Polskie Górnictwo Naftowe i Gazownictwo S.A.

INTERIM REPORT for the six months ended June 30th 2017

prepared in accordance with International Financial Reporting Standards as endorsed by the European Union

PGNiG

(in PLN million, unless stated otherwise)

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated half-year report PSr 2017

(pursuant to Par. 82.2 and Par. 83.3 of the Regulation of the Minister of Finance of February 19th 2009 – 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 2017 financial year, covering the period from January 1st to June 30th 2017, containing interim condensed consolidated financial statements prepared in the Polish zloty (PLN) in accordance with International Financial Reporting Standards, and interim condensed separate financial statements prepared in the Polish zloty (PLN) in accordance with International Financial Reporting Standards.

August 18th 2017

(filing date)

POLSKIE GÓRNICTWO NAFTOWE i GAZOWNICTWO SPÓŁKA AKCYJNA
(company name)

PGNiG	**Fuels (pal)**
(abbreviated name)	(sector according to the WSE classification)
01-224	**Warsaw**
(postal code)	(city/town)
Marcina Kasprzaka	**25**
(street)	(number)
+48 22 589 45 55	**+48 22 691 82 73**
(telephone)	(fax)
pr@pgnig.pl	**www.pgnig.pl**
(email)	(website)
525−000−80−28	**012216736**
(Tax Identification Number – NIP)	(Industry Identification Number – REGON)

Financial highlights

Key data from the interim condensed consolidated financial statements	PLNm		EURm	
	6 months ended Jun 30 2017	6 months ended Jun 30 2016	6 months ended Jun 30 2017	6 months ended Jun 30 2016
Revenue	18,817	17,349	4,430	3,961
Operating profit before depreciation and amortisation (EBITDA)	4,177	3,131	983	715
Operating profit (EBIT)	2,842	1,794	669	410
Profit before tax	2,859	1,733	673	396
Net profit attributable to owners of the parent	2,098	1,271	494	290
Net profit	2,098	1,271	494	290
Total comprehensive income attributable to owners of the parent	1,951	1,576	459	360
Total comprehensive income	1,951	1,576	459	360
Net cash flows from operating activities	3,932	3,776	926	862
Net cash flows from investing activities	(2,076)	(1,821)	(489)	(416)
Net cash flows from financing activities	(4,976)	(65)	(1,172)	(15)
Net cash flows	(3,120)	1,890	(735)	431
Basic and diluted earnings per share (PLN)	0.36	0.22	0.09	0.05
	As at Jun 30 2017	As at Dec 31 2016	As at Jun 30 2017	As at Dec 31 2016
Total assets	45,083	49,672	10,667	11,228
Total liabilities	12,272	17,656	2,904	3,991
Total non-current liabilities	7,037	7,303	1,665	1,651
Total current liabilities	5,235	10,353	1,239	2,340
Total equity	32,811	32,016	7,763	7,237
Share capital	5,778	5,778	1,367	1,306
Weighted average number of ordinary shares (million)	5,778	5,867	5,778	5,867
Book value per share and diluted book value per share (PLN/EUR)	5.68	5.46	1.34	1.23
Dividend per share declared or paid (PLN/EUR)	0.20	0.18	0.05	0.04

Key data from the interim condensed separate financial statements	PLNm		EURm	
	6 months ended Jun 30 2017	6 months ended Jun 30 2016	6 months ended Jun 30 2017	6 months ended Jun 30 2016
Net revenue	9,645	8,864	2,271	2,024
Profit before tax	2,033	2,080	479	475
Net profit	1,827	1,974	430	451
Total comprehensive income	1,713	2,286	403	522
Net cash flows from operating activities	689	1,011	162	231
Net cash flows from investing activities	(942)	(859)	(222)	(196)
Net cash flows from financing activities	(4,399)	599	(1,036)	137
Net cash flows	(4,652)	751	(1,095)	171
Earnings and diluted earnings per share attributable to holders of ordinary shares (PLN/EUR)	0.32	0.33	0.07	0.08
	As at Jun 30 2017	As at Dec 31 2016	As at Jun 30 2017	As at Dec 31 2016
Total assets	33,338	35,769	7,888	8,085
Total liabilities	7,554	10,541	1,787	2,383
Total non-current liabilities	2,188	2,144	518	485
Total current liabilities	5,366	8,397	1,270	1,898
Equity	25,784	25,228	6,101	5,703
Share capital and share premium	7,518	7,518	1,779	1,699
Weighted average number of shares (million)	5,778	5,867	5,778	5,867
Book value per share and diluted book value per share (PLN/EUR)	4.46	4.30	1.06	0.97
Dividend per share declared or paid (PLN/EUR)	0.20	0.18	0.05	0.04

Average EUR/PLN exchange rates quoted by the NBP	Jun 30 2017	Jun 30 2016	Dec 31 2016
Average exchange rate in period	4.2474	4.3805	4.3757
Exchange rate at end of period	4.2265	4.4255	4.4240

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 the reporting period.
Items of the statement of financial position were translated at the mid rate for EUR/PLN quoted by the NBP at the end of the reporting period.

TABLE OF CONTENTS

1. Interim condensed consolidated financial statements 5
2. General information 9
2.1. Basic information about the Group 9
2.2. Basis for preparation of the financial statements included in the report 9
2.3. Applied accounting policies 10
2.4. Effect of new standards on the financial statements of the PGNiG Group 10
2.5. Presentation changes in the financial statements 11
3. The Group and its reporting segments 14
3.1. Key data on the reporting segments 16
4. Notes to the interim condensed consolidated financial statements 17
4.1. Deferred tax 17
4.2. Impairment losses/write-downs 17
4.3. Provisions 18
4.4. Revenue 19
4.5. Operating expenses 19
4.6. Other income and expenses 20
4.7. Net finance income/(costs) 20
4.8. Income tax 20
4.9. Property, plant and equipment 21
4.10. Derivative financial instruments 22
4.11. Contingent assets and liabilities 25
5. Supplementary information 26
5.1. Key events related in the reporting period 26
5.2. Dividend 28
5.3. Issue, redemption, and repayment of debt securities 28
5.4. Seasonality 29
5.5. Settlements from court proceedings 29
5.6. Changes in the economic environment and trading conditions with a material bearing on fair value of financial assets and liabilities 29
5.7. Credit default or breach of material credit covenants with respect to which no remedial action was taken before the end of the reporting period 30
5.8. Events subsequent to the reporting date 30
5.9. Other information material to the assessment of human resources, assets, financial condition and results, as well as to the assessment of the Group ability to fulfil its obligations 30
6. Interim condensed separate financial statements 31
7. Notes to the interim condensed separate financial statements 36
7.1. Deferred tax 36
7.2. Impairment losses/write-downs 36
7.3. Provisions 37
7.4. Revenue 38
7.5. Operating expenses 38
7.6. Other income and expenses 39
7.7. Finance income and costs 39
7.8. Income tax 39
7.9. Property, plant and equipment 40
8. MANAGEMENT BOARD'S REPRESENTATIONS 41
8.1. On the reliability of preparation of the interim condensed financial statements 41
8.2. On the entity qualified to review the interim condensed financial statements 41

1. Interim condensed consolidated financial statements

Consolidated statement of profit or loss	3 months ended Jun 30 2017	6 months ended Jun 30 2017	3 months ended Jun 30 2016	6 months ended Jun 30 2016	
	unaudited	unaudited	unaudited	unaudited	
Revenue from sale of gas	5,581	15,049	4,920	14,138	*Note 4.4*
Other revenue	1,584	3,768	1,449	3,211	*Note 4.4*
Revenue	**7,165**	**18,817**	**6,369**	**17,349**	
Cost of gas sold	(3,793)	(10,542)	(3,126)	(10,119)	*Note 4.5*
Other raw materials and consumables used	(534)	(1,177)	(494)	(1,137)	*Note 4.5*
Employee benefits expense	(672)	(1,312)	(639)	(1,184)	*Note 4.5*
Transmission services	(263)	(557)	(271)	(510)	
Other services	(411)	(772)	(313)	(549)	*Note 4.5*
Taxes and charges	(43)	(567)	(57)	(505)	
Other income and expenses	(245)	(78)	(131)	220	*Note 4.6*
Work performed by the entity and capitalised	229	388	161	324	
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	(25)	(23)	(761)	(758)	*Note 4.5*
Operating profit before depreciation and amortisation (EBITDA)	**1,408**	**4,177**	**738**	**3,131**	
Depreciation and amortisation expense	(640)	(1,335)	(665)	(1,337)	
Operating profit (EBIT)	**768**	**2,842**	**73**	**1,794**	
Net finance costs	(10)	9	(68)	(20)	*Note 4.7*
Profit/(loss) from equity-accounted investees	(4)	8	(41)	(41)	
Profit/(loss) before tax	**754**	**2,859**	**(36)**	**1,733**	
Income tax	(255)	(761)	(79)	(462)	*Note 4.8*
Net profit/(loss)	**499**	**2,098**	**(115)**	**1,271**	
Net profit/(loss) attributable to:					
Owners of the parent	499	2,098	(115)	1,271	
Non-controlling interests	-	-	-	-	
Weighted average number of ordinary shares (million)	5,778	5,778	5,900	5,900	
Basic and diluted earnings/(loss) per share (PLN)	0.09	0.36	(0.02)	0.22	

Consolidated statement of comprehensive income	3 months ended Jun 30 2017	6 months ended Jun 30 2017	3 months ended Jun 30 2016	6 months ended Jun 30 2016
	unaudited	unaudited	unaudited	unaudited
Net profit/(loss)	**499**	**2,098**	**(115)**	**1,271**
Exchange differences on translating foreign operations	(1)	(28)	28	5
Hedge accounting	(7)	(134)	390	389
Revaluation of financial assets available for sale	(4)	-	-	-
Deferred tax	2	25	(74)	(74)
Other comprehensive income subject to reclassification to profit or loss	**(10)**	**(137)**	**344**	**320**
Actuarial losses on employee benefits	(13)	(13)	(19)	(19)
Deferred tax	2	2	4	4
Share of other comprehensive income of equity-accounted investees	1	1	-	-
Other comprehensive income not subject to reclassification to profit or loss	**(10)**	**(10)**	**(15)**	**(15)**
Other comprehensive income, net	(20)	**(147)**	**329**	**305**
Total comprehensive income	**479**	**1,951**	**214**	**1,576**
Total comprehensive income attributable to:				
Owners of the parent	479	1,951	214	1,576
Non-controlling interests	-	-	-	-

(in PLN million, unless stated otherwise)

Consolidated statement of cash flows	6 months ended Jun 30 2017	6 months ended Jun 30 2016
	unaudited	unaudited
Cash flows from operating activities		
Net profit	2,098	1,271
Depreciation and amortisation expense	1,335	1,337
Current tax expense	761	462
Net gain/(loss) on investing activities	(64)	681
Other non-monetary adjustments	61	87
Income tax paid	(562)	(306)
Movements in working capital	303	244
Net cash flows from operating activities	**3,932**	**3,776**
Cash flows from investing activities		
Expenditure for acquisition of tangible exploration and evaluation assets under construction	(299)	(303)
Payments for other property, plant and equipment and intangible assets	(1,124)	(985)
Payments for shares in related entities	(347)	(502)
Other items, net	(306)	(31)
Net cash flows from investing activities	**(2,076)**	**(1,821)**
Cash flows from financing activities		
Increase in debt	12	294
Proceeds from derivative financial instruments	165	89
Decrease in debt	(5,139)	(408)
Payments for derivative financial instruments	(20)	(39)
Other items, net	6	(1)
Net cash flows from financing activities	**(4,976)**	**(65)**
Net cash flows	**(3,120)**	**1,890**
Cash and cash equivalents at beginning of period	5,832	6,021
Foreign exchange differences on cash and cash equivalents	(4)	(1)
Cash and cash equivalents at end of period	**2,712**	**7,911**

(in PLN million, unless stated otherwise)

Consolidated statement of financial position	As at Jun 30 2017	As at Dec 31 2016	
	unaudited	audited	
ASSETS			
Property, plant and equipment	32,747	33,149	*Note 4.9*
Intangible assets	1,005	1,079	
Deferred tax assets	90	100	
Equity-accounted investees	1,585	1,229	
Other assets	838	679	
Non-current assets	**36,265**	**36,236**	
Inventories	2,101	2,510	
Receivables	3,272	4,288	
Derivative financial instruments	305	623	*Note 4.10*
Other assets	374	129	
Cash and cash equivalents	2,705	5,829	
Assets held for sale	61	57	
Current assets	**8,818**	**13,436**	
TOTAL ASSETS	**45,083**	**49,672**	
EQUITY AND LIABILITIES			
Share capital and share premium	7,518	7,518	
Accumulated other comprehensive income	(151)	(4)	
Retained earnings	25,441	24,499	
Equity attributable to owners of the parent	32,808	32,013	
Equity attributable to non-controlling interests	3	3	
TOTAL EQUITY	**32,811**	**32,016**	
Financing liabilities	975	1,346	
Employee benefit obligations	727	702	
Provision for well decommissioning costs	1,663	1,641	*Note 4.3*
Other provisions	196	198	*Note 4.3*
Grants	791	815	
Deferred tax liabilities	2,052	1,932	
Other liabilities	633	669	
Non-current liabilities	**7,037**	**7,303**	
Financing liabilities	133	5,006	
Derivative financial instruments	237	346	*Note 4.10*
Trade and tax payables*	1,996	3,179	
Employee benefit obligations	313	334	
Provision for well decommissioning costs	24	20	*Note 4.3*
Other provisions	569	560	*Note 4.3*
Other liabilities	1,963	908	
Current liabilities	**5,235**	**10,353**	
TOTAL LIABILITIES	**12,272**	**17,656**	
TOTAL EQUITY AND LIABILITIES	**45,083**	**49,672**	

* Including income tax of PLN 113m (2016: PLN 180m)

(in PLN million, unless stated otherwise)

Consolidated statement of changes in equity

	Equity attributable to owners of the parent										
	Share capital and share premium, including:		Accumulated other comprehensive income:								
	Share capital	Share premium	Exchange differences on translating foreign operations	Hedging reserve	Revaluation of financial assets available for sale	Actuarial gains/(losses) on employee benefits	Share of other comprehensive income of equity-accounted investees	Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
As at Jan 1 2016 (audited)	**5,900**	**1,740**	**(51)**	**(565)**	**-**	**(21)**	**-**	**23,733**	**30,736**	**5**	**30,741**
Net profit	-	-	-	-	-	-	-	1,271	**1,271**	-	**1,271**
Other comprehensive income, net	-	-	5	315	-	(15)	-	-	**305**	-	**305**
Total comprehensive income	**-**	**-**	**5**	**315**	**-**	**(15)**	**-**	**1,271**	**1,576**	**-**	**1,576**
Dividend	-	-	-	-	-	-	-	(1,062)	**(1,062)**	-	**(1,062)**
As at Jun 30 2016 (unaudited)	**5,900**	**1,740**	**(46)**	**(250)**	**-**	**(36)**	**-**	**23,942**	**31,250**	**5**	**31,255**
As at Jan 1 2017 (audited)	**5,778**	**1,740**	**(28)**	**69**	**2**	**(45)**	**(2)**	**24,499**	**32,013**	**3**	**32,016**
Net profit	-	-	-	-	-	-	-	2,098	**2,098**	-	**2,098**
Other comprehensive income, net	-	-	(28)	(109)	-	(11)	1	-	**(147)**	-	**(147)**
Total comprehensive income	**-**	**-**	**(28)**	**(109)**	**-**	**(11)**	**1**	**2,098**	**1,951**	**-**	**1,951**
Dividend	-	-	-	-	-	-	-	(1,156)	**(1,156)**	-	**(1,156)**
As at Jun 30 2017 (unaudited)	**5,778**	**1,740**	**(56)**	**(40)**	**2**	**(56)**	**(1)**	**25,441**	**32,808**	**3**	**32,811**

2. General information

2.1. Basic information about the Group

Parent	Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna
Registered office	ul. Marcina Kasprzaka 25, 01-224 Warsaw, Poland
Court of registration	District Court for the Capital City of Warsaw, 16th Commercial Division
National Court Register (KRS) No.	0000059492
Industry Identification Number (REGON)	012216736
Tax Identification Number (NIP)	525-000-80-28
Description of business	The Company's principal business activity includes exploration for and production of crude oil and natural gas; import, storage and sale of gas fuels; and trade in electricity.

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna is the Parent of the PGNiG Group (PGNiG Group, Group). PGNiG shares are listed on the Warsaw Stock Exchange (WSE).

As at the date of issue of this interim report, the State Treasury, represented by the Minister of Energy, was the only shareholder holding 5% or more of the Company's share capital. For more information on the shareholder structure, see the Directors' Report on the operations of PGNiG S.A. and the PGNiG Group.

The PGNiG Group is the only vertically integrated company in the Polish gas sector, holding the leading position in all segments of the country's gas industry. It is also a significant domestic producer of heat and electricity. The PGNiG Group's business comprises exploration for hydrocarbon deposits, production of oil and natural gas and import, storage and distribution of and trade in gas fuels. The PGNiG Group imports LNG, gas fuel from Russia and Germany, and is the largest producer of natural gas from Polish deposits. Its upstream operations are one of the key factors ensuring PGNiG's competitive position on the country's the liberalised gas market.

For further information on the Group's operating segments and consolidated entities, see Note 3.

2.2. Basis for preparation of the financial statements included in the report

These interim condensed consolidated financial statements and interim condensed separate financial statements for the first half of 2017 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) as endorsed by the European Union; 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).

The interim condensed consolidated financial statements have been prepared on the assumption that the Group companies, except Geofizyka Kraków S.A. w likwidacji (in liquidation), will continue as going concerns in the foreseeable future. As at the date of authorisation of these financial statements for issue, no circumstances were identified which would indicate any threat to the other Group companies' continuing as going concerns.

The functional currency of PGNiG S.A. and the presentation currency of these consolidated financial statements is the Polish zloty (PLN). The method of translation of items denominated in foreign currencies is presented in the full-year consolidated financial statements for the year ended December 31st 2016, issued on March 8th 2017.

Unless otherwise stated, all amounts in this report are given in millions of Polish zloty.

This interim report for the first half of 2017 was signed and authorised for issue by the Parent's Management Board on August 18th 2017.

(in PLN million, unless stated otherwise)

2.3. Applied accounting policies

The policies applied in the preparation of the interim condensed consolidated and separate financial statements were consistent with the policies applied to prepare the consolidated financial statements for 2016, except for the presentation changes described in Note 2.5.1.

2.4. Effect of new standards on the financial statements of the PGNiG Group

In these financial statements, the Group did not opt to early apply the following standards, interpretations or amendments to the existing standards which have been issued and are relevant to the Group's business:

Standard	Description	Estimated effect	Effective date
IFRS 9 ***Financial Instruments***	The standard introduces a model based on the following classification categories of financial assets: measured at fair value through profit or loss (FVTPL), at fair value through other comprehensive income (FVTOCI), and at amortised cost. On initial recognition assets are classified depending on an entity's financial instrument management model and the characteristics of contractual cash flows from such instruments. IFRS 9 introduces a new impairment recognition model based on expected credit losses. The majority of the requirements under IAS 39 concerning classification and measurement of financial liabilities were incorporated into IFRS 9 unchanged. The key change is the new requirement that entities disclose in other comprehensive income the effect of changes in their own credit risk related to financial liabilities designated at fair value through profit or loss. Changes were also made to the hedge accounting model to factor in risk management.	The Group is currently analysing the effects of IFRS 9 on its consolidated financial statements. It was initially assessed that IFRS 9 could have an impact on the consolidated financial statements with respect to recognition of impairment losses on receivables based on expected credit losses where the Group expects such losses to have a net effect on the opening balance of impairment losses. However, the amount of the impairment losses is not expected to change significantly. The Group assumes that the instruments currently designated for hedge accounting will not change. The Group does not expect any significant changes with respect to fair value measurement.	January 1st 2018
IFRS 15 ***Revenue from Contracts with Customers***	IFRS 15 will apply to all contracts giving rise to revenue. The core principle of the new standard is that revenue is to be recognised upon transfer of goods or services to a customer, at the transaction price. Any goods or services that are sold in bundles and are distinct within the bundle should be recognised separately, and any discounts and rebates on the transaction price should be allocated to specific bundle items. Where a contract contains elements of variable consideration, under the new standard such variable consideration is recognised as revenue only if it is highly probable that its remeasurement will not result in a revenue reversal in the future. Furthermore, in accordance with IFRS 15, the cost of obtaining and securing a contract with a customer should be capitalised and amortised over the period in which the contract's benefits are consumed.	The Group is currently analysing the effects of IFRS 15 on its consolidated financial statements. The amendments are not expected to have any significant effect on the consolidated financial statements when applied for the first time.	January 1st 2018
IFRS 16 ***Leases***	The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. All lease transactions result in the lessee acquiring a right-of-use asset and incurring a lease liability. Thus, IFRS 16 abolishes the operating and finance lease classification under IFRS 17 and provides a single lessee accounting model, requiring lessees to recognise (a) assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value, and (b) amortisation/depreciation of the leased asset	Based on preliminary assessment, IFRS 16 may potentially have an effect on the Company's financial statements mainly due to the fact that the Company is a holder of perpetual usufruct rights to land. The Group has not yet analysed the potential effect of the new standard on its financial statements. A detailed analysis will be carried out in 2018–2019.	January 1st 2019

Standard	Description	Estimated effect	Effective date
	separately from interest on lease liability in the statement of profit or loss. IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. Lessors continue to classify leases as operating or finance leases, with each of them subject to different accounting treatment.		

The other standards and interpretations that have been issued but are not yet effective are not relevant to the Group's business or will have no significant effect on the accounting policies applied by the PGNiG Group.

2.5. Presentation changes in the financial statements

2.5.1. Changes in presentation of reporting segments

As of the first quarter of 2017, the Group made significant changes in reporting on its operating segments:

- For the purposes of transferring domestically produced gas from the Exploration and Production segment to the Trade and Storage segment, the applied settlement price is determined as the average monthly price quoted on the PPX Day-Ahead Market, less a discount for the Trade and Storage segment to cover justified costs of high-methane gas storage, plus a margin. The settlement price applied in gas transfers between other segments within PGNiG S.A. (especially for gas used for own consumption needs) was changed and is now determined as the average monthly price quoted on the PPX Day-Ahead Market.
- The Group also reclassified other items of operating expenses, based on the type of business activity.
- The PGNiG corporate centre and PGNiG Finance AB were separated from the Trade and Storage segment and are now presented in Other Segments. The PGNiG Management Board resolved to adjust the financial results of the Trade and Storage segment for the income and expenses generated by the PGNiG Head Office and PGNiG Finance AB, which both perform support functions for the other segments of the PGNiG Group.

As the changes were applied retrospectively, the table below presents the restated data as at June 30th 2016.

(in PLN million, unless stated otherwise)

Reporting segments	Sales to external customers	Inter-segment sales	Total revenue	EBITDA	Depreciation and amortisation	EBIT (operating profit)	Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	Equity-accounted investees	Expenditure on acquisition of property, plant and equipment and intangible assets	Property, plant and equipment	Workforce
Exploration and Production before restatement	**1,378**	**760**	**2,138**	**495**	**(575)**	**(80)**	**(739)**	**(41)**	**(570)**	**12,959**	**8,141**
Change of policy for determining revenue from inter-segment sales of gas produced in Poland in the Exploration and Production segment	-	430	430	430	-	430	-	-	-	-	-
Other reallocation of income and expenses at PGNiG S.A.	-	15	15	(29)	(1)	(30)	-	-	-	-	-
Exploration and Production after restatement	**1,378**	**1,205**	**2,583**	**896**	**(576)**	**320**	**(739)**	**(41)**	**(570)**	**12,959**	**8,141**
Trade and Storage before restatement	**14,715**	**168**	**14,883**	**770**	**(124)**	**646**	**(15)**	**-**	**(36)**	**4,233**	**3,500**
Change of policy for determining revenue from inter-segment sales of gas produced in Poland in the Exploration and Production segment	-	-	-	(430)	-	(430)	-	-	-	-	-
Other reallocation of income and expenses at PGNiG S.A.	-	-	-	29	1	30	-	-	-	-	-
Change in presentation of corporate centre	(3)	3	-	62	22	84	13	-	19	(398)	(629)
Trade and Storage after restatement	**14,712**	**171**	**14,883**	**431**	**(101)**	**330**	**(2)**	**-**	**(17)**	**3,835**	**2,871**
Other Segments before restatement	**63**	**57**	**120**	**(14)**	**(7)**	**(21)**	**-**	**-**	**(4)**	**131**	**1,319**
Change in presentation of corporate centre	3	61	64	(62)	(22)	(84)	(13)	-	(19)	398	629
Other Segments after restatement	**66**	**118**	**184**	**(76)**	**(29)**	**(105)**	**(13)**	**-**	**(23)**	**529**	**1,948**
Reconciliation with consolidated data before restatement			**(3,377)**	**7**	**-**	**7**	**-**	**-**	**-**	**(234)**	**-**
Change of policy for determining revenue from inter-segment sales of gas produced in Poland in the Exploration and Production segment			(430)	-	-	-	-	-	-	-	-
Other reallocation of income and expenses at PGNiG S.A.			(15)	-	-	-	-	-	-	-	-
Change in presentation of corporate centre			(64)	-	-	-	-	-	-	-	-
Reconciliation with consolidated data after restatement			**(3,886)**	**7**	**-**	**7**	**-**	**-**	**-**	**(234)**	**-**

(in PLN million, unless stated otherwise)

2.5.2. Reclassification of cash related to the Extraction Facilities Decommissioning Fund

The Group made a detailed analysis of the Extraction Facilities Decommissioning Fund's cash, as a result of which in 2016 there was a transfer from cash and cash equivalents to other assets (non-current).

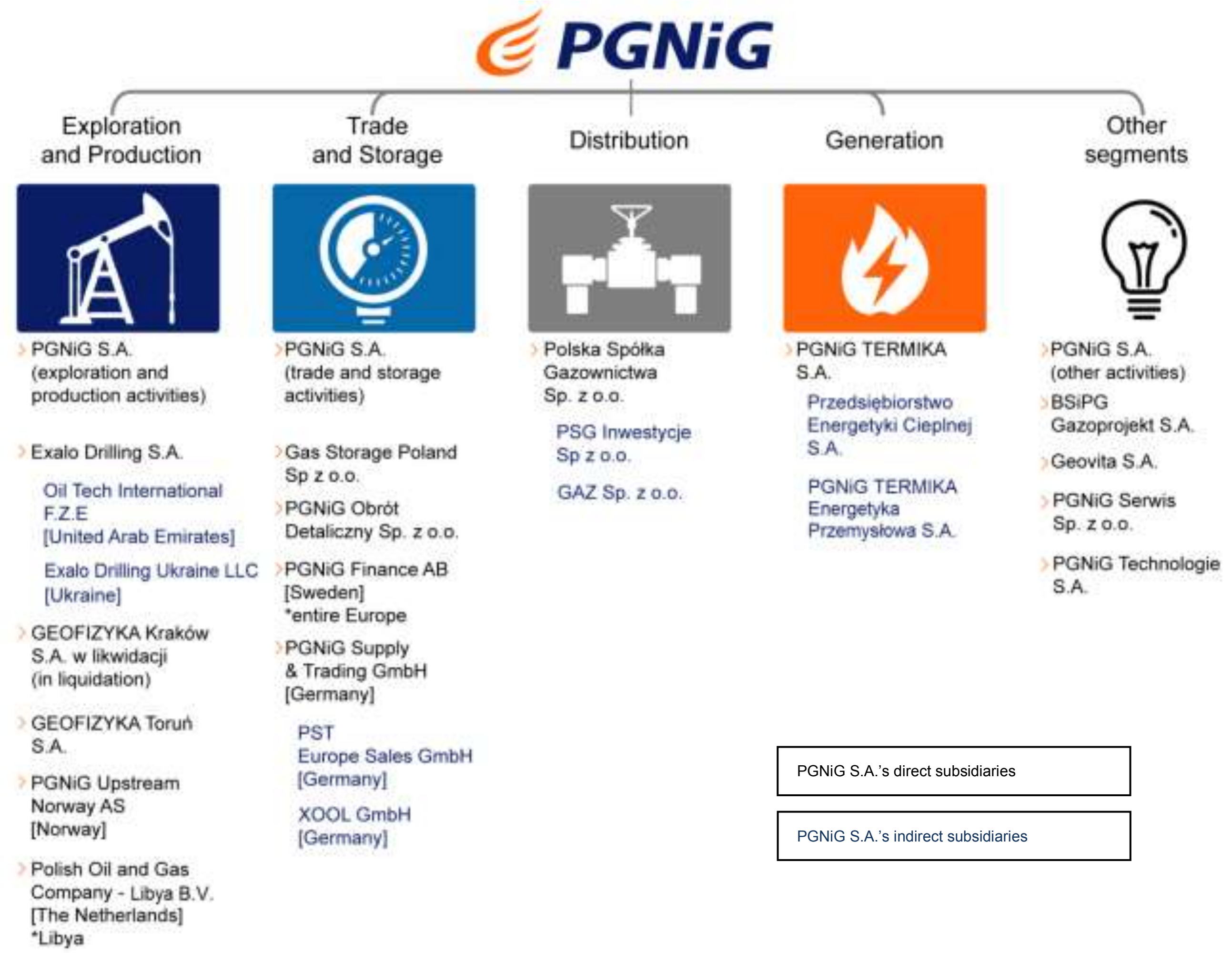
As the change was applied retrospectively, the table below presents the restated data as at June 30th 2016.

Consolidated statement of cash flows	As at Jun 30 2016 prior to restatement	Reclassification of long-term restricted cash	As at Jun 30 2016 after restatement
Net cash flows from operating activities including:	**3,763**	**13**	**3,776**
Movements in working capital	231	13	244
Net cash flows from investing activities	**(1,821)**	**-**	**(1,821)**
Net cash flows from financing activities	**(65)**	**-**	**(65)**
Net cash flows	**1,877**	**13**	**1,890**
Cash and cash equivalents at beginning of period	**6,238**	**(217)**	**6,021**
Cash and cash equivalents at end of period	**8,115**	**(204)**	**7,911**

3. The Group and its reporting segments

The Group identifies five reporting segments.

Below are the Group's fully-consolidated entities by reporting segments. For more information on the Group structure, see the Directors' Report on the operations of PGNiG S.A. and the PGNiG Group in the first half of 2017.



[] - Country of registration (if other than Poland).
** Principal place of business (if other than country of registration)*

Figure 1 ***Group structure by reporting segments***

The reporting segments were identified based on the type of business conducted by the Group companies. The individual operating segments were aggregated into reporting segments according to the aggregation criteria presented in the table below. The Parent's Management Board is the chief operating decision maker (CODM).

Segment	Description	Operating segments and aggregation criteria
Exploration and Production	The segment's principal business activity is extraction of hydrocarbons from deposits and preparation of produced hydrocarbons for sale. This involves exploring for and extracting natural gas and crude oil from deposits, and includes geological surveys, geophysical research, drilling, and development of and production of hydrocarbons from gas and oil fields. The segment sells natural gas to customers outside the Group and to other segments of the PGNiG Group. It also sells crude oil and other products in Poland and abroad.	This reporting segment comprises PGNiG S.A.'s operating segments involved in the exploration and production business, as well as the Group companies specified in **Figure 1.** The key aggregation criteria were similarity of products and services; similar characteristics of the production process and of the customer base; and economic similarities (exposure to the same market risks, as reflected in the correlation of results (margins) generated by the aggregated operating segments).
Trade and Storage	The segment's principal business activities are sale of natural gas (imported, produced or purchased on gas exchanges), operation of underground gas storage facilities for trading purposes (Mogilno, Wierzchowice, Kosakowo, Husów, Brzeźnica, Strachocina and Swarzów), and electricity trading.	This reporting segment comprises PGNiG S.A.'s operating segments involved in the gas and electricity trading business, as well as the Group companies specified in **Figure 1.** The segment operates seven underground gas storage facilities to ensure Poland's energy security and to build a gas portfolio that meets the market demand, which is subject to seasonal fluctuations. The key aggregation criteria were similarity of products and services, similarity of the customer base, and similar economic characteristics.
Distribution	The segment's principal business activity consists in distribution of natural gas via distribution networks to retail, industrial and wholesale customers, as well as operation, maintenance (repairs) and expansion of gas distribution networks.	This operating segment is also a reporting segment, and comprises Polska Spółka Gazownictwa Sp. z o.o. and its subsidiaries.
Generation	The segment's principal business activities consist in generation and sale of electricity and heat.	The reporting segment comprises PGNiG TERMIKA S.A. and its subsidiaries specified in ***Figure 1***. The key aggregation criteria were similarity of products and services, similarity of the customer base, and similar economic characteristics.
Other Segments	This segment comprises activities which cannot be classified to any of the segments listed above, i.e. the functions performed by the PGNiG corporate centre, financial services for the Group, engineering design and construction of structures, machinery and equipment for the extraction and energy sectors, as well as catering and hospitality services.	It includes PGNiG S.A.'s activities relating to corporate support for other reporting segments, and individual Group companies which do not qualify to be included in the other reporting segments, specified under Other Segments in ***Figure 1.***

(in PLN million, unless stated otherwise)

3.1. Key data on the reporting segments

6 months ended Jun 30 2017	Sales to external customers	Inter-segment sales	Total revenue	EBITDA	Depreciation and amortisation expense	EBIT	Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	Profit/(loss) from equity-accounted investees	Expenditure on acquisition of property, plant and equipment and intangible assets	Property, plant and equipment	Workforce*
Exploration and Production	1,637	1,509	3,146	2,239	(549)	1,690	(15)	4	(523)	12,565	7,094
Trade and Storage	15,630	189	15,819	89	(102)	(13)	-	-	(64)	3,789	2,945
Distribution	554	2,056	2,610	1,383	(460)	923	(1)	-	(568)	12,727	11,128
Generation	943	324	1,267	580	(198)	382	-	-	(198)	3,393	1,835
Other Segments	53	107	160	(120)	(26)	(146)	(7)	4	(40)	473	1,870
Total	**18,817**	**4,185**	**23,002**	**4,171**	**(1,335)**	**2,836**	**(23)**	**8**	**(1,393)**	**32,947**	**24,872**
Reconciliation with consolidated data			(4,185)	6	-	6	-	-	(30)	(200)	
Total			**18,817**	**4,177**	**(1,335)**	**2,842**	**(23)**	**8**	**(1,423)**	**32,747**	

**Excluding employees of equity-accounted investees.*

6 months ended Jun 30 2016	Sales to external customers	Inter-segment sales	Total revenue	EBITDA	Depreciation and amortisation expense	EBIT	Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	Profit/(loss) from equity-accounted investees	Expenditure on acquisition of property, plant and equipment and intangible assets	Property, plant and equipment	Workforce*
Exploration and Production	1,378	1,205	2,583	896	(576)	320	(739)	(41)	(570)	12,959	8,141
Trade and Storage	14,712	171	14,883	431	(101)	330	(2)	-	(17)	3,835	2,871
Distribution	463	1,999	2,462	1,423	(455)	968	-	-	(551)	12,516	10,749
Generation	730	393	1,123	450	(176)	274	(4)	-	(127)	2,934	1,587
Other Segments	66	118	184	(76)	(29)	(105)	(13)	-	(23)	529	1,948
Total	**17,349**	**3,886**	**21,235**	**3,124**	**(1,337)**	**1,787**	**(758)**	**(41)**	**(1,288)**	**32,773**	**25,296**
Reconciliation with consolidated data			(3,886)	7	-	7	-	-	-	(234)	
Total			**17,349**	**3,131**	**(1,337)**	**1,794**	**(758)**	**(41)**	**(1,288)**	**32,539**	

**Excluding employees of equity-accounted investees.*

For discussion of the Group's financial results, see the Directors' Report on the operations of PGNiG S.A. and the PGNiG Group in the first half of 2017.

(in PLN million, unless stated otherwise)

4. Notes to the interim condensed consolidated financial statements

4.1. Deferred tax

	Deferred tax assets	Deferred tax liabilities	Set-off of assets and liabilities	Assets after set-off	Liabilities after set-off	Net effect of changes in period
As at Jan 1 2016	**1,575**	**3,090**	**(1,533)**	**42**	**1,557**	
Increase	63	1,020				**(957)**
Decrease	(456)	(1,120)				**664**
Currency translation differences	46	115				**(69)**
Other changes	53	8				**45**
As at Dec 31 2016	**1,281**	**3,113**	**(1,181)**	**100**	**1,932**	**(317)**
As at Jan 1 2017	**1,281**	**3,113**	**(1,181)**	**100**	**1,932**	
Increase	23	22				**1**
Decrease	(318)	(92)				**(226)**
Currency translation differences	(23)	(118)				**95**
As at Jun 30 2017	**963**	**2,925**	**(873)**	**90**	**2,052**	**(130)**

4.2. Impairment losses/write-downs

	Property, plant and equipment	Intangible assets	Assets held for sale	Equity-accounted investees	Other (non-current) assets	Inventories	Receivables	Other (current) assets	Total
As at Jan 1 2016	**2,942**	**74**	**22**	**813**	**34**	**309**	**790**	**1**	**4,985**
Increase taken to profit or loss	1,347	14	2	62	1	82	118	-	**1,626**
Decrease taken to profit or loss	(521)	(3)	(3)	-	-	(264)	(98)	-	**(889)**
Used	(51)	-	(1)	-	-	(1)	(45)	-	**(98)**
Changes in the Group	21	-	-	4	(4)	-	3	-	**24**
Transfers	-	-	(1)	-	1	-	-	-	**-**
Other changes	20	3	-	-	-	2	4	(1)	**28**
As at Dec 31 2016	**3,758**	**88**	**19**	**879**	**32**	**128**	**772**	**-**	**5,676**
As at Jan 1 2017	**3,758**	**88**	**19**	**879**	**32**	**128**	**772**	**-**	**5,676**
Increase taken to profit or loss	308	2	-	-	-	108	45	-	**463**
Decrease taken to profit or loss	(382)	(1)	(2)	(40)	-	(58)	(66)	-	**(549)**
Used	(12)	-	(3)	-	-	-	(13)	-	**(28)**
Transfers	-	-	21	-	(21)	-	-	-	**-**
Other changes	(64)	(6)	-	-	-	(2)	11	-	**(61)**
As at Jun 30 2017	**3,608**	**83**	**35**	**839**	**11**	**176**	**749**	**-**	**5,501**

(in PLN million, unless stated otherwise)

4.3. Provisions

	Provision for well decommissioning costs	Provision for certificates of origin and energy efficiency certificates	Provision for liabilities associated with exploration work abroad	Provisions for environmental liabilities	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Other provisions	Total	
As at Jan 1 2016	**1,573**	**215**	**182**	**98**	**65**	**46**	**243**	**2,422**	
Recognised provision capitalised in cost of property, plant and equipment	62	-	-	-	-	-	-	**62**	
Increase taken to profit or loss	37	150	12	31	-	8	119	**357**	*Note 4.5*
Decrease taken to profit or loss	(23)	(38)	-	(18)	(55)	(19)	(76)	**(229)**	*Note 4.5*
Used	(20)	(184)	-	-	-	-	(33)	**(237)**	
Changes in the Group	-	-	-	-	-	-	8	**8**	
Other changes	32	-	-	6	-	1	(3)	**36**	
As at Dec 31 2016	**1,661**	**143**	**194**	**117**	**10**	**36**	**258**	**2,419**	
As at Jan 1 2017	**1,661**	**143**	**194**	**117**	**10**	**36**	**258**	**2,419**	
Recognised provision capitalised in cost of property, plant and equipment	60	-	-	-	-	-	-	**60**	
Increase taken to profit or loss	18	135	-	-	-	4	56	**213**	*Note 4.5*
Decrease taken to profit or loss	(13)	(10)	-	(1)	-	(6)	(15)	**(45)**	*Note 4.5*
Used	(5)	(130)	-	-	-	-	(6)	**(141)**	
Other changes	(34)	(2)	(21)	-	-	-	3	**(54)**	
As at Jun 30 2017	**1,687**	**136**	**173**	**116**	**10**	**34**	**296**	**2,452**	

(in PLN million, unless stated otherwise)

4.4. Revenue

	6 months ended Jun 30 2017	6 months ended Jun 30 2016
Revenue from sale of gas, including:	**15,049**	**14,138**
High-methane gas	14,176	13,212
Nitrogen-rich gas	786	729
LNG	39	160
CNG	17	16
Propane-butane gas	31	21
Other revenue, including:	**3,768**	**3,211**
Crude oil and natural gasoline	987	735
NGL	45	50
Sale of heat	766	676
Sale of electricity	901	874
Revenue from rendering of services:		
- drilling and oilfield services	78	101
- geophysical and geological services	121	91
- construction and assembly services	35	41
- distribution services	438	364
- connection charge	55	50
- other	106	103
Other	236	126
Total revenue	**18,817**	**17,349**

4.5. Operating expenses

	6 months ended Jun 30 2017	6 months ended Jun 30 2016
Cost of gas sold	**(10,542)**	**(10,119)**
Gas fuel	(10,571)	(9,669)
Cost of transactions hedging gas prices	29	(450)
Other raw materials and consumables used	**(1,177)**	**(1,137)**
Fuels for electricity and heat generation	(411)	(387)
Electricity for trading purposes	(521)	(533)
Other raw materials and consumables used	(245)	(217)
Employee benefits expense	**(1,312)**	**(1,184)**
Salaries and wages	(981)	(862)
Social security contributions	(219)	(191)
Cost of long-term employee benefits	27	(22)
Other employee benefits expense	(139)	(109)
Other services	**(772)**	**(549)**
Repair and construction services	(66)	(76)
Mineral resources production services	(77)	(91)
Rental services	(55)	(41)
Other services	(574)	(341)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	**(23)**	**(758)**
Cost of exploration and evaluation assets written-off	(98)	(82)
Impairment losses on property, plant and equipment	76	(672)
Impairment losses on intangible assets	(1)	(4)
Total	**(13,826)**	**(13,747)**

(in PLN million, unless stated otherwise)

4.6. Other income and expenses

	6 months ended Jun 30 2017	6 months ended Jun 30 2016
Compensations, penalties, and fines received	40	23
Exchange differences related to operating activities	(92)	109
Measurement and exercise of derivative financial instruments	96	(118)
Change in inventory write-downs	(50)	216
Change in impairment losses on trade and other receivables	21	(12)
Change in provision for well decommissioning costs	(5)	(5)
Change in provision for certificates of origin and energy efficiency certificates	(125)	(46)
Change in other provisions	(38)	26
Change in products	177	66
Other income and expenses	(102)	(39)
Total other income and expenses	**(78)**	**220**

4.7. Net finance income/(costs)

	6 months ended Jun 30 2017	6 months ended Jun 30 2016
Interest on debt [including fees]	(67)	(120)
Foreign exchange differences	51	(31)
Measurement and exercise of derivative financial instruments not designated for hedge accounting	(18)	79
Other net finance costs (income)	43	52
Total net finance costs	**9**	**(20)**

4.8. Income tax

Reconciliation of effective tax rate	6 months ended Jun 30 2017	6 months ended Jun 30 2016
Profit before tax	2,859	1,733
Corporate income tax at the 19% statutory rate applicable in Poland	(543)	(329)
Deductible temporary differences with respect to which no deferred tax was recognised	(218)	(133)
Income tax expense disclosed in the statement of profit or loss	**(761)**	**(462)**
Including:		
Current tax expense	(508)	(387)
Deferred tax expense	(253)	(75)
Effective tax rate	27%	27%

Tax group

PGNiG S.A. represents the PGNiG Tax Group. Under the agreement of September 19th 2016, the PGNiG Tax Group was established for the tax years 2017–2020.

The PGNiG Tax Group comprises PGNiG S.A., PGNiG Obrót Detaliczny Sp. z o.o., PSG Sp. z o.o., PGNiG TERMIKA S.A., Gas Storage Poland Sp. z o.o., PGNiG SPV 5 Sp. z o.o., PGNiG SPV 6 Sp. z o.o., PGNiG SPV 7 Sp. z o.o., GEOFIZYKA Toruń S.A., PGNiG Technologie S.A., and PGNiG Serwis Sp. z o.o.

The present PGNiG Tax Group replaced the previous PGNiG Tax Group, established for the period April 1st 2014−December 31st 2016, which comprised PGNiG S.A., PGNiG Obrót Detaliczny Sp. z o.o., PSG Sp. z o.o., PGNiG TERMIKA S.A., Gas Storage Poland Sp. z o.o., PGNiG SPV 5 Sp. z o.o., PGNiG SPV 6 Sp. z o.o., and PGNiG SPV 7 Sp. z o.o.

(in PLN million, unless stated otherwise)

In accordance with the applicable tax laws, the companies included in the PGNiG Tax Group lost their separate status as payers of corporate income tax and such status was acquired by the PGNiG Tax Group, which allows corporate income tax to be calculated jointly for all members of the PGNiG Tax Group. The PGNiG Tax Group is a separate entity only for corporate income tax purposes, and it should not be viewed as a separate legal person. Its tax status does not extend to other types of taxes; in particular, each of the companies forming the PGNiG Tax Group is a separate payer of value-added tax and of tax on civil-law transactions, and a separate remitter of personal income tax withholdings. The other companies of the PGNiG Group are separate payers of corporate income tax.

The PGNiG Tax Group is a source of certain benefits for its member companies, including:

- ability to offset losses generated by individual members of the PGNiG Tax Group against profits earned by other member companies in the period when such losses are incurred,
- ability to recognise donations to other members of the PGNiG Tax Group as tax deductible expenses,
- CIT settlements are handled by a single entity.

4.9. Property, plant and equipment

	As at Jun 30 2017	As at Dec 31 2016
Land	80	80
Buildings and structures	18,143	18,134
Plant and equipment	7,962	8,601
Vehicles and other	1,090	1,139
Total tangible assets	**27,275**	**27,954**
Tangible exploration and evaluation assets under construction	2,246	2,152
Other tangible assets under construction	3,226	3,043
Total property, plant and equipment	**32,747**	**33,149**

4.9.1. Material transactions to purchase or sell items of property, plant and equipment

In the reporting period, the Group did not execute any material transactions to purchase or sell items of property, plant and equipment.

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

In the reporting period, the Group did not carry any material liabilities related to purchase of property, plant and equipment.

(in PLN million, unless stated otherwise)

4.10. Derivative financial instruments

The Group uses derivative financial instruments to hedge commodity, currency and interest rate risk exposures.

In the reporting period, the Parent accounted for all eligible transactions using cash-flow or fair-value hedge accounting. The Company was party to CCIRS transactions, which are not designated for 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 the first half of 2017, as part of its trading activity, the Parent entered into transactions within the approved limits. The aggregate amount of the hedging transactions does not exceed the amount of the hedged items.

The transactions in derivative financial instruments 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.

Income and expenses related to assets and liabilities under derivative financial instruments			**6 months ended Jun 30 2017**		**6 months ended Jun 30 2016**	
Item of statement of profit or loss and statement of comprehensive income	**Item referenced in Note / additional explanations**	**Notes**	**Derivative financial instruments not designated for hedge accounting**	**Derivative financial instruments designated for cash flow hedge accounting**	**Derivative financial instruments not designated for hedge accounting**	**Derivative financial instruments designated for cash flow hedge accounting**
Effect on statement of profit or loss						
Net finance costs	Measurement and exercise of derivative financial instruments not designated for hedge accounting	*Note 4.7*	(18)	-	79	-
Other income and expenses	Measurement and exercise of derivative financial instruments not designated for hedge accounting	*Note 4.6*	96	-	(155)	-
	Reclassification from other comprehensive income	*Note 4.6*	-	-	-	37
Raw materials and consumables used	Reclassification from other comprehensive income	*Note 4.5*	-	29	-	(450)
			78	**29**	**(76)**	**(413)**
Effect on other comprehensive income						
Gains/(losses) on measurement of derivative instruments designated for cash flow hedge accounting [effective portion]				(105)		(24)
Reclassification of derivative instruments valuation to profit or loss upon exercise (cash flow hedges)				(29)		413
				(134)		**389**
Effect on comprehensive income			**78**	**(105)**	**(76)**	**(24)**

(in PLN million, unless stated otherwise)

The tables below present derivative instruments held by the Group as at June 30th 2017.

Derivative instruments designated for hedge accounting	**As at Jun 30 2017**					**As at Dec 31 2016**		
Type of derivative instrument	**Notional amount**	**Period when cash flow will occur and affect the financial result**	**Exercise price (exercise price range)**	**Weighted average exercise price**	**Fair value of instruments designated for cash flow hedge accounting is applied**	**Notional amount**	**Period when cash flow will occur and affect the financial result**	**Fair value of instruments designated for cash flow hedge accounting is applied**
Derivative instruments used to hedge currency risk in gas purchase contracts								
Forwards								
USD	USD 50	3–12 months	3.71–3.72	3.71	-	-	-	-
Call options								
USD	-	-	-	-	-	USD 70	1–3 months	15
					-			**15**
Derivative instruments used to hedge gas purchase prices								
TTF call options	4 MWh	up to 3 years	16.60–22.00	17.11	7	8 MWh	up to 3 years	83
TTF put options	0.15 MWh	1–12 months	19	19.00	(2)	0.26 MWh	up to 3 years	(2)
TTF swap	1 MWh	up to 3 years	13.72–15.96	14.29	5	4 MWh	up to 3 years	42
TTF swap	4 MWh	1–12 months	15.87–20.93	18.88	(55)	5 MWh	up to 3 years	(44)
					(45)			**79**
Derivative instruments hedging interest rate risk								
IRS	PLN 143	from 6 months to 3.5 years	1.84%–2.46%	2.06%	-	PLN 143	from 6 months to 3.5 years	-
IRS	PLN 1,500	1–3 years	3.65%–4.07%	3.92%	(29)	PLN 1,500	1–3 years	(46)
				Total	**(74)**		**Total**	**48**
			Including:	Assets	12	Including:	Assets	140
				Liabilities	86		Liabilities	92

TTF – Natural Gas at the Title Transfer Facility
IRS – Interest Rate Swap

(in PLN million, unless stated otherwise)

Derivative instruments not designated for hedge accounting	As at Jun 30 2017		As at Dec 31 2016	
Type of derivative instrument	**Notional amount**	**Fair value of instruments not designated for hedge accounting**	**Notional amount**	**Fair value of instruments not designated for hedge accounting**
Derivative instruments hedging interest rate risk and currency risk				
CCIRS				
EUR	-	-	EUR 500	204
NOK	NOK 2,318	81	NOK 2,318	14
		81		**218**
Derivative instruments used as economic hedges of electricity purchase prices				
Forwards				
electricity – PPX	2 MWh	11	3 MWh	12
electricity – PPX	5 MWh	(7)	7 MWh	(7)
electricity – OTC	1 MWh	21	1 MWh	22
electricity – OTC	2 MWh	(26)	1 MWh	(39)
Futures				
electricity – EEX AG	2 MWh	39	2.04 MWh	67
electricity – EEX AG	1 MWh	(28)	1 MWh	(48)
		10		**7**
Derivative instruments used to hedge gas purchase prices				
Forwards				
gas – OTC	19 MWh	75	11 MWh	130
gas – OTC	19 MWh	(70)	11 MWh	(133)
Futures				
gas – ICE ENDEX B.V.	2 MWh	8	1 MWh	13
gas – ICE ENDEX B.V.	2 MWh	(8)	1 MWh	(12)
gas – POWERNEXT SA	2 MWh	6	1 MWh	16
gas – POWERNEXT SA	2 MWh	(11)	1 MWh	(15)
		-		**(1)**
Derivative instruments used to hedge purchase prices of CO_2 emission allowances				
Forwards	EUR 1	-	EUR 3	-
Forwards	EUR 4	(1)	-	-
Futures	4 t	6	2 t	5
		5		**5**
Derivative instruments used to hedge share purchase prices				
Options	9	46	-	-
	Total	**142**	**Total**	**229**
	Including:		Including:	
	Assets	293	Assets	483
	Liabilities	151	Liabilities	254

CCIRS – Cross Currency Interest Rate Swap
PPX – Towarowa Giełda Energii S.A. (Polish Power Exchange)
OTC – non-regulated over-the-counter market
EEX AG – European Energy Exchange AG
ICE ENDEX B.V. and POWERNEXT SA – leading energy exchanges in Europe

(in PLN million, unless stated otherwise)

4.11. Contingent assets and liabilities

Contingent liabilities	As at Jun 30 2017	As at Dec 31 2016
	Estimated amount	
Guarantees and sureties	3,870	8,006
Promissory notes	695	708
Other	4	28
Total	**4,569**	**8,742**

The decrease in guarantees and sureties during the reporting period is primarily attributable to the expiry of a guarantee which served as security for the performance of PGNiG Finance AB's obligations towards bondholders under the Eurobond programme (for more information, see **Note 5.3.**).

As at June 30th 2017, the amount of the PGNiG Group's contingent assets was not material.

(in PLN million, unless stated otherwise)

5. Supplementary information

5.1. Key events related in the reporting period

Date	Company	Event
January 4th	PGNiG Obrót Detaliczny Sp. z o.o.	The President of the Energy Regulatory Office (President of URE) approved the new gas fuel tariff (Retail Tariff). In the amended Retail Tariff, gas fuel prices for all tariff groups were reduced by 7.0% on average relative to the previous Tariff of PGNiG Obrót Detaliczny Sp. z o.o. Term of the new Tariff: from February 18th to March 31st 2017.
January 18th	PGNiG Technologie S.A.	Execution of investment agreement setting out the terms of equity investment in Polimex-Mostostal S.A. (Polimex) and of other agreements relating to the transaction. The President of the Office for Competition and Consumer Protection (President of UOKiK) approved business concentration involving acquisition of joint control of Polimex by the Investors.
January 20th	PGNiG Technologie S.A.	Following the fulfilment of the conditions precedent set out in the Investment Agreement of January 18th 2017 (Investment Agreement), PGNiG Technologie S.A., a PGNiG subsidiary, accepted an invitation from the Polimex-Mostostal Management Board to acquire, in a private placement, 37,500,000 Series T ordinary bearer shares in Polimex, with a par value of PLN 2 per share, for the issue price of PLN 2 per share and the aggregate issue price of PLN 75,000,000. In the performance of an agreement concluded with SPV Operator Sp. z o.o. (SPV Operator), PGNiG Technologie S.A. also acquired 1,500,000 Polimex shares from SPV Operator in OTC block transactions. Under the Investment Agreement, the Investors have the power to direct Polimex's financial and operating policies. This power is exercised by the Supervisory Board. In accordance with the Agreement, the Supervisory Board is composed of three members appointed by the Investors. The Investors also signed a memorandum of understanding concerning their investment in Polimex (MoU). The MoU was executed to ensure increased control over Polimex by Investors holding jointly the majority (66%) of voting rights in the company. Among other things, the parties to the MoU agreed to reach, by voting, common positions when making key decisions on matters falling within the powers of the Polimex General Meeting and the Supervisory Board, including on the composition of the Polimex Management Board. In view of the Investors' rights, which give them significant influence over Polimex, in the consolidated financial statements the Group recognised its interest in Polimex as an equity-accounted associate. Based in Warsaw, Polimex is an engineering and construction company which provides a wide range of general contractor services. The company is listed on the Warsaw Stock Exchange. The Group is in the process of allocating the purchase price of Polimex.
January 27th	PGNiG TERMIKA S.A.	PGNiG TERMIKA S.A., PGE Polska Grupa Energetyczna S.A., ENEA S.A. and Energa S.A. (Business Partners) signed a Memorandum of Understanding with EDF to negotiate terms of potential acquisition of EDF's Polish assets (Transaction) and the related due diligence. On March 15th 2017, PGNiG TERMIKA S.A. submitted a notice of withdrawal from the Transaction.
February 14th	PGNiG Finance AB	PGNiG Finance AB redeemed Eurobonds with a nominal value of EUR 500m and paid due interest.
March 2nd	PGNiG S.A.	District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, approved share cancellation, reduction of PGNiG's share capital, and the amendments to the PGNiG Articles of Association.
March 3rd	PGNiG S.A.	Ms Magdalena Zegarska resigned as Member of the PGNiG Supervisory Board, with effect as of March 5th 2017.
March 6th	PGNiG S.A.	The PGNiG Supervisory Board removed Mr Waldemar Wójcik from the Management Board and appointed Ms Magdalena Zegarska as Member of the Management Board elected by PGNiG employees.

(in PLN million, unless stated otherwise)

March 13th	PGNiG S.A.	The PGNiG Supervisory Board approved the new PGNiG Group Strategy for 2017−2022 with an outlook until 2026.
March 14th	PGNiG S.A.	PGNiG S.A. and Qatar Liquefied Gas Company Limited (Qatargas) executed a supplementary agreement (Supplementary Agreement) to the Long-Term Agreement of June 29th 2009. Under the Supplementary Agreement, Qatargas will supply an additional amount of liquefied natural gas (LNG) to the President Lech Kaczyński LNG Terminal in Świnoujście. The Supplementary Agreement will be effective from the beginning of 2018 to June 2034.
March 17th	PGNiG S.A. PGNiG Obrót Detaliczny Sp. z o.o.	The President of URE approved new PGNiG Gas Fuel Supply Tariff No. 14/2017 (Largest Industrial Customers Tariff) and amendments to PGNiG Obrót Detaliczny's Gas Fuel Trading Tariff No. 5 (Amended Retail Tariff). The new Largest Industrial Customers Tariff is effective for the period from April 1st 2017 to June 30th 2017. The tariff increased the average price of high-methane gas by 8.0% and of nitrogen-rich gas by 7.9%. The Amended Retail Tariff provides for a 1.6% increase in gas fuel prices relative to the current prices. Subscription fees remained unchanged. The Amended Retail Tariff is effective for the period from April 1st 2017 to December 31st 2017.
March 31st	PGNiG TERMIKA S.A.	PGNiG TERMIKA S.A. signed an investment agreement (Investment Agreement) setting out the terms of its investment in Polska Grupa Górnicza Sp. z o.o.(PGG). The parties to the Investment Agreement are PGNiG TERMIKA S.A., ENERGA Kogeneracja Sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A., Enea S.A., Węglokoks S.A., Towarzystwo Finansowe Silesia Sp. z o.o., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (the Investors), and PGG. The new Investment Agreement changes and supplements the terms of investment in PGG as laid down in the first investment agreement concluded between the previous shareholders and the company on April 28th 2016. Under the Investment Agreement, PGG will acquire selected mining assets from Katowicki Holding Węglowy S.A. and will receive, in three tranches, a capital contribution totalling PLN 1bn from the Investors (excluding Węglokoks S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw): a) as part of the first tranche, in April 2017, the company took up new PGG shares for a cash contribution of PLN 150m – the payment was made on April 5th 2017; b) as part of the second tranche, in June 2017, the company took up new PGG shares for a cash contribution of PLN 60m; c) as part of the third tranche, in January 2018, the company will take up new PGG shares for a cash contribution of PLN 90m. Following payment of the third tranche, PGNiG TERMIKA S.A. will hold 20.43% of the PGG share capital.
March 31st	Elektrociepłownia Stalowa Wola S.A.	Elektrociepłownia Stalowa Wola S.A. (ECSW) repaid all liabilities towards the financial institutions which had provided financing to ECSW (i.e. the European Investment Bank, the European Bank for Reconstruction and Development, and Bank Polska Kasa Opieki S.A.). Thus, the conditions precedent under the agreement signed on October 27th 2016 by PGNiG, TAURON Polska Energia S.A., and ECSW, defining the terms of continued construction of a CCGT Unit at Elektrociepłownia Stalowa Wola S.A., were satisfied.
April 20th	PGNiG S.A.	Fitch Ratings (Fitch) assigned PGNiG S.A. Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) of 'BBB-' with Stable Outlooks and a foreign currency senior unsecured rating of BBB-. Fitch also assigned PGNiG S.A. the National Long-Term rating of A(pol), with a stable outlook.
May 15th	PGNiG S.A.	Moody's affirmed the Baa3 rating with stable outlook, assigned earlier to PGNiG S.A. The agency pointed to the PGNiG Group's strong financial condition as well as its leading position on the Polish natural gas market.
May 30th	PGNiG S.A.	Mr Ryszard Wąsowicz resigned as member of the Supervisory Board as of May 30th 2017, without giving reasons for his resignation.
June 21st	PGNiG S.A.	PGNiG S.A. and companies from the Azoty Group executed bilateral contracts (Individual Contracts) under the framework agreement for gas sales of April 13th 2016. Under the Individual Contracts, PGNIG is to supply gas from October 1st 2018

(in PLN million, unless stated otherwise)

		to September 30th 2020, and the Contracts' term may be extended until September 30th 2022. Following execution of the Individual Contracts, PGNiG will continue as the strategic supplier of gas to five companies of the Azoty Group, i.e. Grupa Azoty S.A. of Tarnów, Grupa Azoty Zakłady Azotowe Puławy S.A., Grupa Azoty Zakłady Chemiczne Police S.A., Grupa Azoty Zakłady Azotowe Kędzierzyn S.A., and Grupa Azoty Kopalnie and Zakłady Chemiczne Siarki Siarkopol S.A. The aggregate amount of the Individual Contracts may reach up to c.a. PLN 7bn over the four years of the Contracts' term. The applied pricing formula is based on gas market price indices. Upon the signing of the new contracts, the Individual Contracts between companies of the Azoty Group and PGNiG S.A. of April 13th 2016, originally valid until September 30th 2018, were terminated.
June 28th	PGNiG S.A.	The PGNiG Annual General Meeting resolved to dismiss the incumbent members of the Supervisory Board and to appoint the following individuals to the Board: - Mr Bartłomiej Nowak, - Mr Andrzej Gonet, - Mr Piotr Sprzączak, - Mr Grzegorz Tchorek, - Mr Piotr Broda, - Mr Mieczysław Kawecki, - Mr Sławomir Borowiec, - Mr Stanisław Sieradzki.

5.2. Dividend

The dividend for 2016 was paid on August 3rd 2017.

In accordance with a resolution of the PGNiG Annual General Meeting of June 28th 2017 on distribution of the Company's profit earned in 2016, PGNiG allocated PLN 1,155.7m (PLN 0.20 per share) to the dividend, and the dividend record date was July 19th 2017.

The dividend for 2015 was paid on August 2nd 2016. In accordance with a decision of the PGNiG Annual General Meeting, the dividend amount was PLN 1,062m (PLN 0.18 per share), and the dividend record date was July 20th 2016.

5.3. Issue, redemption, and repayment of debt securities

In the reporting period, the Group entities executed the following transactions under their respective debt securities programmes:

- On February 14th 2017, PGNiG Finance AB redeemed EUR 500m Eurobonds and paid accrued interest. The Eurobonds were redeemed with internally generated funds, in accordance with the agreement of August 25th 2011 signed by PGNiG S.A., its subsidiary PGNiG Finance AB, and Societe Generale S.A., BGŻ BNP Paribas S.A., and Unicredit Bank AG.
- On March 29th 2017, PGNiG TERMIKA Energetyka Przemysłowa S.A. redeemed at maturity the PLN 51m Tranche B of notes issued under the programme managed by Bank Gospodarstwa Krajowego and Alior Bank SA.
- On June 19th PGNiG S.A. redeemed at maturity 5-year PLN 2.5bn domestic bonds with accrued interest. The bonds were redeemed with internally generated funds, through the Central Securities Depository of Poland (KDPW).

Start date	End date	Programme	Participating banks as at the reporting date	Limit	Utilisation (%) as at Jun 30 2017	Outstanding debt (PLNbn) as at Jun 30 2017	Outstanding debt (PLNbn) as at Dec 31 2016
Authorised issuer: **PGNiG S.A.**							
May 22 2012	May 22 2017	Note issuance programme	Bank Pekao S.A. and ING Bank Śląski S.A.	PLN 4.5bn	-	-	2.5
Authorised issuers: **PGNiG S.A.** and **PGNiG Finance AB**							
Aug 25 2011	Feb 14 2017	Euro medium-term note programme (notes with maturities of up to 10 years)	Societe Generale S.A., BGŻ BNP Paribas S.A. and Unicredit Bank AG	EUR 1.2bn	-	-	2.2
Authorised issuer: **PGNiG TERMIKA Energetyka Przemysłowa S.A.**							
Oct 17 2013	Dec 20 2017[1] Sep 20 2017[1]	Note issuance programme	Bank Gospodarstwa Krajowego, Alior Bank S.A.	PLN 0.42bn	34.1%	0.14	0.19

1. Under the Programme multiple issues of notes may be carried out, divided into two tranches:
- Tranche A, worth up to PLN 369m, with proceeds allocated to the financing of the Investment Programme, including by transferring the proceeds to the issuer's group companies involved in the execution of the Investment Programme; and to the refinancing of capital expenditure incurred by the issuer or its group companies to carry out the Investment Programme;
- Tranche B, worth up to PLN 51m, with proceeds allocated to the financing of the objectives of Tranche A and working capital needs (including redemption of Tranche B notes).

5.4. Seasonality

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

Revenue from sale of natural gas and heat in the winter season (the first and fourth quarters of the year) is substantially higher than in summer (the second and third quarters of the year). This is due to the seasonal changes in weather conditions in Poland, with the extent of the fluctuations determined by air temperatures – low in winter and high in summer. Revenue from sales of gas and heat to households is subject to much greater seasonal fluctuations than in the case of sales to industrial customers as households use gas and heat for heating purposes.

To ensure uninterrupted gas supplies in periods of peak demand and to maintain security of the supplies, the underground gas storage facilities must be restocked in summer, and higher transmission and distribution capacities must be reserved for the winter season.

5.5. Settlements from court proceedings

In the current reporting period, the Group did not report any material settlements which would arise in connection with or from court proceedings.

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

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.

(in PLN million, unless stated otherwise)

5.7. Credit default or breach of material credit covenants with respect to which no remedial action was taken before the end of the reporting period

In the reporting period, there were no events of credit default or breach of material credit covenants by the Parent or its subsidiaries.

5.8. Events subsequent to the reporting date

Date	Company	Event
July 12	PGNiG S.A.	The President of URE approved new PGNiG Gas Fuel Supply Tariff No. 15/2017 (Largest Customers). Due to persistently low prices of crude and low prices of natural gas on wholesale markets in north-western Europe, PGNiG's total cost of gas procurement decreased in comparison with the cost originally assumed in the replaced tariff. As a consequence, the average price of high-methane gas was reduced by 6.7%, and of nitrogen-rich gas – by 6.8%. The tariff will apply from August 1st to September 30th 2017.
July 27	PGNiG S.A.	PGNiG S.A. entered into a Framework Agreement for supply of gas fuel and executed bilateral Individual Contracts with KGHM Polska Miedź S.A., which replaced the existing long-term contracts. The Framework Agreement sets out the terms on which the parties can execute and terminate Individual Contracts, place orders for and settle supplies of gas fuel, and renegotiate gas prices. The parties can also change the type of fuel from nitrogen-rich to high-methane gas. An Individual Contract is a contract for specific supplies under the Framework Agreement, concluded for a definite time and specifying quantities and detailed commercial terms of gas supplies. Under the Individual Contracts with KGHM Polska Miedź S.A. the gas supplies are to start on two different dates, i.e. July 1st 2017 and October 1st 2017, depending on the point of delivery, and are guaranteed to last until October 1st 2033. The estimated aggregate value of the Framework Agreement and Individual Contracts is c.a. PLN 4.8bn. The applied pricing formula is based on gas market price indices.

5.9. Other information material to the assessment of human resources, assets, financial condition and results, as well as to the assessment of the Group ability to fulfil its obligations

Other than the information disclosed in this report, the PGNiG Group is not aware of any information which, in its opinion, could be material to the assessment of its human resources, assets, and financial condition.

6. Interim condensed separate financial statements

Separate statement of profit or loss	3 months ended Jun 30 2017	6 months ended Jun 30 2017	3 months ended Jun 30 2016	6 months ended Jun 30 2016	
Revenue from sale of gas	2,988	8,116	2,505	7,337	Note 7.4.
Other revenue	660	1,529	763	1,527	Note 7.4.
Revenue	**3,648**	**9,645**	**3,268**	**8,864**	
Cost of gas sold	(2,484)	(6,315)	(1,789)	(5,580)	Note 7.5.
Other raw materials and consumables used	(233)	(593)	(368)	(776)	Note 7.5.
Employee benefits expense	(161)	(303)	(197)	(330)	Note 7.5.
Transmission, distribution and storage services	(277)	(558)	(270)	(523)	
Other services	(263)	(450)	(143)	(253)	Note 7.5.
Depreciation and amortisation expense	(188)	(374)	(200)	(396)	
Taxes and charges	(11)	(137)	(8)	(130)	
Other income and expenses	(111)	(131)	(37)	238	Note 7.6.
Work performed by the entity and capitalised	2	4	1	3	
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	71	71	(723)	(672)	
Dividends	1,197	1,197	1,629	1,629	
Finance income	94	142	106	180	Note 7.7.
Finance costs	(102)	(165)	(90)	(174)	Note 7.7.
Total	**(2,466)**	**(7,612)**	**(2,089)**	**(6,784)**	
Profit before tax	**1,182**	**2,033**	**1,179**	**2,080**	
Income tax	(36)	(206)	66	(106)	Note 7.8.
Net profit	**1,146**	**1,827**	**1,245**	**1,974**	
Weighted average number of ordinary shares (million)	5,778	5,778	5,900	5,900	
Basic and diluted earnings per share (PLN)	0.20	0.32	0.21	0.33	

Separate statement of comprehensive income	3 months ended Jun 30 2017	6 months ended Jun 30 2017	3 months ended Jun 30 2016	6 months ended Jun 30 2016
Net profit	**1,146**	**1,827**	**1,245**	**1,974**
Exchange differences on translating foreign operations	-	-	10	-
Hedge accounting	(6)	(133)	390	389
Deferred tax	1	25	(74)	(74)
Other comprehensive income subject to reclassification to profit or loss	**(5)**	**(108)**	**326**	**315**
Actuarial gains on employee benefits	(7)	(7)	(4)	(4)
Deferred tax	1	1	1	1
Other comprehensive income not subject to reclassification to profit or loss	**(6)**	**(6)**	**(3)**	**(3)**
Other comprehensive income, net	**(11)**	**(114)**	**323**	**312**
Total comprehensive income	**1,135**	**1,713**	**1,568**	**2,286**

(in PLN million, unless stated otherwise)

Statement of changes in equity

		Accumulated other comprehensive income:			
	Share capital and share premium	Hedging reserve	Other	Retained earnings (deficit)	Total equity
As at Jan 1 2016	**7,640**	**(564)**	**46**	**16,616**	**23,738**
Net profit for period	-	-	-	1,974	**1,974**
Other comprehensive income, net, for period	-	315	(3)	-	**312**
Total comprehensive income	**-**	**315**	**(3)**	**1,974**	**2,286**
Dividend	-	-	-	(1,062)	**(1,062)**
As at Jun 30 2016	**7,640**	**(249)**	**43**	**17,528**	**24,962**
As at Jan 1 2017	**7,518**	**69**	**34**	**17,607**	**25,228**
Net profit for period	-	-	-	1,827	**1,827**
Other comprehensive income, net, for period	-	(108)	(6)	-	**(114)**
Total comprehensive income	**-**	**(108)**	**(6)**	**1,827**	**1,713**
Dividend	-	-	-	(1,156)	**(1,156)**
As at Jun 30 2017	**7,518**	**(39)**	**28**	**18,277**	**25,784**

(in PLN million, unless stated otherwise)

Separate statement of cash flows	6 months ended Jun 30 2017	6 months ended Jun 30 2016
Cash flows from operating activities		
Net profit	1,827	1,974
Depreciation and amortisation expense	374	396
Interest and dividends	(1,238)	(1,639)
Net gain/(loss) on investing activities	(23)	719
Other non-monetary adjustments	134	166
Income tax paid	(231)	(128)
Current tax expense	206	106
Movements in working capital	(360)	(583)
Net cash flows from operating activities	**689**	**1,011**
Cash flows from investing activities		
Payments for tangible exploration and evaluation assets	(298)	(280)
Payments for intangible assets and other property, plant and equipment	(146)	(133)
Loans advanced	(628)	(108)
Payments for derivative financial instruments	(67)	(78)
Payments for shares in related entities	(404)	(570)
Other cash used in investing activities	(4)	(21)
Repayments of loans advanced	353	237
Proceeds from sale of short-term securities	100	-
Proceeds from derivative financial instruments	84	50
Interest received	58	9
Dividends received	-	19
Proceeds from sale of shares in associates	-	3
Other cash generated by financing activities	10	13
Net cash flows from investing activities	**(942)**	**(859)**
Cash flows from financing activities		
Proceeds from issue of debt securities	479	998
Proceeds from derivative financial instruments	165	89
Other cash generated by financing activities	5	3
Repayment of borrowings	(2,151)	-
Redemption of debt securities	(2,700)	(309)
Interest paid	(177)	(143)
Payments for derivative financial instruments	(20)	(39)
Net cash flows from financing activities	**(4,399)**	**599**
Net cash flows	**(4,652)**	**751**
Cash and cash equivalents at beginning of period	4,923	4,622
Cash and cash equivalents at end of period	**271**	**5,373**
including restricted cash	220	231

In the reporting period, selected PGNiG Group companies (PGNiG S.A., Polska Spółka Gazownictwa Sp. z o.o., Exalo Driling S.A., PGNiG Technologie S.A., Geofizyka Kraków S.A. w likwidacji (in liquidation), Geofizyka Toruń S.A., Gas Storage Poland 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.) were parties to the following cash pooling agreements:

- A cash pooling agreement between Bank Pekao S.A. and Group companies, dated July 16th 2014;
- A cash pooling agreement between PKO BP S.A. and Group companies, dated March 1st 2017.

(in PLN million, unless stated otherwise)

The main objective of these agreements is to improve the effectiveness of liquidity management at the Group. The use of cash pooling facilitated liquidity planning within the PGNiG Group, and reduced the Group's dependence on borrowed funds. The improved and more efficient utilisation of free cash also enabled the Group to reduce its borrowing costs.

Cash flows under the cash pooling arrangement 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 disclosed in the statement of cash flows with cash and cash equivalents disclosed in the statement of financial position.

Reconciliation of cash and cash equivalents disclosed in the statement of cash flows with cash and cash equivalents disclosed in the statement of financial position.	**6 months ended Jun 30 2017**	**6 months ended Jun 30 2016**
Cash and cash equivalents at end of period in the statement of cash flows	**271**	**5,373**
Opening balance of net exchange differences	(1)	1
Opening balance of inflows/outflows of cash under cash pooling arrangement	210	350
Net exchange differences in period	(5)	(1)
Inflows/(outflows) of cash under cash pooling arrangement in period	1,711	763
Cash at end of period in the statement of financial position	**2,186**	**6,486**

(in PLN million, unless stated otherwise)

Separate statement of financial position	As at Jun 30 2017	As at Dec 31 2016	
ASSETS			
Property, plant and equipment	12,537	12,476	*Note 7.9.*
Licences, mining rights and rights to geological information	47	54	
Deferred tax assets	13	-	
Shares	9,854	9,489	
Loans advanced	3,090	3,162	
Other assets	595	578	
Non-current assets	**26,136**	**25,759**	
Inventories	1,652	1,942	
Receivables	2,407	1,474	
Cash pooling receivables	72	524	
Derivative financial instruments	111	375	
Loans advanced	674	426	
Other financial assets	100	137	
Cash and cash equivalents	2,186	5,132	
Current assets	**7,202**	**10,010**	
TOTAL ASSETS	**33,338**	**35,769**	
EQUITY AND LIABILITIES			
Share capital and share premium	7,518	7,518	
Accumulated other comprehensive income	(11)	103	
Retained earnings	18,277	17,607	
TOTAL EQUITY	**25,784**	**25,228**	
Employee benefit obligations	220	208	
Provision for well decommissioning costs	1,309	1,252	*Note 7.3.*
Other provisions	27	28	*Note 7.3.*
Grants	572	590	
Deferred tax liabilities	-	4	
Other liabilities	60	62	
Non-current liabilities	**2,188**	**2,144**	
Financing liabilities	480	4,993	
Derivative financial instruments	94	99	
Trade and tax payables	2,309	2,109	
Cash pooling liabilities	2,019	759	
Employee benefit obligations	66	87	
Provision for well decommissioning costs	24	20	*Note 7.3.*
Other provisions	277	248	*Note 7.3.*
Other liabilities	97	82	
Current liabilities	**5,366**	**8,397**	
TOTAL LIABILITIES	**7,554**	**10,541**	
TOTAL EQUITY AND LIABILITIES	**33,338**	**35,769**	

(in PLN million, unless stated otherwise)

7. Notes to the interim condensed separate financial statements

7.1. Deferred tax

	Deferred tax assets	Deferred tax liabilities	Set-off of assets and liabilities	Assets after set-off	Liabilities after set-off	Net effect of changes in period
As at Jan 1 2016	**624**	**538**	**(538)**	**86**	**-**	**-**
Increase	50	161	-	-	-	**(111)**
Decrease	(195)	(216)	-	-	-	**21**
As at Dec 31 2016	**479**	**483**	**(479)**	**-**	**4**	**-**
Increase	21	32	-	-	-	**(11)**
Decrease	(19)	(47)	-	-	-	**28**
As at Jun 30 2017	**481**	**468**	**(468)**	**13**	**-**	**-**

7.2. Impairment losses/write-downs

	Property, plant and equipment and intangible assets	Non-current assets held for sale	Shares	Inventories	Short-term receivables	Loans advanced	Current financial assets	Total
As at Jan 1 2016	**2,526**	**13**	**2,507**	**264**	**319**	**48**	**-**	**5,677**
Increase taken to profit or loss	1,249	-	60	69	200	8	40	**1,626**
Decrease taken to profit or loss	(542)	-	-	(261)	(210)	-	-	**(1,013)**
As at Dec 31 2016	**3,233**	**13**	**2,567**	**72**	**309**	**56**	**40**	**6,290**
Increase taken to profit or loss	303	-	40	100	27	2	-	**472**
Transfers	-	21	(21)	-	-	-	-	**-**
Decrease taken to profit or loss	(385)	-	-	(57)	(34)	(6)	-	**(482)**
As at Jun 30 2017	**3,151**	**34**	**2,586**	**115**	**302**	**52**	**40**	**6,280**

(in PLN million, unless stated otherwise)

7.3. Provisions

	Provision for well decommissioning costs	Provision for certificates of origin and energy efficiency certificates	Provision for liabilities associated with exploration work abroad	Provisions for environmental liabilities	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Other provisions	Total
As at Jan 1 2016	**1,293**	**76**	**182**	**41**	**65**	**18**	**24**	**1,699**
Provision reversal taken to cost of property, plant and equipment	(7)	-	-	-	-	-	-	**(7)**
Recognised provision taken to profit or loss	29	33	12	-	-	2	50	**126**
Used	(20)	(47)	-	-	-	-	(21)	**(88)**
Provision reversal taken to profit or loss	(23)	(33)	-	(15)	(55)	(12)	(44)	**(182)**
As at Dec 31 2016	**1,272**	**29**	**194**	**26**	**10**	**8**	**9**	**1,548**
Recognised provision capitalised in cost of property, plant and equipment	61	-	-	-	-	-	-	**61**
Recognised provision taken to profit or loss	19	31	-	-	-	-	37	**87**
Used	(5)	(17)	-	-	-	-	-	**(22)**
Provision reversal taken to profit or loss	(14)	(2)	(21)	-	-	-	-	**(37)**
As at Jun 30 2017	**1,333**	**41**	**173**	**26**	**10**	**8**	**46**	**1,637**

(in PLN million, unless stated otherwise)

7.4. Revenue

	6 months ended Jun 30 2017	6 months ended Jun 30 2016
Revenue from sale of gas, including:	**8,116**	**7,337**
High-methane gas	7,362	6,545
Nitrogen-rich gas	638	572
Propane-butane gas	31	21
LNG	44	163
Helium	41	36
Other revenue, including:	**1,529**	**1,527**
Crude oil and natural gasoline	571	396
Sale of electricity	550	735
Right to use storage facilities	288	287
Other	120	109
Total revenue	**9,645**	**8,864**

7.5. Operating expenses

	6 months ended Jun 30 2017	6 months ended Jun 30 2016
Cost of gas sold	**(6,315)**	**(5,580)**
Gas fuel	(6,344)	(5,130)
Net gain/(loss) on gas price hedges	29	(450)
Other raw materials and consumables used	**(593)**	**(776)**
Electricity for trading	(535)	(721)
Other raw materials and consumables used	(58)	(55)
Employee benefits expense	**(303)**	**(330)**
Salaries and wages	(226)	(225)
Social security contributions	(57)	(57)
Other employee benefits expense	(36)	(38)
Employee benefit obligations	16	(10)
Transmission, distribution and storage services	**(558)**	**(523)**
Other services	**(450)**	**(253)**
Regasification services	(177)	(4)
Cost of dry wells written off	(96)	(72)
Cost of seismic surveys written off	(1)	(9)
Repair and construction services	(15)	(9)
Geological and exploration services	(25)	(10)
Mineral resources production services	(12)	(12)
Well abandonment services	(4)	(4)
Other services	(120)	(133)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	**71**	**(672)**
Impairment losses on property, plant and equipment	72	(668)
Impairment losses on intangible assets	(1)	(5)
Total	**(8,148)**	**(8,134)**

(in PLN million, unless stated otherwise)

7.6. Other income and expenses

	6 months ended Jun 30 2017	6 months ended Jun 30 2016
Measurement and exercise of derivative financial instruments not designated for hedge accounting	(9)	(20)
Change in inventory write-downs	(43)	220
Change in provision for well decommissioning costs	(5)	(5)
Change in provision for certificates of origin and energy efficiency certificates	(29)	16
Cost of merchandise and materials sold	(28)	(3)
Change in provision for environmental liabilities	-	16
Change in other provisions	(37)	5
Other	20	9
Total other income and expenses	**(131)**	**238**

7.7. Finance income and costs

	6 months ended Jun 30 2017	6 months ended Jun 30 2016
Finance income		
Gain on measurement and exercise of forward contracts	43	-
Interest income	96	172
Foreign exchange gains	-	6
Other finance income	3	2
Total finance income	**142**	**180**
Finance costs		
Loss on measurement and exercise of forward contracts	-	(10)
Interest on debt and fees	(73)	(120)
Foreign exchange losses	(49)	-
Impairment losses on shares	(40)	(41)
Other	(3)	(3)
Total finance costs	**(165)**	**(174)**

7.8. Income tax

Reconciliation of effective tax rate	6 months ended Jun 30 2017	6 months ended Jun 30 2016
Profit before tax	**2,033**	**2,080**
Corporate income tax at the applicable 19% statutory rate	(386)	(395)
Dividends receivable	227	309
Other income not recognised as taxable income	25	20
Non-tax deductible expenses	(72)	(40)
Corporate income tax at the effective tax rate	**(206)**	**(106)**
Current tax expense	(196)	(159)
Deferred tax expense	(10)	53
Effective tax rate	**10%**	**5%**

(in PLN million, unless stated otherwise)

7.9. Property, plant and equipment

	As at Jun 30 2017	As at Dec 31 2016
Land	23	22
Buildings and structures	6,945	6,868
Plant and equipment	2,713	2,786
Vehicles and other	107	111
Total tangible assets	**9,788**	**9,787**
Tangible exploration and evaluation assets under construction	2,144	2,055
Other tangible assets under construction	605	634
Total property, plant and equipment	**12,537**	**12,476**

8. MANAGEMENT BOARD'S REPRESENTATIONS

8.1. On the reliability of preparation of the interim condensed financial statements

We represent that, to the best of our 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 2017 and the comparative data have been prepared in compliance with the applicable accounting policies and give a true, clear and fair view of the assets, financial condition and financial results of the PGNiG Group and PGNiG S.A.

We further represent that, to the best of our knowledge, the Directors' Report on the operations of PGNiG S.A. and the PGNiG Group gives a fair view of the Group's and PGNiG S.A.'s development, achievements and standing, and includes a description of the key risks and threats.

8.2. On the entity qualified to review the interim condensed financial statements

We represent that the qualified auditor of financial statements that reviewed the interim condensed consolidated financial statements of the PGNiG Group and the interim condensed separate financial statements of PGNiG S.A. as at June 30th 2017 had been appointed in accordance with the applicable laws.

Both the auditing firm and the auditors who performed the audit met the conditions required to issue an impartial and independent opinion on the review, in accordance with the applicable laws and professional standards.

PGNiG Management Board:

President of the Management Board	Piotr Woźniak	
Vice President of the Management Board	Radosław Bartosik	
Vice President of the Management Board	Łukasz Kroplewski	
Vice President of the Management Board	Michał Pietrzyk	
Vice President of the Management Board	Maciej Woźniak	
Vice President of the Management Board	Magdalena Zegarska	

Warsaw, August 16th 2017