	full	full
7	PGNiG Obrót Detaliczny Sp. z o.o.	Poland	100%	100%	full	full
8	PGNiG Serwis Sp. z o.o.	Poland	100%	100%	full	full
9	PGNiG Technologie S.A.	Poland	100%	100%	full	full
10	PGNiG TERMIKA S.A.	Poland	100%	100%	full	full
11	Polska Spółka Gazownictwa Sp. z o.o.	Poland	100%	100%	full	full
12	PGNiG Finance AB	Sweden	100%	100%	full	full
13	PGNiG Supply & Trading GmbH	Germany	100%	100%	full	full
14	PGNiG Upstream International AS	Norway	100%	100%	full	full
15	Polish Oil and Gas Company - Libya B.V.	The Netherlands	100%	100%	full	full
16	GAS-TRADING S.A.	Poland	79.58%[2)]	43.41%	-	equity
17	PGNiG SPV 5 Sp. z o.o.	Poland	100%	100%	-	-
18	PGNiG SPV 6 Sp. z o.o.	Poland	100%	100%	-	-
19	PGNiG SPV 7 Sp. z o.o.	Poland	100%	100%	-	-
	PGNiG S.A.'s indirect subsidiaries					
20	CHEMKOP Sp. z o.o.	Poland	85.51%[3)]	85.51%[3)]	-	-
21	Gas Assets Management Sp. z o.o.	Poland	100%[4)]	100%[4)]	-	-
22	Gas-Trading Podkarpacie Sp. z o.o.	Poland	78.82%[5)]	42.99%[5)]	-	-
23	GAZ Sp. z o.o.	Poland	100%[6)]	80%[6)]	full	full
24	NYSAGAZ Sp. z o.o.	Poland	100%[7)]	66.28%	-	-
25	Powiśle Park Sp. z o.o.	Poland	100%[6)]	100%[6)]	full	full
26	Zakład Gospodarki Mieszkaniowej Sp. z o.o.	Poland	100%[8)]	100%[8)]	-	-
27	Oil Tech International F.Z.E.	United Arab Emirates	100%[8)]	100%[8)]	full	full
28	Poltava Services LLC	Ukraine	100%[8)]	99%[8)]	full	full
29	PST Europe Sales GmbH	Germany	100%[9)]	-	full	-
30	XOOL GmbH	Germany	100%[10)]	100%[10)]	full	full
	Companies which were not PGNiG's subsidiaries as at March 31st 2016 but were PGNiG's subsidiaries in the comparative period					
31	Zakład Separacji Popiołów Siekierki Sp. z o.o.[11)]	Poland	70%	70%	-	-
32	BUD-GAZ P.P.U.H. Sp. z o.o. w likwidacji (in liquidation)	Poland	-	100%	-	-

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.

2) PGNiG's direct interest is 43.41%, with a 36.17% interest held indirectly through PGNiG SPV 6 Sp. z o.o.

3) PGNiG's interest held indirectly through Operator Systemu Magazynowania Sp. z o.o.

4) PGNiG S.A.'s indirect interest in the company is 100%, with 99.98% held through PGNiG SPV 6 Sp. z o.o. and 0.02% held through PGNiG SPV 5 Sp. z o.o.

5) PGNiG's interest held indirectly through GAS-TRADING S.A.

6) PGNiG's interest held indirectly through Polska Spółka Gazownictwa Sp. z o.o.

7) PGNiG's interest held indirectly through PGNiG TERMIKA S.A.

8) PGNiG's interest held indirectly through Exalo Drilling S.A.

9) PGNiG's interest held indirectly through PGNiG Supply & Trading GmbH.

10) PGNiG's interest held indirectly through PST Europe Sales GmbH.

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

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, restructuring or discontinuation of operations

Changes in the structure of the PGNiG Group in Q1 2016 were as follows:

- On January 4th 2016, the reduction of the share capital of PGNiG Obrót Detaliczny Sp. z o.o. by PLN 490,950,000 (to PLN 600,050,000), by reducing the par value of 10,910,000 shares (from PLN 100 per share to PLN 55 per share) was registered in the National Court Register (KRS). The relevant resolution of the Extraordinary General Meeting was passed on August 28th 2015.
- On January 14th 2016, the National Court Register registered the increase of the share capital of Gas Assets Management Sp. z o.o. by PLN 1,340,000 to PLN 1,360,000, of October 28th 2015.

  6,700 shares in the increased share capital were acquired by PGNiG SPV 6 Sp. z o.o. as part of the conversion of debt (loan from PGNiG SPV 6 Sp. z o.o.) into the company's share capital.
- On February 9th 2016, the National Court Register registered changes in the Articles of Association of Gaz Sp. z o.o., an indirect subsidiary of PGNiG, concerning the number of shares. As of that date, Gaz Sp. z o.o.'s share capital, amounting to PLN 300,000, is divided into 160 shares with a par value of PLN 1,875 per share.
- On March 31st 2016, the General Meeting of Poltava Services LLC passed a resolution to remove Mr Hubert Leszek Praski-Ćwiok as a shareholder of the company.

  Following Mr Praski-Ćwiok's removal, Exalo Drilling S.A. acquired his 1% interest in Poltava Services LLC's share capital, as a result of which the latter's interest increased to UAH 229,200.48 (i.e. by UAH 2,292). At present, Exalo Drilling S.A. holds 100% of the shares in Poltava Services LLC. On April 19th 2016, the change was registered with the Ukrainian state 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

The Management Board of PGNiG did not publish any forecasts of the PGNiG Group's performance for 2016.

5. Shareholders holding, directly or indirectly through subsidiaries, 5% or more of total voting rights 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 total voting rights at the General Meeting, and any changes in the ownership structure of major holdings of the Company shares after the publication of the previous quarterly report

As at the date of issue of the Q1 2016 report, the State Treasury was the only shareholder holding 5% or more of total voting rights at the General Meeting of PGNiG S.A.

The shareholding structure of PGNIG S.A. is as follows:

Shareholder	Number of shares as at the date of issue of the previous interim report*	% share in total voting rights as at the date of issue of the previous interim report*	% change in the period	% share in total voting rights 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	4,178,771,608	70.827%	-0.425%	70.402%	4,153,706,157
Other shareholders	1,721,228,392	29.173%	0.425%	29.598%	1,746,293,843
Total	**5,900,000,000**	**100.00%**	**0.00%**	**100.00%**	**5,900,000,000**

*As at Dec 31 2015
**As at Mar 31 2016

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 this interim report.

On April 22nd 2016, a Management Board Member sold 19,500 PGNiG S.A. shares at PLN 5.20 per share, on the regulated market.

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

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

Proceedings before the President of the Polish Office of Competition and Consumer Protection (UOKiK)

- Anti-trust proceedings instigated by the President of the Polish Office of Competition and Consumer Protection (UOKiK) on December 28th 2010, concerning alleged abuse of dominant position on the domestic natural gas wholesale market by PGNiG S.A., consisting in:
  - inhibiting sale of gas against the interest of trading partners or consumers and
  - impeding the development of market conditions necessary for the emergence or development of competition

  by refusing to sell gas fuel under a general gas supply contract to an entrepreneur that intended to resell the gas, i.e. Nowy Gaz Sp. z o.o. of Warsaw.

  The status of the proceedings did not change relative to that presented in the consolidated financial statements of the PGNiG Group (Note 40.1) for the period ended December 31st 2015, issued on March 4th 2016.

- Anti-trust proceedings instigated by the President of UOKiK on April 3rd 2013, concerning alleged abuse by PGNiG S.A. of its dominant position on the domestic wholesale and retail natural gas market, which consisted in impeding the development of market conditions necessary for the emergence or development of competition by:
  - limiting the ability of business customers to reduce the ordered volumes of gas fuel and contractual capacity,
  - limiting the ability of business customers to resell gas fuel,
  - requiring that business customers define the maximum volume of gas fuel purchased for resale in the contract,
  - refusing to grant wholesale customers the right to a partial change of supplier.

  The status of the proceedings did not change relative to that presented in the consolidated financial statements of the PGNiG Group (Note 40.1) for the period ended December 31st 2015, issued on March 4th 2016.

Proceedings initiated by the President of the Energy Regulatory Office

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

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

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

In May 2015, the Company filed a cassation complaint with the Supreme Court. On April 21st 2016, the Supreme Court reversed the decisions of the Court of Appeal of January 14th 2015 and of the Competition and Consumer Protection Court at the Regional Court of Warsaw of October 10th 2013. According to the Supreme Court's judgment, PGNiG did not breach the terms of the licence.

- On January 7th 2016 and January 8th 2016 PGNiG S.A. received decisions of the President of the Energy Regulatory Office of December 30th 2015 and December 31st 2015, respectively, under which the President of the Energy Regulatory Office imposed on PGNiG S.A. fines of PLN 2m and PLN 4m, respectively, for PGNiG S.A.'s failure to comply with the requirement, provided for in the licence to trade in natural gas with foreign partners, to diversify gas supplies from foreign partners in 2009 and 2010. On January 21st 2016 and January 22nd 2016, PGNiG S.A. filed appeals against the decisions of the President of the Energy Regulatory Office with the Competition and Consumer Protection Court at the Regional Court of Warsaw.
- Proceedings concerning failure to comply with the obligation to diversify gas supplies in 2012, instituted by the President of the Energy Regulatory Office on April 28th 2014. The proceedings are pending and the Company submits explanations and documents upon request.

Proceedings concerning performance of the obligation to sell gas through the exchange market

- On January 13th 2015, the President of Energy Regulatory Office instigated proceedings to impose a financial penalty on PGNiG S.A. in respect of its failure to meet the obligation to sell gas through the exchange market in 2013. On April 10th 2015, PGNiG S.A. filed an appeal with the Competition and Consumer Protection Court at the Regional Court of Warsaw against one of the interlocutory decisions made by the President of Energy Regulatory Office, refusing the Company's attorney the right to access the case file. Following the appeal, the President of URE suspended the administrative proceedings on April 30th 2015. On April 15th 2016, the Competition and Consumer Protection Court at the Regional Court of Warsaw dismissed the appeal. It is expected that the proceedings may be reinstated.
- On October 28th 2015, the President of URE instigated proceedings to impose a financial penalty on PGNiG S.A. for its failure to meet the obligation to sell gas through the exchange market in 2014. On April 12th 2016, the President of URE notified the Company of the conclusion of evidentiary proceedings. Having considered the evidence gathered, on April 20th 2016, PGNiG S.A. filed a request − on the basis of Art. 56.6a of the Energy Act − that the President of URE refrain from imposing a penalty.

Proceedings before the Arbitration Institute

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

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

The Company became entitled to initiate arbitration proceedings in early May 2015 following the expiry of six months from the date of the request to renegotiate the Contract price terms. The fact of referring the dispute to the Arbitration Institute does not preclude commercial negotiations and an amicable settlement with the supplier.

On February 1st 2016, the Company filed a claim against OAO Gazprom and OOO Gazprom Export in the arbitration proceedings instigated before the Arbitration Institute in Stockholm on May 13th 2015.

The steps taken by PGNiG aim to bring the Contract terms in line with the current conditions on the European natural gas market.

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,
- 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 as well as legislative changes relating to the Energy Efficiency Act,
- processes connected with the continued deregulation of the gas trade market,
- 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 LNG 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, 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.

Any future acquisitions of production assets outside Poland will also play an important role in the development of the PGNiG Group's business.

PGNiG Management Board:

President of the Management Board	Piotr Woźniak	....
Vice-President of the Management Board	Janusz Kowalski	....
Vice-President of the Management Board	Łukasz Kroplewski	....
Vice-President of the Management Board	Bogusław Marzec	....
Vice-President of the Management Board	Maciej Woźniak	....
Vice-President of the Management Board	Waldemar Wójcik	....

Warsaw, April 28th 2016