Polskie Górnictwo Naftowe i Gazownictwo SA

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30TH 2016

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated half-year report PSr 2016

(pursuant to Par. 82.2 and Par. 83.3 of the Regulation of the Minister of Finance of February 19th 2009 – consolidated text: Dz.U. of 2014, item 133, as amended)

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

for the first half of the 2016 financial year, covering the period from January 1st to June 30th 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).

August 12th 2016
(filing date)

POLSKIE GÓRNICTWO NAFTOWE i GAZOWNICTWO SPÓŁKA AKCYJNA
(company name)

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

FINANCIAL HIGHLIGHTS

Interim condensed consolidated financial data	PLNm		EURm	
	6 months ended Jun 30 2016	6 months ended Jun 30 2015	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Revenue	17,349	20,390	3,961	4,932
Operating profit/(loss)	1,794	2,609	410	631
Profit/(loss) before tax	1,733	2,551	396	617
Net profit/(loss) attributable to owners of the parent	1,271	1,864	290	451
Net profit/(loss)	1,271	1,865	290	451
Comprehensive income attributable to owners of the parent	1,576	2,068	360	500
Total comprehensive income	1,576	2,069	360	500
Net cash (used in)/generated by operating activities	3,763	4,629	859	1,120
Net cash (used in)/generated by investing activities	(1,821)	(1,510)	(416)	(365)
Net cash (used in)/generated by financing activities	(65)	(639)	(15)	(155)
Net increase/(decrease) in cash and cash equivalents	1,877	2,480	428	600
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares of the parent (in PLN and EUR)	0.22	0.32	0.05	0.08
	As at Jun 30 2016	As at Dec 31 2015	As at Jun 30 2016	As at Dec 31 2015
Total assets	50,197	49,825	11,342	11,692
Total liabilities	18,942	19,084	4,280	4,478
Total non-current liabilities	8,409	12,795	1,900	3,002
Total current liabilities	10,533	6,289	2,380	1,476
Total equity	31,255	30,741	7,062	7,214
Share capital	5,900	5,900	1,333	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)	5.30	5.21	1.20	1.22
Dividend per share declared or paid (in PLN and EUR)	0.18	0.20	0.04	0.05

Interim condensed separate financial data	PLNm		EURm	
	6 months ended Jun 30 2016	6 months ended Jun 30 2015	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Revenue	8,864	10,223	2,024	2,473
Operating profit/(loss)	445	1,035	102	250
Profit/(loss) before tax	2,080	1,912	475	462
Net profit/(loss)	1,974	1,703	451	412
Total comprehensive income	2,286	1,876	522	454
Net cash (used in)/generated by operating activities	998	1,073	228	260
Net cash (used in)/generated by investing activities	(859)	557	(196)	135
Net cash (used in)/generated by financing activities	599	163	137	39
Net increase/(decrease) in cash and cash equivalents	738	1,793	168	434
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares (in PLN and EUR)	0.33	0.29	0.08	0.07
	As at Jun 30 2016	As at Dec 31 2015	As at Jun 30 2016	As at Dec 31 2015
Total assets	37,747	35,027	8,529	8,219
Total liabilities	12,785	11,289	2,889	2,649
Total non-current liabilities	2,603	7,205	588	1,691
Total current liabilities	10,182	4,084	2,301	958
Equity	24,962	23,738	5,640	5,570
Share capital	5,900	5,900	1,333	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)	4.23	4.02	0.96	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 exchange rate computed as the arithmetic mean of mid rates quoted by the National Bank of Poland (NBP) for the last day of each calendar month in a given reporting period.

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

Average EUR/PLN exchange rates quoted by the NBP

	Jun 30 2016	Jun 30 2015	Dec 31 2015
Average exchange rate in period	4.3805	4.1341	4.1848
Exchange rate at end of period	4.4255	4.1944	4.2615

TABLE OF CONTENTS

I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 months ended Jun 30 2016	6 months ended Jun 30 2016	3 months ended Jun 30 2015	6 months ended Jun 30 2015
		unaudited	unaudited	unaudited	unaudited
Revenue	**4**	**6,369**	**17,349**	**7,895**	**20,390**
Raw materials and consumables used	5.1	(3,620)	(11,256)	(4,887)	(13,724)
Employee benefits expense		(639)	(1,184)	(583)	(1,281)
Depreciation and amortisation		(665)	(1,337)	(723)	(1,387)
Services	5.2	(620)	(1,141)	(755)	(1,278)
Work performed by the entity and capitalised		161	324	229	435
Other income and expenses	5.3	(913)	(961)	(229)	(546)
Total operating expenses	**10**	**(6,296)**	**(15,555)**	**(6,948)**	**(17,781)**
Operating profit/(loss)		**73**	**1,794**	**947**	**2,609**
Finance income	6	34	136	(12)	50
Finance costs	6	(102)	(156)	26	(108)
Share in net profit/(loss) of equity-accounted entities		(41)	(41)	-	-
Profit/(loss) before tax		**(36)**	**1,733**	**961**	**2,551**
Income tax	7	(79)	(462)	(340)	(686)
Net profit/(loss)		**(115)**	**1,271**	**621**	**1,865**
Attributable to:					
Owners of the parent		(115)	1,271	621	1,864
Non-controlling interests		-	-	-	1
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares of the parent (PLN)		(0.019)	0.22	0.11	0.32

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended Jun 30 2016	6 months ended Jun 30 2016	3 months ended Jun 30 2015	6 months ended Jun 30 2015
	unaudited	unaudited	unaudited	unaudited
Net profit/(loss)	**(115)**	**1,271**	**621**	**1,865**
Other comprehensive income that will be reclassified to profit or loss if specific conditions are met, relating to:	**344**	**320**	**74**	**192**
Exchange differences on translating foreign operations	28	5	(13)	39
Hedge accounting	390	389	107	189
Deferred tax	(74)	(74)	(20)	(36)
Other comprehensive income that will not be reclassified to profit or loss, relating to:	**(15)**	**(15)**	**12**	**12**
Actuarial gains/(losses) on employee benefits	(19)	(19)	15	15
Deferred tax	4	4	(3)	(3)
Other comprehensive income, net	**329**	**305**	**86**	**204**
Total comprehensive income	**214**	**1,576**	**707**	**2,069**
Attributable to:				
Owners of the parent	214	1,576	707	2,068
Non-controlling interests	-	-	-	1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at Jun 30 2016	As at Dec 31 2015
		unaudited	audited
ASSETS			
Non-current assets			
Property, plant and equipment	8	32,539	32,967
Investment property		10	12
Intangible assets		1,074	1,138
Investments in equity-accounted entities		1,160	840
Other financial assets		280	275
Deferred tax assets	1	1,350	1,575
Other non-current assets		148	152
Total non-current assets		**36,561**	**36,959**
Current assets			
Inventories		1,973	2,229
Trade and other receivables		2,397	3,372
Current tax assets		28	7
Other assets		409	146
Derivative financial instrument assets	9	551	709
Cash and cash equivalents		8,115	6,239
Assets held for sale		163	164
Total current assets		**13,636**	**12,866**
Total assets		**50,197**	**49,825**
EQUITY AND LIABILITIES			
Equity			
Share capital		5,900	5,900
Share premium		1,740	1,740
Accumulated other comprehensive income		(332)	(637)
Retained earnings/(deficit)		23,942	23,733
Equity attributable to owners of the parent		**31,250**	**30,736**
Equity attributable to non-controlling interests		5	5
Total equity		**31,255**	**30,741**
Non-current liabilities			
Borrowings and other debt instruments		1,382	5,799
Employee benefit obligations		654	565
Provisions	3	1,751	1,728
Deferred revenue		1,494	1,511
Deferred tax liabilities	1	3,055	3,090
Other non-current liabilities		73	102
Total non-current liabilities		**8,409**	**12,795**
Current liabilities			
Trade and other payables		3,602	3,288
Borrowings and other debt instruments		5,040	583
Derivative financial instrument liabilities	9	676	1,165
Current tax liabilities		145	53
Employee benefit obligations		369	352
Provisions	3	548	694
Deferred revenue		153	154
Total current liabilities		**10,533**	**6,289**
Total liabilities		**18,942**	**19,084**
Total equity and liabilities		**50,197**	**49,825**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
	unaudited	unaudited
Cash flows from operating activities		
Net profit/(loss)	1,271	1,865
Adjustments:		
Share in net profit/(loss) of equity-accounted entities	41	-
Depreciation and amortisation	1,337	1,387
Net foreign exchange gains/(losses)	31	(42)
Net interest and dividend	84	54
Gain/(loss) on investing activities	681	161
Current tax expense	462	686
Other items, net	(69)	105
Income tax paid	(306)	(653)
Cash flows from operating activities before movements in working capital	**3,532**	**3,563**
Movements in working capital:		
Change in receivables	989	1,809
Change in inventories	260	538
Change in employee benefit obligations	90	11
Change in provisions	(140)	(143)
Change in current liabilities	(648)	(755)
Change in other assets	(263)	(272)
Change in deferred revenue	(57)	(122)
Net cash (used in)/generated by operating activities	**3,763**	**4,629**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	19	33
Proceeds from disposal of shares in non-related entities	3	-
Payments for property, plant and equipment and intangible assets	(1,288)	(1,556)
Payments for shares in related entities	(502)	(6)
Payments for shares in other entities	(31)	-
Other items, net	(22)	19
Net cash (used in)/generated by investing activities	**(1,821)**	**(1,510)**
Cash flows from financing activities		
Proceeds from borrowings	294	136
Proceeds from issue of debt securities	-	199
Repayment of borrowings	(132)	(476)
Repayment of debt securities	(110)	(390)
Payment of finance lease liabilities	(18)	(18)
Proceeds from derivative financial instruments	89	84
Payment for derivative financial instruments	(39)	(42)
Interest paid	(148)	(142)
Other items, net	(1)	10
Net cash (used in)/generated by financing activities	**(65)**	**(639)**
Net increase/(decrease) in cash and cash equivalents	**1,877**	**2,480**
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1)	(3)
Cash and cash equivalents at beginning of period	**6,238**	**2,956**
Cash and cash equivalents at end of period	**8,115**	**5,436**

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**
Dividend	-	-	-	-	-	(1,062)	**(1,062)**	-	**(1,062)**
Total comprehensive income	**-**	**-**	**5**	**315**	**(15)**	**1,271**	**1,576**	**-**	**1,576**
Net profit/(loss)	-	-	-	-	-	1,271	**1,271**	-	**1,271**
Other comprehensive income, net	-	-	5	315	(15)	-	**305**	-	**305**
As at Jun 30 2016 (unaudited)	**5,900**	**1,740**	**(46)**	**(250)**	**(36)**	**23,942**	**31,250**	**5**	**31,255**
As at Jan 1 2015 (audited)	**5,900**	**1,740**	**(66)**	**(216)**	**12**	**22,794**	**30,164**	**5**	**30,169**
Dividend	-	-	-	-	-	(1,180)	**(1,180)**	-	**(1,180)**
Purchase of shares from non-controlling interests	-	-	-	-	-	-	**-**	(2)	**(2)**
Total comprehensive income	**-**	**-**	**39**	**153**	**12**	**1,864**	**2,068**	**1**	**2,069**
Net profit/(loss)	-	-	-	-	-	1,864	**1,864**	1	**1,865**
Other comprehensive income, net	-	-	39	153	12	-	**204**	-	**204**
As at Jun 30 2015 (unaudited)	**5,900**	**1,740**	**(27)**	**(63)**	**24**	**23,478**	**31,052**	**4**	**31,056**

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	33	74
Decrease	(298)	(195)
Exchange differences on translating deferred tax attributable to foreign operations	37	85
Changes in the Group	3	1
As at Jun 30 2016	**1,350**	**3,055**
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	929	5	-	-	18	44	143	3	-	**1,142**
Used/reversed	(272)	(1)	-	-	-	(260)	(162)	-	-	**(695)**
Currency translation differences	8	1	-	-	-	-	-	-	-	**9**
Changes in the Group	-	-	-	-	-	-	1	-	-	**1**
As at Jun 30 2016	**3,607**	**79**	**22**	**34**	**831**	**93**	**724**	**51**	**1**	**5,442**
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	27	-	-	4	4	83	53	**171**
Used/reversed	(13)	-	(16)	(16)	-	(220)	(51)	**(316)**
Currency translation differences	20	-	-	-	-	-	1	**21**
Changes in the Group	-	-	-	-	-	-	1	**1**
As at Jun 30 2016	**1,607**	**65**	**82**	**34**	**186**	**78**	**247**	**2,299**
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

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
High-methane gas	13,212	16,362
Nitrogen-rich gas	729	773
LNG	160	17
Crude oil and natural gasoline	735	1,048
Helium	36	37
NGL	50	48
Electricity	874	765
Heat	676	625
Geophysical and geological services	91	65
Drilling and well services	101	133
Construction and installation services	41	76
Distribution services	364	112
Connection charge	50	49
Other sales	230	280
Total	**17,349**	**20,390**

5. Operating expenses

5.1. Raw materials and consumables used

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Cost of gas sold	(10,119)	(12,626)
Fuels for electricity and heat generation	(387)	(394)
Electricity for trading	(533)	(421)
Other raw materials and consumables used	(217)	(283)
Total	**(11,256)**	**(13,724)**

5.2. Services

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Transmission services	(510)	(524)
Cost of written-off exploration and evaluation assets	(82)	(177)
Repair and construction services	(76)	(81)
Mineral resources production services	(91)	(92)
Rental services	(41)	(43)
Other services	(341)	(361)
Total	**(1,141)**	**(1,278)**

5.3. Other income and expenses

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Compensations, penalties, fines received	23	16
Other income	92	81
Net exchange differences related to operating activities	109	48
Net gain/(loss) on derivative instruments related to operating activities	(118)	(88)
Change in products	66	51
Change in impairment losses	(472)	(120)
Change in provisions	(25)	91
Taxes and charges	(505)	(474)
Other expenses	(131)	(151)
Total	**(961)**	**(546)**

6. Finance income and costs

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Finance income	**136**	**50**
Gain on measurement and realisation of derivative financial instruments	79	-
Interest income	57	38
Foreign exchange gains	-	10
Dividends and other profit distributions	-	2
Finance costs	**(156)**	**(108)**
Loss on measurement and realisation of derivative financial instruments	-	(37)
Interest expense	(111)	(54)
Foreign exchange losses	(31)	-
Commission fees paid on bank borrowings	(9)	(10)
Cost of guarantees	(1)	(2)
Other finance costs	(4)	(5)
Net finance income/(costs)	**(20)**	**(58)**

7. Income tax

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Profit/(loss) before tax	1,733	2,551
Tax rate applicable in period	19%	19%
Tax calculated at the applicable tax rate	(329)	(485)
Permanent differences between profit/(loss) before tax and taxable income and the difference in tax rates	(133)	(201)
Tax expense in the consolidated statement of profit or loss	**(462)**	**(686)**
Current tax expense	(387)	(447)
Deferred tax expense	(75)	(239)
Effective tax rate	27%	27%

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

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

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

The other Group companies are separate CIT taxpayers.

8. Property, plant and equipment by category

	As at Jun 30 2016	As at Dec 31 2015
Land	71	67
Buildings and structures	17,844	18,055
Plant and equipment	8,313	8,518
Vehicles and other	1,145	1,181
Total tangible assets	**27,373**	**27,821**
Tangible exploration and evaluation assets under construction	2,331	2,237
Other tangible assets under construction	2,835	2,909
Total property, plant and equipment	**32,539**	**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–June 30th 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 H1 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.

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Net gain/(loss) on valuation of derivative financial instruments – unrealised	(55)	(76)
Net gain/(loss) on valuation of derivative financial instruments – realised	(434)	(104)
Total net gain/(loss) on valuation of derivative financial instruments recognised in profit or loss	**(489)**	**(180)**
including:		
recognised in raw materials and consumables used	(450)	(55)
recognised in other income and expenses	(118)	(88)
recognised in finance income or costs	79	(37)
Net gain/(loss) on valuation of derivative financial instruments recognised in other comprehensive income -– unrealised	**389**	**189**
Total net gain/(loss) on valuation of derivative financial instruments – recognised in equity	**(100)**	**9**

The table below presents the Group companies' open derivative transactions as at June 30th 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 Jun 30 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)	187	159	currency exchange rate and interest rate
loan	2,618	NOK	3-12 months	0.5050	PLN(3M WIBOR)/NOK (3M OIBOR)	66	-	currency exchange rate and interest rate
loan	2,940	NOK	1-3 years	0.5049	PLN(WIBOR3M)/NOK (3M OIBOR)	-	144	currency exchange rate and interest rate
						253	**303**	
Interest Rate Swap								
loan	1,500	PLN	1-3 years	1	PLN (fixed rate)/ PLN (3M WIBOR)	(65)	(83)	interest rate
						(65)	**(83)**	
Forward								
CO_2 emission allowances	15	EUR	3-12 months	4.3909	EUR/ PLN	1	-	currency exchange rate
CO_2 emission allowances	3	EUR	3-12 months	4.4921	EUR/PLN	-	-	currency exchange rate
trading activities	3	electricity (MWh)	1-3 months	170.3978	PLN/MWh	6	-	price
trading activities	1	electricity (MWh)	1-3 months	163.8595	PLN/MWh	(10)	-	price
trading activities	2	electricity (MWh)	3-12 months	156.2432	PLN/MWh	7	-	price
trading activities	6	electricity (MWh)	3-12 months	163.7666	PLN/MWh	(5)	-	price
trading activities	1	electricity (MWh)	1-3 years	152.3464	PLN/MWh	2	-	price
trading activities	2	electricity (MWh)	1-3 years	159.2911	PLN/MWh	(3)	-	price
trading activities	1	CO_2 emission allowances (t)	3-12 months	25.9871	PLN/t	17	-	price
trading activities	-	CO_2 emission allowances (t)	3-12 months	37.3600	PLN/t	(4)	-	price
trading activities	-	gas OTC (MWh)	more than 3 years	14.9500	EUR/MWh	(3)	-	price
trading activities	5	gas OTC (MWh)	1-3 years	17.8300	EUR/MWh	(68)	-	price

trading activities	4	gas OTC (MWh)	6-12 months	18.6100	EUR/MWh	(67)	-	price
trading activities	2	gas OTC (MWh)	3-6 months	14.8200	EUR/MWh	(17)	-	price
trading activities	0.21	gas OTC (MWh)	1-3 months	14.5600	EUR/MWh	(1)	-	price
trading activities	-	gas OTC (MWh)	more than 3 years	15.9300	EUR/MWh	2	-	price
trading activities	5	gas OTC (MWh)	1-3 years	17.9800	EUR/MWh	74	-	price
trading activities	4	gas OTC (MWh)	6-12 months	18.8200	EUR/MWh	67	-	price
trading activities	1.69	gas OTC (MWh)	3-6 months	15.3100	EUR/MWh	19	-	price
trading activities	-	gas OTC (MWh)	1-3 months	14.6600	EUR/MWh	1	-	price
trading activities	-	electricity OTC (MWh)	more than 3 years	24.6200	EUR/MWh	(1)	-	price
trading activities	1	electricity OTC (MWh)	1-3 years	28.0300	EUR/MWh	(11)	-	price
trading activities	-	electricity OTC (MWh)	6-12 months	30.5600	EUR/MWh	(9)	-	price
trading activities	-	electricity OTC (MWh)	3-6 months	24.7400	EUR/MWh	(1)	-	price
trading activities	0.08	electricity OTC (MWh)	more than 3 years	24.5300	EUR/MWh	1	-	price
trading activities	1	electricity OTC (MWh)	1-3 years	29.0000	EUR/MWh	19	-	price
trading activities	0.47	electricity OTC (MWh)	6-12 months	30.8700	EUR/MWh	11	-	price
trading activities	0.03	electricity OTC (MWh)	3-6 months	25.9900	EUR/MWh	1	-	price
payments for gas	10	USD	1-3 months	3.7084	USD/PLN	3	-	currency exchange rate
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	USD/PLN	-	2	currency exchange rate
payments for gas	70	USD	3-12 months	3.7112	USD/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
						31	**52**	

Futures								
trading activities	5	CO_2 emission allowances (t)	3-12 months	25.4484	PLN/t	(20)	-	price
trading activities	0.05	gas – EEX AG (MWh)	6-12 months	20.9500	EUR/MWh	(1)	-	price
trading activities	0.02	gas – EEX AG (MWh)	3-6 months	20.2500	EUR/MWh	(1)	-	price
trading activities	0.03	gas – EEX AG (MWh)	6-12 months	20.6300	EUR/MWh	1	-	price
trading activities	0	gas – ICE ENDEX B.V. (MWh)	1-3 years	15.3500	EUR/MWh	(1)	-	price
trading activities	0.47	gas – ICE ENDEX B.V. (MWh)	6-12 months	17.2200	EUR/MWh	(4)	-	price
trading activities	1	gas – ICE ENDEX B.V. (MWh)	3-6 months	14.7800	EUR/MWh	(5)	-	price
trading activities	0	gas – ICE ENDEX B.V. (MWh)	1-3 years	16.1300	EUR/MWh	1	-	price
trading activities	1	gas – ICE ENDEX B.V. (MWh)	6-12 months	15.9800	EUR/MWh	5	-	price
trading activities	1	gas – ICE ENDEX B.V. (MWh)	3-6 months	15.0700	EUR/MWh	6	-	price
trading activities	0.16	gas – POWERNEXT SA (MWh)	more than 3 years	15.4400	EUR/MWh	1	-	price
trading activities	1	gas – POWERNEXT SA (MWh)	1-3 years	15.3500	EUR/MWh	4	-	price
trading activities	0	gas – POWERNEXT SA (MWh)	6-12 months	19.2300	EUR/MWh	5	-	price
trading activities	0	gas – POWERNEXT SA (MWh)	3-6 months	15.7300	EUR/MWh	1	-	price
trading activities	0	gas – POWERNEXT SA (MWh)	more than 3 years	15.3600	EUR/MWh	(1)	-	price
trading activities	1	gas – POWERNEXT SA (MWh)	1-3 years	16.8300	EUR/MWh	(8)	-	price
trading activities	0	gas – POWERNEXT SA (MWh)	6-12 months	19.0700	EUR/MWh	(8)	-	price
trading activities	0.09	gas – POWERNEXT SA (MWh)	3-6 months	15.6200	EUR/MWh	(1)	-	price
trading activities	1	electricity – EEX AG (MWh)	1-3 years	26.2100	EUR/MWh	(16)	-	price
trading activities	0.26	electricity – EEX AG (MWh)	6-12 months	31.9600	EUR/MWh	(6)	-	price
trading activities	0	electricity – EEX AG (MWh)	3-6 months	23.1800	EUR/MWh	(1)	-	price
trading activities	1	electricity – EEX AG (MWh)	1-3 years	24.7500	EUR/MWh	12	-	price
trading activities	0	electricity – EEX AG (MWh)	6-12 months	30.9300	EUR/MWh	2	-	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
						(35)	**(24)**	

Call options

payments for gas	12	EUR	1-3 months	4.5068	EUR/PLN	-	-	currency exchange rate
payments for gas	12	EUR	3-12 months	4.5334	EUR/PLN	1	-	currency exchange rate
payments for gas	90	USD	1-3 months	4.1356	USD/PLN	3	-	currency exchange rate
payments for gas	80	USD	3-12 months	4.0563	USD/PLN	7	-	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
						11	**8**	

Commodity call options

payments for gas	1	TTF (MWh)	1-3 months	22.55	EUR/MWh	-	-	price
payments for gas	1	TTF (MWh)	3-12 months	20.06	EUR/MWh	2	-	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
						2	**-**	

Commodity put options

payments for gas	0.11	TTF (MWh)	3-12 months	19.00	EUR/MWh	(3)	-	price
payments for gas	0.15	TTF (MWh)	1-3 years	19.00	EUR/MWh	(4)	-	price
payments for gas	0.26	TTF (MWh)	1-3 years	19.00	EUR/MWh	-	(6)	price
						(7)	**(6)**	

Commodity swap								
payments for gas	0	GO (MT)	1-3 months	476.25	USD/MT	(2)	-	price
payments for gas	5.03	TTF (MWh)	1-3 months	20.48	EUR/MWh	(140)	-	price
payments for gas	1.35	TTF (MWh)	3-12 months	15.06	EUR/MWh	8	-	price
payments for gas	8	TTF (MWh)	3-12 months	20.30	EUR/MWh	(146)	-	price
payments for gas	1	TTF (MWh)	1-3 years	14.72	EUR/MWh	8	-	price
payments for gas	3	TTF (MWh)	1-3 years	19.06	EUR/MWh	(43)	-	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
						(315)	**(706)**	
			Total			**(125)**	**(456)**	
		including:	- positive valuation (assets)			**551**	**709**	
			- negative valuation (liabilities)			**(676)**	**(1,165)**	

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

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 for the Group's individual reporting segments for the periods ended June 30th 2016 and June 30th 2015.

Period ended Jun 30 2016	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Eliminations	Total
Statement of profit or loss							
Sales to external customers	1,378	14,715	463	730	63	-	17,349
Inter-segment sales	760	168	1,999	393	57	(3,377)	-
Segment's total revenue	2,138	14,883	2,462	1,123	120	(3,377)	17,349
Depreciation and amortisation	(575)	(124)	(455)	(176)	(7)	-	(1,337)
Other costs	(1,643)	(14,113)	(1,039)	(673)	(134)	3,384	(14,218)
Segment's total costs	(2,218)	(14,237)	(1,494)	(849)	(141)	3,384	(15,555)
Operating profit/(loss)	**(80)**	**646**	**968**	**274**	**(21)**	**7**	**1,794**
Net finance costs							(20)
Share in net profit/(loss) of equity-accounted entities	(41)	-	-	-	-		(41)
Profit/(Loss) before tax							**1,733**
Income tax							(462)
Net profit/(loss)							**1,271**
STATEMENT OF FINANCIAL POSITION							
Segment's assets	14,275	20,062	15,047	4,562	296	(7,154)	47,088
Investments in equity-accounted entities	320	840	-	-	-		1,160
Unallocated assets							599
Deferred tax assets							1,350
Total assets							**50,197**
Total equity							31,255
Segment's liabilities	4,054	5,678	3,452	1,992	207	(6,742)	8,641
Unallocated liabilities							7,246
Deferred tax liabilities							3,055
Total equity and liabilities							**50,197**
Other information							
Capital expenditure on property, plant and equipment and intangible assets	(570)	(36)	(551)	(127)	(4)	-	**(1,288)**
Impairment losses on assets	(3,626)	(1,568)	(125)	(60)	(17)	1	**(5,395)**
Impairment losses on unallocated assets							**(47)**

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

II. INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

CONDENSED SEPARATE STATEMENT OF PROFIT OR LOSS

	3 months ended Jun 30 2016	6 months ended Jun 30 2016	3 months ended Jun 30 2015	6 months ended Jun 30 2015
	unaudited	unaudited	unaudited	unaudited
Revenue	**3,268**	**8,864**	**3,912**	**10,223**
Raw materials and consumables used	(2,157)	(6,356)	(2,827)	(7,485)
Employee benefits expense	(197)	(330)	(145)	(281)
Depreciation and amortisation	(200)	(396)	(185)	(359)
Services	(413)	(776)	(552)	(923)
Work performed by the entity and capitalised	1	3	3	6
Other income and expenses	(768)	(564)	(103)	(146)
Total operating expenses	**(3,734)**	**(8,419)**	**(3,809)**	**(9,188)**
Operating profit/(loss)	**(466)**	**445**	**103**	**1,035**
Finance income	1,735	1,809	864	1,008
Finance costs	(90)	(174)	(15)	(131)
Profit/(Loss) before tax	**1,179**	**2,080**	**952**	**1,912**
Income tax	66	(106)	(22)	(209)
Net profit/(loss)	**1,245**	**1,974**	**930**	**1,703**
Earnings/(loss) and diluted earnings/(loss) per share attributable to holders of ordinary shares (PLN)	0.21	0.33	0.16	0.29

CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	3 months ended Jun 30 2016	6 months ended Jun 30 2016	3 months ended Jun 30 2015	6 months ended Jun 30 2015
	unaudited	unaudited	unaudited	unaudited
Net profit/(loss)	**1,245**	**1,974**	**930**	**1,703**
Other comprehensive income that will be reclassified to profit or loss if specific conditions are met, relating to:	**326**	**315**	**83**	**169**
Exchange differences on translating foreign operations	10	-	(4)	16
Hedge accounting	390	389	107	189
Deferred tax	(74)	(74)	(20)	(36)
Other comprehensive income that will not be reclassified to profit or loss, relating to:	**(3)**	**(3)**	**4**	**4**
Actuarial gains/(losses) on employee benefits	(4)	(4)	5	5
Deferred tax	1	1	(1)	(1)
Other comprehensive income, net	**323**	**312**	**87**	**173**
Total comprehensive income	**1,568**	**2,286**	**1,017**	**1,876**

CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION

	As at Jun 30 2016	As at Dec 31 2015
	unaudited	audited
ASSETS		
Non-current assets		
Property, plant and equipment	12,568	13,234
Intangible assets	181	213
Shares	9,153	8,623
Other financial assets	3,402	3,321
Deferred tax assets	516	624
Other non-current assets	117	122
Total non-current assets	**25,937**	**26,137**
Current assets		
Inventories	1,429	1,638
Trade and other receivables	2,936	1,329
Other assets	88	18
Current financial assets	345	364
Derivative financial instrument assets	317	346
Cash and cash equivalents	6,690	5,190
Non-current assets held for sale	**5**	**5**
Total current assets	**11,810**	**8,890**
Total assets	**37,747**	**35,027**
EQUITY AND LIABILITIES		
Equity		
Share capital	5,900	5,900
Share premium	1,740	1,740
Accumulated other comprehensive income	(206)	(518)
Retained earnings/(deficit)	17,528	16,616
Total equity	**24,962**	**23,738**
Non-current liabilities		
Borrowings and other debt instruments	-	4,513
Employee benefit obligations	199	159
Provisions	1,307	1,303
Deferred revenue	611	641
Deferred tax liabilities	450	538
Other non-current liabilities	36	51
Total non-current liabilities	**2,603**	**7,205**
Current liabilities		
Trade and other payables	3,410	2,209
Borrowings and other debt instruments	5,745	469
Derivative financial instrument liabilities	446	814
Current tax liabilities	135	50
Employee benefit obligations	84	110
Provisions	324	396
Deferred revenue	38	36
Total current liabilities	**10,182**	**4,084**
Total liabilities	**12,785**	**11,289**
Total equity and liabilities	**37,747**	**35,027**

CONDENSED SEPARATE STATEMENT OF CASH FLOWS

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
	unaudited	unaudited
Cash flows from operating activities		
Net profit/(loss)	1,974	1,703
Adjustments:		
Depreciation and amortisation	396	359
Net foreign exchange gains/(losses)	(1)	(55)
Net interest and dividend	(1,639)	(860)
Gain/(Loss) on investing activities	719	165
Current tax expense	106	209
Other items, net	167	74
Income tax paid	(128)	(306)
Cash flows from operating activities before movements in working capital	**1,594**	**1,289**
Movements in working capital:		
Change in receivables	(162)	389
Change in inventories	209	411
Change in employee benefit obligations	14	(14)
Change in provisions	(85)	(116)
Change in current liabilities	(491)	(799)
Change in other assets	(69)	(67)
Change in deferred revenue	(12)	(20)
Net cash (used in)/generated by operating activities	**998**	**1,073**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	5	10
Proceeds from disposal of shares in related entities	3	-
Proceeds from disposal of short-term securities	-	989
Purchase of property, plant and equipment and intangible assets	(133)	(239)
Payments for tangible exploration and evaluation assets under construction	(280)	(400)
Payments for shares in related entities	(570)	-
Repayment of loans advanced	237	589
Loans advanced	(108)	(408)
Proceeds from derivative financial instruments	50	71
Payment for derivative financial instruments	(78)	(132)
Interest received	9	66
Dividends received	19	-
Proceeds from finance leases	8	8
Other items, net	(21)	3
Net cash (used in)/generated by investing activities	**(859)**	**557**
Cash flows from financing activities		
Proceeds from issue of debt securities	998	733
Repayment of debt securities	(309)	(474)
Proceeds from derivative financial instruments	89	84
Payment for derivative financial instruments	(39)	(42)
Interest paid	(143)	(141)
Other items, net	3	3
Net cash (used in)/generated by financing activities	**599**	**163**
Net increase/(decrease) in cash and cash equivalents	**738**	**1,793**
Cash and cash equivalents at beginning of period	**4,839**	**1,673**
Cash and cash equivalents at end of period	**5,577**	**3,466**
including restricted cash	**435**	**451**

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. The main objective of the agreement is to manage the Group's current liquidity.

As at June 31st 2016, the following companies participated in the cash pooling agreement, with subsequent annexes: PGNiG S.A., Polska Spółka Gazownictwa Sp. z o.o., Exalo Driling S.A., PGNiG Technologie S.A., GEOFIZYKA Kraków S.A., GEOFIZYKA Toruń S.A., Operator Systemu Magazynowego Sp. z o.o., PGNiG Serwis Sp. z o.o., PGNiG TERMIKA S.A., PGNiG Obrót Detaliczny Sp. z o.o. and Geovita S.A.

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

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

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

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Cash and cash equivalents at end of period in the statement of cash flows	**5,577**	**3,466**
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	(1)	(2)
Inflows/(Outflows) of cash under cash pooling arrangement in the reporting period	763	1,167
Cash and cash equivalents at end of period in the statement of financial position	**6,690**	**4,900**

CONDENSED SEPARATE STATEMENT OF CHANGES IN 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 equity**
As at Jan 1 2016 (audited)	**5,900**	**1,740**	**41**	**(564)**	**4**	**16,616**	**23,738**
Dividend	-	-	-	-	-	(1,062)	**(1,062)**
Total comprehensive income	**-**	**-**	**-**	**315**	**(3)**	**1,974**	**2,286**
Net profit/(loss) for H1 2016	-	-	-	-	-	1,974	**1,974**
Other comprehensive income, net, for H1 2016	-	-	-	315	(3)	-	**312**
As at Jun 30 2016 (unaudited)	**5,900**	**1,740**	**41**	**(249)**	**1**	**17,528**	**24,962**
As at Jan 1 2015 (audited)	**5,900**	**1,740**	**16**	**(215)**	**13**	**16,325**	**23,780**
Dividend	-	-	-	-	-	(1,180)	**(1,180)**
Total comprehensive income	**-**	**-**	**16**	**153**	**4**	**1,703**	**1,876**
Net profit/(loss) for H1 2015	-	-	-	-	-	1,703	**1,703**
Other comprehensive income, net, for H1 2015	-	-	16	153	4	-	**173**
As at Jun 30 2015 (unaudited)	**5,900**	**1,740**	**32**	**(62)**	**17**	**16,848**	**24,475**

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	34	86
Decrease	(142)	(174)
As at Jun 30 2016	**516**	**450**
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	922	-	41	39	38	3	**1,043**
Used/reversed	(265)	-	-	(259)	(43)	-	**(567)**
As at Jun 30 2016	**3,183**	**13**	**2,549**	**44**	**314**	**51**	**6,154**
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	28	-	-	-	3	18	19	**68**
Used/reversed	(13)	-	(15)	(12)	-	(80)	(16)	**(136)**
As at Jun 30 2016	**1,308**	**65**	**26**	**6**	**185**	**14**	**27**	**1,631**
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

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
High-methane gas	6,545	7,983
Nitrogen-rich gas	572	646
Crude oil and natural gasoline	396	542
Helium	36	37
Propane-butane gas	21	22
LNG	163	22
Electricity	735	520
Right to administer storage facilities	287	338
Other sales of products and services	109	113
Total	**8,864**	**10,223**

5. Operating expenses

5.1. Raw materials and consumables used

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Cost of gas sold	(5,580)	(6,917)
Electricity for trading	(721)	(506)
Other raw materials and consumables used	(55)	(62)
Total	**(6,356)**	**(7,485)**

5.2. Services

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Purchase of transmission, distribution, and storage services	(523)	(582)
Cost of wells written off	(72)	(128)
Costs of seismic surveys written off	(9)	(47)
Other services	(172)	(166)
Total	**(776)**	**(923)**

5.3. Other income and expenses

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Change in impairment losses	(469)	(114)
Change in provisions	32	117
Taxes and charges	(130)	(126)
Net exchange differences related to operating activities	22	24
Net gain/(loss) on derivative instruments related to operating activities	(20)	(59)
Compensation, penalties, fines, etc. received	8	4
Other	(7)	8
Total	**(564)**	**(146)**

6. Finance income and costs

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Finance income	**1,809**	**1,008**
Interest income	172	116
Foreign exchange gains	6	56
Dividends and other profit distributions	1,629	834
Other finance income	2	2
Finance costs	**(174)**	**(131)**
Loss on measurement and realisation of derivative financial instruments	(10)	(57)
Interest expense	(110)	(58)
Revaluation of investments	(41)	-
Commission fees paid on bank borrowings	(9)	(10)
Costs of guarantees received	(1)	(2)
Other finance costs	(3)	(4)
Net finance income/(costs)	**1,635**	**877**

7. Income tax

	6 months ended Jun 30 2016	6 months ended Jun 30 2015
Profit/(Loss) before tax	2,080	1,912
Tax rate applicable in period	19%	19%
Tax calculated at the applicable tax rate	(395)	(363)
Permanent differences between profit/(loss) before tax and taxable profit	289	154
Tax expense in the statement of profit or loss	**(106)**	**(209)**
Current tax expense	(159)	(188)
Deferred tax expense	53	(21)
Effective tax rate	5%	11%

The dividend paid, which in the current period amounted to PLN 1,629m (PLN 834m in the corresponding period of the previous year), was the main factor contributing to the effective tax rate of 5% in the period ended June 30th 2016 (11% in the period ended June 30th 2015).

8. Property, plant and equipment by category

	As at Jun 30 2016	As at Dec 31 2015
Land	21	24
Buildings and structures	6,777	7,202
Plant and equipment	2,740	2,873
Vehicles and other	120	136
Total tangible assets	**9,658**	**10,235**
Tangible exploration and evaluation assets under construction	2,222	2,186
Other tangible assets under construction	688	813
Total property, plant and equipment	**12,568**	**13,234**

III. SUPPLEMENTARY INFORMATION TO THE REPORT

1. General information on the Company and its Group

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

The shares of PGNiG S.A. („PGNiG", the „Company", the „Parent") are listed on the Warsaw Stock Exchange ("WSE") (GPW). 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 its subsidiaries were incorporated for an unspecified time.

1.1. Organisation of the PGNiG Group and its consolidated entities

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

- 19 direct subsidiaries of PGNiG S.A.
- 12 indirect subsidiaries of PGNiG S.A.

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

Equity-accounted joint ventures

No.	Company name	Country	% ownership interest	
			Jun 30 2016	Jun 30 2015
1.	Polska Grupa Górnicza Sp. z o.o. 1)	Poland	15.66%	-
2.	SGT EUROPOL GAZ S.A. 2)	Poland	51.18%	49.74%

1) Indirect interest held through PGNiG TERMIKA S.A., which is entitled to appoint one member of the Supervisory Board and can block material decisions.

1) Including a 48.00% direct interest and a 3.18% (1.74% as at June 30th 2015) interest held indirectly through GAS-TRADING S.A.

The list of the PGNiG Group companies as at June 30th 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		Jun 30 2016	Jun 30 2015	Jun 30 2016	Jun 30 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)]	100%[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	Przedsiębiorstwo Energetyki Cieplnej S.A.	Poland	100%[7)]	-	full	-
27	Zakład Gospodarki Mieszkaniowej Sp. z o.o.	Poland	100%[8)]	100%[8)]	-	-
28	Oil Tech International F.Z.E.	United Arab Emirates	100%[8)]	100%[8)]	full	full
29	Poltava Services LLC	Ukraine	100%[8)]	99%[8)]	full	full
30	PST Europe Sales GmbH	Germany	100%[9)]	100%[9)]	full	full
31	XOOL GmbH	Germany	100%[10)]	100%[10)]	full	full
	Companies which were not PGNiG's subsidiaries as at June 30th 2016 but were PGNiG's subsidiaries in the comparative period					
32	BUD-GAZ P.P.U.H. Sp. z o.o. w likwidacji (in liquidation) [11)]	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) On December 30th 2015, the company was removed from the National Court Register.

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

Changes in the structure of the PGNiG Group in H1 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. (GAM) by PLN 1,340,000, to PLN 1,360,000, in accordance with the resolution passed by the company's Extraordinary General Meeting held on 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 (under a loan from PGNiG SPV 6 Sp. z o.o. of July 15th 2015) 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 decrease in 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.
- 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. On May 17th 2016, the increase was registered with the National Court Register.
- On April 28th 2016, PGNiG TERMIKA S.A. and Spółka Energetyczna Jastrzębie S.A. signed an agreement on purchase of 100% of 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.

  As at the date of the transaction, the company's goodwill on acquisition of PEC shares, recognised at fair value of the payment made (PLN 190.4m), less the fair value of the identifiable assets and liabilities assumed (PLN 150.9m), was PLN 39.5m. In accordance with IFRS 3.45, the fair value of the acquired assets and assumed liabilities may be subject to change as the process of purchase price allocation was not completed in the reporting period covered by these financial statements.

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

These interim condensed consolidated financial statements and interim condensed separate financial statements for H1 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 (consolidated text: Dz.U. of 2014, item 133, as amended).

This report presents the financial standing of the PGNiG Group as at June 30th 2016 and its financial results for the period January 1st 2016−June 30th 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 H1 2016 was approved for issue by the Parent's Management Board on August 12th 2016.

3.1. Functional and reporting currency

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

- POGC Libya B.V. – US dollar (USD),
- PGNiG Upstream International AS – Norwegian krone (NOK),
- GK PGNiG Supply & Trading – 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.

4. Applied accounting policies

The policies applied to prepare these interim condensed consolidated financial statements and interim condensed separate financial statements are consistent with the general policies applied to draw up the full-year consolidated financial statements for the year ended December 31st 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 IAS 27 Equity Method in Separate Financial Statements – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IAS 1 Disclosure Initiative – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IFRS (2012−2014) – changes in the procedure of introducing annual amendments to IFRS – planned to be effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations – effective for reporting periods beginning on or after January 1st 2016;
- Amendments to IAS 16 Property, Plant and Equipment and to IAS 41 Agriculture – 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.

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

Standards and interpretations adopted by the International Accounting Standards Board, which as at June 30th 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 – 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 Sales 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;
- Amendments to IFRS 2: Share-based Payment − 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.

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

6.1. Key events related to the Issuer

- 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 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 Supervisory Board 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 on 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 10th 2016, the PGNiG Supervisory Board appointed Deloitte Polska Sp. z o.o. sp.k. as the auditor of the Company's financial statements and the Group's 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 financial statements and the Group's consolidated financial statements for 2016, 2017 and 2018. The appeal was dismissed on March 3rd 2016.

- On February 25th 2016, Mr Krzysztof Rogala submitted his resignation from the position of a Supervisory Board member, with immediate effect. Mr Rogala gave no reasons for his resignation.
- On March 15th 2016, the President of the Energy Regulatory Office (the "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 was valid from April 1st to June 30th 2016.
- On March 15th 2016, the President of URE approved new Gas Fuel Supply Tariff No. 10/2016 of PGNiG S.A. (the "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 gas procurement cost fell below the cost assumed for the purpose of setting the existing Wholesale Tariff.

  Therefore, the average trading price of gas fuel was 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 was valid from April 1st to June 30th 2016.
- On April 1st 2016, PGNiG S.A.'s shareholder, the State Treasury, appointed Ms Anna Wellisz to the PGNiG Supervisory Board 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 PGNiG Supervisory Board 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 Framework 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 Framework 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 Framework 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 Framework 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 aggregate value of the framework agreement and the individual contracts is approximately PLN 3.3bn, and the maximum volume of supplies over the entire term of the agreement is 4.5 bcm.

- On April 21st 2016, the Supreme Court considered the Company's cassation appeal concerning a fine imposed on PGNiG S.A. by the President of URE for alleged breach of the terms of the licence to trade in natural gas with foreign partners in 2007 and 2008, by exceeding the maximum share of gas imported from a single country in total gas imports in each of the two years.

  The Supreme Court reversed the Court of Appeal's decision of January 14th 2015 and changed the preceding ruling of the Competition and Consumer Protection Court at the Regional Court of Warsaw of October 10th 2014 by amending the decision of the President of URE so that in its new wording it declared that no breech of the terms of the licence had been identified.

- 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.

  SEJ's business consists in generation of electricity and heat for Jastrzębska Spółka Węglowa's mines and other industrial customers, and generation of heat for households, which is distributed by PEC Jastrzębie S.A. 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.

- On June 9th 2016, the President of URE made a decision to extend the term of the Polska Spółka Gazownictwa Sp. z o.o. Tariff for Gas Fuel Distribution Services and LNG Regasification Services ("Distribution Tariff").

  As a consequence, rates of distribution and regasification service charges remain unchanged.

  The term of the Tariff was extended until December 31st 2016.

- On March 14th 2016, the President of URE approved new Gas Fuel Supply Tariff No. 11/2016 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 gas procurement cost fell below the cost assumed for the purpose of setting the existing Wholesale Tariff.

  Therefore, the average trading price of gas fuel was reduced by 8.4% for high-methane gas and by 8.5% for nitrogen-rich gas.

  The Wholesale Tariff will remain valid until September 30th 2016.

- On June 16th 2016, the President of URE approved new Gas Fuel Trading Tariff No. 4 of PGNiG Obrót Detaliczny Sp. z o.o. (the "Retail Tariff").

  The amended Retail Tariff provides for 1% reduction in gas fuel prices for all tariff groups relative to the previous Tariff of PGNiG Obrót Detaliczny Sp. z o.o.

  Subscription fees remained unchanged.

  The new Retail Tariff will remain valid from July 1st to December 31st 2016.

- On June 28th 2016, the Extraordinary General Meeting of PGNiG removed Mr Grzegorz Nakonieczny from the PGNiG Supervisory Board. On the same day, Mr Bartłomiej Nowak and Mr Piotr Sprzączak were appointed to the Supervisory Board.

6.2. Execution of investment agreement concerning operations of Polska Grupa Górnicza

- 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 become profitable 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 launch operations of Polska Grupa Górnicza Sp. z o.o. (the "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).

  In 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 into equity.

  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 its investment in Polska Grupa Górnicza Sp. z o.o. ("PGG"), particularly the terms on which PGNIG TERMIKA will acquire 5,000,000 shares in PGG for a total amount of PLN 500m (the "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 developed to optimise coal production costs and achieve the defined profitability targets. 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 by exercising its corporate rights. In particular, each PGG shareholder may appoint, remove or suspend one member of the PGG 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 the date of registration of such transformation, no shareholder may sell any PGG shares without the consent of the other PGG shareholders.

Furthermore, on June 17th 2016 PGE Górnictwo i Energetyka Konwencjonalna S.A., Energa Kogeneracja Sp. z o.o., PGNiG TERMIKA S.A., and Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych signed an agreement concerning operations of Polska Grupa Górnicza Sp. z o.o. The agreement defines mechanisms for the Parties to reach common position on matters related to PGG.

In the consolidated financial statements of the PGNiG Group, the interest in PGG is accounted for with the equity method.

Subsequent to the reporting date, on July 25th 2016, the resulting increase in the share capital of Polska Grupa Górnicza Sp. z o.o., whose shares were acquired by PGNiG TERMIKA S.A., was registered with the National Court Register.

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

In H1 2016 the PGNiG Group's revenue was PLN 17,349m, down PLN 3,041m (15%) from PLN 20,390m earned in the corresponding period of 2015. With costs lower by PLN 2,226m (13%), in H1 2016, the Group earned consolidated operating profit of PLN 1,794m, while operating profit before depreciation and amortisation (EBITDA) came in at PLN 3,131m, down PLN 865m year on year. The decrease was mainly attributable to macroeconomic factors (lower crude oil prices on global markets) and the ongoing deregulation of the Polish gas market.

Trade and Storage

In H1 2015, the Trade and Storage segment earned operating profit of PLN 646m, down PLN 95m on PLN 741m reported for the corresponding period of 2015.

In H1 2016, the segment earned revenue of PLN 14,883m, i.e. PLN 2,941m (16.5%) less than in the corresponding period of the previous year, which combined with a PLN 2,846m (16.7%) year-on-year decrease in the segment's expenses led to the decrease in the operating profit.

The lower operating profit was a result of the ongoing deregulation of the Polish gas market, which allows the segment's largest customers to diversify their gas fuel supplies. In H2 2015 and H1 2016, PGNiG S.A. and PGNiG OD made several revisions to their gas fuel tariffs. As a result, the average tariff price in H1 2016 was lower by ca. 12% compared with H1 2015. Additionally, in response to the changing market conditions, the segment companies selling gas fuel in Poland continued to introduce discount schemes to make their offering more attractive to customers.

Despite an increase in the volume of gas fuel sales (up by 3.5% yoy) and the lower gas procurement costs (nearly a 31% decline of the average price of gas fuel on West European exchanges, affecting costs of the gas imported from countries east of Poland), the discount programmes and the lower gas tariffs affected the Trade and Storage segment's operating profit for H1 2016.

As at June 30th 2016, the Group held ca. 1.6 bcm of gas in underground storage – approximately 11% down on the corresponding period last year.

Exploration and Production

At the end of H1 2016, the Exploration and Production segment reported an operating loss of PLN 80m, a decrease by PLN 927m relative to the operating profit earned in the corresponding period of 2015. At PLN 495m, EBITDA was lower than a year before, by PLN 1,047m (68%).

The segment’s revenue decreased by PLN 395m (16%) year on year, to PLN 2,138m, despite a 2% increase in the volume of crude oil sales. The revenue decline reflected the fall in crude oil prices (in Polish zloty terms, the average price of Brent in H1 2016 was approximately 27% lower than in H1 2015).

The PLN 532m increase in the Exploration and Production segment's operating expenses (up 31.6%) was caused by higher impairment losses on non-current assets, which in H1 2016 amounted to PLN 657m, compared with PLN 157m a year earlier. In addition, in H1 2016 the provision for wells and pits decommissioning costs and the Extraction Facility Decommissioning Fund was increased to PLN 5m, while in the corresponding period of the previous year a reversal of the provision reduced costs by PLN 140m.

The Exploration and Production segment’s expenses were also affected by lower depreciation and amortisation, down from PLN 695m in H1 2015, to PLN 575m in H1 2016. The decline resulted mainly from the revaluation of reserves on the Norwegian Continental Shelf, which reduced depletion rates applied to producing assets.

Distribution

The Distribution segment’s operating profit in H1 2016 increased 24% year on year, to PLN 968m, while EBITDA came in at PLN 1,423m, up by PLN 205m year on year. The improvement resulted from both lower expenses and stronger revenue streams. In H1 2016, expenses decreased by PLN 121m (7%) while revenue increased by PLN 68m (3%) 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 H1 2016 relative to the same period the year before resulted from the fact that in H1 2015 employee benefits included a PLN 96m cost of workforce streamlining and the Voluntary Redundancy Programme.

The higher revenue in H1 2016 was achieved due to a 5% increase in the volume of distributed natural gas.

Generation

The segment’s operating profit in H1 2016 was PLN 274m, having increased PLN 23m year on year. EBITDA was PLN 450m, an improvement of PLN 38m (9%) on H1 2015. The following factors contributed to the improvement:

- higher revenue from sales of heat due to an increase in the volume of heat sales (up 3% in H1 2016 vs H1 2015) and the higher heat tariff (5% increase on average in August 2015);
- lower procurement costs of coal, the segment’s main fuel for heat production (the average price of coal in H1 2016 was 7% lower than in the same period of the previous year).

8. Seasonality or cyclicality in the Company’s business during the reporting period

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

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

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

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

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

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

As at June 30th 2016, the Group entities did not carry any material liabilities related to purchase of property, plant and equipment.

11. Material settlements under court proceedings

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

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

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

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

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

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

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

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

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

- Under the Note 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., and its term expires on July 31st 2020. As at June 30th 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., 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 June 30th 2016, the nominal value of the debt outstanding under the Euronotes was PLN 2.2bn (translated at the mid rate quoted by the NBP for June 30th 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 June 30th 2016, the nominal debt outstanding under the Programme was PLN 2.5bn. Due to the maturity date of the outstanding notes (June 2017), the item was recognised under current liabilities.

- 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 on, among other things, maintaining producing capacities, diversification of gas supply sources, oil and gas exploration and appraisal, development of the power segment and ongoing projects involving the construction of storage infrastructure. In the period covered by these financial statements, PGNiG did not issue any notes under the Programme. As at June 30th 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. On November 1st 2014, two of the underwriters for the issue, PKO Bank Polski S.A. and Nordea Bank Polska S.A., merged. the Programme is to expire on December 29th 2019, though it may be extended for two years, i.e. until December 29th 2021.

  Under the Programme, PGNiG TERMIKA S.A. may issue coupon or discount notes for up to PLN 1.5bn.

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

  As at June 30th 2016, no debt was outstanding under the Programme.

16. Dividends paid or declared

On June 28th 2016, the Annual General Meeting of PGNiG S.A. passed a resolution on distribution of the Company's 2015 net profit and decided to allocate PLN 1,062m to dividend (PLN 0.18 per share). The dividend record date and the dividend payment date were set for July 20th 2016 and August 2nd 2016, respectively.

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.

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

The following events with a potential bearing on the PGNiG's future financial performance took place after June 30th 2016, i.e. the date of these condensed financial statements:

- On July 4th 2016, Jastrzębska Spółka Węglowa S.A. ("JSW") and PGNiG TERMIKA S.A. executed a preliminary agreement on sale of 100% shares in Spółka Energetyczna Jastrzębie S.A. ("SEJ").

  The purchase price of the shares was set at PLN 371.8m, including the amount received by SEJ for sale of PEC Jastrzębie S.A. on April 28th 2016.

  As part of the transaction, the parties agreed on long-term conditions of purchases of coal and methane by SEJ from JSW and sales of heat, electricity, cold and compressed air to JSW.

  In accordance with the agreement, PGNiG TERMIKA S.A. made a prepayment of PLN 278.9m, and the outstanding part of the price will be paid upon execution of the final sale agreement, planned in early August 2016. Signing of the agreement is subject to certain requirements, such as obtaining appropriate corporate approvals by JSW and amending the Note Issuance Programme by SEJ.

  In June 2016, PGNiG TERMIKA S.A. obtained the clearance from the Polish Office of Competition and Consumer Protection (UOKiK).
- On July 15th 2016, an action for payment of a contractual penalty in connection with settlement of the project 'Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bn m^3, sub-phase: 1.2bn m^3', was brought against a consortium of companies comprising PBG S.A. w upadłości układowej (in company voluntary arrangement), TCM FR S.A., Plynostav Pardubice a.s., and Plynostav – Regulace Plynow a.s.
- On July 27th, the PGNiG Supervisory Board appointed Bartłomiej Nowak, formerly a Member of the Board, as Chairman of the Supervisory Board.
- On July 29th 2016, the Extraordinary General Meeting of PGNiG Upstream International AS (PUI) of Sandnes, Norway, passed a resolution to increase the company's share capital by NOK 8m by way of

issue of 8,000 new shares with a par value of NOK 1,000 per share and a subscription price of NOK 37,500 per share, i.e. a total subscription price of NOK 300m.

- On July 29th 2016, the PGNiG Management Board made a decision to repurchase and cancel some of the Company shares in accordance with Art. 359 and Art. 362.1.5 of the Commercial Companies Code, and submitted a relevant proposal to the General Meeting.

  Total price of the repurchased shares cannot exceed PLN 750m, and the repurchase will be financed with funds which, in accordance with Art. 348.1 of the Commercial Companies Code, may be distributed as dividend. Detailed procedures, terms and conditions of the repurchase will be established by the Management Board at a later date.

  The repurchase of shares is to be completed by December 31st 2016.

- On August 1st 2016, the Extraordinary General Meeting of GEOFIZYKA Kraków S.A. passed a resolution to dissolve the company, thus commencing liquidation of the company.

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

18.1. Contingent receivables

	As at Jun 30 2016	As at Dec 31 2015
Total contingent receivables from related entities	-	-
From other entities:		
guarantees and sureties received	3	6
promissory notes received	11	14
other contingent assets	6	31
Total contingent receivables from other entities	**20**	**51**
Total contingent assets	**20**	**51**

18.2. Contingent liabilities

	As at Jun 30 2016	As at Dec 31 2015
Total contingent liabilities to related entities	-	-
To other entities		
guarantees and sureties issued	8,409	7,711
promissory notes issued	1,421	1,435
other contingent liabilities	26	27
Total contingent liabilities to other entities	**9,856**	**9,173**
Total contingent liabilities	**9,856**	**9,173**

As at the end of June 2016, contingent liabilities decreased, primarily as a result of the expiry of performance bonds and co-financing agreements.

The amount of contingent liabilities towards other entities under guarantees and sureties as at June 30th 2016 resulted mainly from the issuance of new performance bonds by the Parent; the performance bonds were issued to third-party trading partners and totalled EUR 91m (EUR 79m VAT exclusive, or PLN 350m as translated at the exchange rate quoted by the National Bank of Poland for June 30th 2016). The strengthening of the euro against the zloty at the end of H1 2016 increased the amount of the Parent's contingent liabilities denominated in the euro. The largest item of the liabilities was PGNiG Upstream International AS's performance bond for the state of Norway (its amount rose by PLN 103m at the NBP rate quoted for June 30th 2016), and guarantee for the benefit of eurobond holders (its amount rose by PLN 163m at the NBP rate quoted for June 30th 2016).

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

In H1 2016, the Group companies continued to implement the Efficiency Improvement Programme. The Programme is part of an effort to improve the Group's cost and organisational efficiency pursued under the PGNiG Group's Strategy for 2014–2022 adopted in 2014.

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

IV. MANAGEMENT BOARD'S REPRESENTATIONS

1. Representation on reliability of the interim condensed financial statements

The Management Board of PGNiG S.A. hereby represents that to the best of its knowledge the interim condensed consolidated financial statements of the PGNiG Group and the interim condensed separate financial statements of PGNiG S.A. as at June 30th 2016, and the comparative data have been prepared in compliance with the applicable accounting standards and give a true, clear and fair view of the assets, financial standing and financial performance of the PGNiG Group and PGNiG S.A.

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

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

The Management Board of PGNiG S.A. represents that the qualified auditing firm which reviewed the interim condensed consolidated financial statements of the PGNiG Group and the interim condensed separate financial statements of PGNiG S.A. as at June 30th 2016 had been appointed in accordance with the applicable laws,

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

PGNiG Management Board:

President of the Management Board	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, August 10th 2016