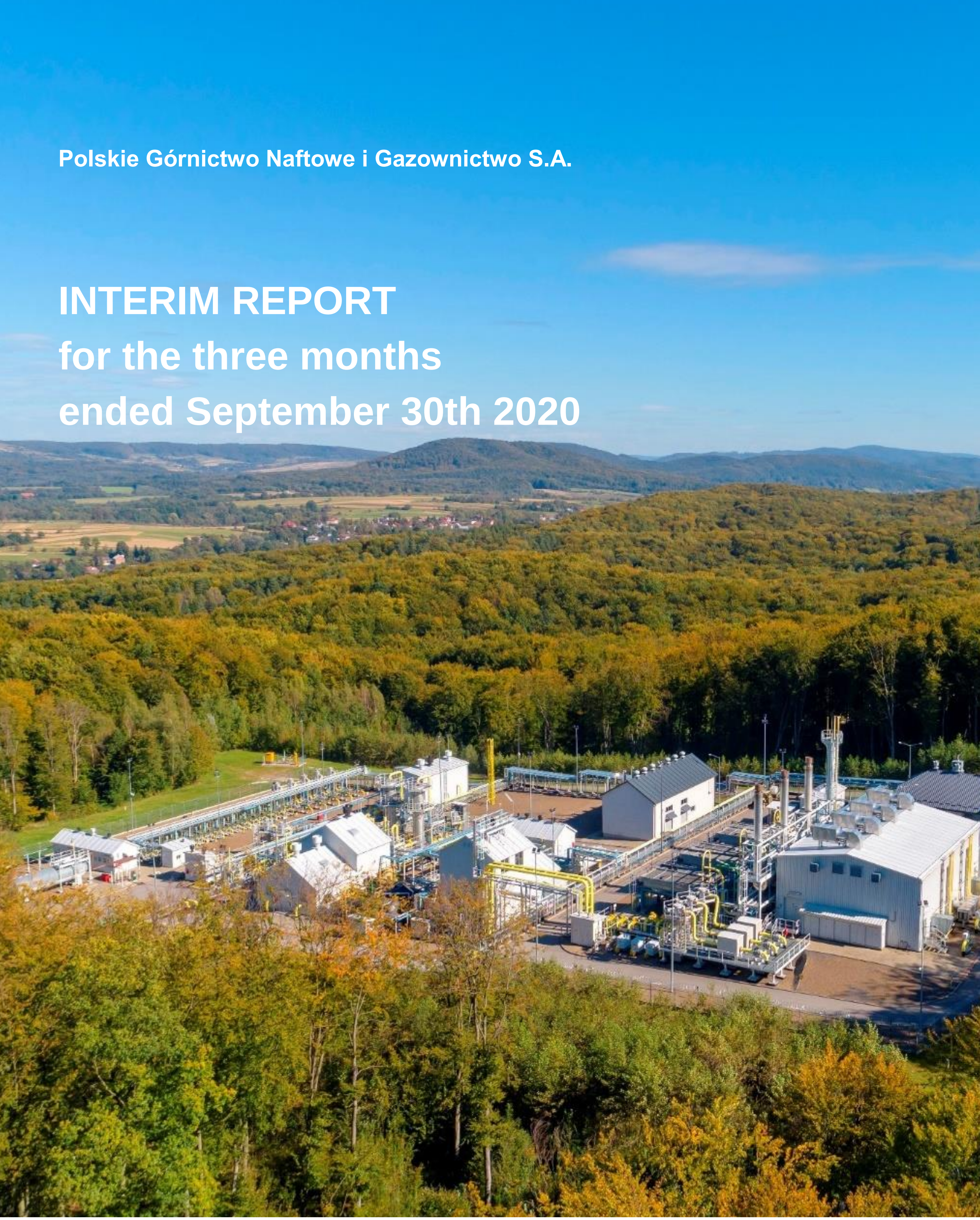
Polskie Górnictwo Naftowe i Gazownictwo S.A.

INTERIM REPORT for the three months ended September 30th 2020



PGNiG

Financial highlights

Key data from the interim condensed consolidated financial statements	PLNm		EURm	
	9 months ended September 30th 2020	9 months ended September 30th 2019	9 months ended September 30th 2020	9 months ended September 30th 2019
Revenue	27,430	29,653	6,175	6,882
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	10,685	3,983	2,405	924
Operating profit (EBIT)	8,244	1,848	1,856	429
Profit before tax	7,540	1,819	1,697	422
Net profit attributable to owners of the parent	6,036	1,347	1,359	313
Net profit	6,036	1,346	1,359	312
Total comprehensive income attributable to owners of the parent	5,391	1,707	1,214	396
Total comprehensive income	5,391	1,706	1,214	396
Net cash from operating activities	12,418	4,288	2,796	995
Net cash from investing activities	(4,564)	(3,718)	(1,027)	(863)
Net cash from financing activities	(3,688)	(1,698)	(830)	(394)
Net cash flows	4,166	(1,128)	938	(262)
Basic and diluted earnings per share (in PLN and EUR, respectively)	1.04	0.23	0.24	0.05
	As at September 30th 2020	As at December 31st 2019	As at September 30th 2020	As at December 31st 2019
Total assets	60,032	59,185	13,262	13,898
Total liabilities	16,738	21,078	3,698	4,950
Total non-current liabilities	11,054	10,378	2,442	2,437
Total current liabilities	5,684	10,700	1,256	2,513
Total equity	43,294	38,107	9,564	8,948
Share capital	5,778	5,778	1,276	1,357
Weighted average number of ordinary shares (million)	5,778	5,778	5,778	5,778
Book value per share and diluted book value per share (PLN/EUR)	7.49	6.60	1.66	1.55
Dividend per share paid (PLN/EUR)	0.09	0.11	0.02	0.03

Key data from the interim condensed separate financial statements	PLNm		EURm	
	9 months ended September 30th 2020	9 months ended September 30th 2019	9 months ended September 30th 2020	9 months ended September 30th 2019
Revenue	14,517	15,632	3,268	3,628
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	7,529	1,050	1,695	244
Operating profit (EBIT)	6,918	424	1,557	98
Profit before tax	7,471	2,004	1,682	465
Net profit	6,102	1,867	1,374	433
Total comprehensive income	5,522	2,216	1,243	514
Net cash from operating activities	7,392	693	1,663	161
Net cash from investing activities	(1,539)	(1,447)	(346)	(336)
Net cash from financing activities	(3,577)	(1,430)	(805)	(332)
Net cash flows	2,276	(2,184)	512	(507)
Earnings and diluted earnings per share attributable to holders of ordinary shares (PLN/EUR)	1.06	0.32	0.24	0.07
	As at September 30th 2020	As at December 31st 2019	As at September 30th 2020	As at December 31st 2019
Total assets	42,624	41,044	9,416	9,638
Total liabilities	6,709	10,426	1,482	2,448
Total non-current liabilities	3,524	3,315	778	778
Total current liabilities	3,185	7,111	704	1,670
Equity	35,915	30,618	7,934	7,190
Share capital and share premium	7,518	7,518	1,661	1,765
Weighted average number of shares (million) in the period	5,778	5,778	5,778	5,778
Book value per share and diluted book value per share (PLN/EUR)	6.22	5.30	1.37	1.24
Dividend per share paid (PLN/EUR)	0.09	0.11	0.02	0.03

Average EUR/PLN exchange rates quoted by the NBP	September 30th 2020	September 30th 2019	December 31st 2019
Average exchange rate for period	4.4420	4.3086	4.3018
Exchange rate at end of period	4.5268	4.3736	4.2585

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 the 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 for the reporting date.

TABLE OF CONTENTS

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Interim condensed consolidated financial statements

Consolidated statement of profit or loss	3 months ended September 30th 2020	9 months ended September 30th 2020	3 months ended September 30th 2019	9 months ended September 30th 2019	
	unaudited	unaudited	unaudited	unaudited	
Revenue from sale of gas	4,094	19,384	4,749	21,574	*Note 3.4.1.*
Other revenue	2,298	8,046	2,280	8,079	*Note 3.4.1.*
Revenue	**6,392**	**27,430**	**7,029**	**29,653**	
Cost of gas	(2,552)	(14,010)	(4,099)	(18,876)	*Note 3.5*
Effect of the annex executed with PAO Gazprom/OOO Gazprom Export on the cost of gas in 2014–2019	-	4,915	-	-	*Note 3.5*
Other raw materials and consumables used	(717)	(2,266)	(615)	(2,042)	*Note 3.5*
Employee benefits expense	(730)	(2,331)	(697)	(2,244)	*Note 3.5*
Transmission services	(264)	(783)	(269)	(788)	
Other services	(465)	(1,324)	(470)	(1,319)	*Note 3.5*
Taxes and charges	(126)	(766)	(103)	(648)	
Other income and expenses	(472)	(13)	(194)	(211)	*Note 3.6*
Work performed by the entity and capitalised	271	769	263	746	
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	(4)	(936)	(42)	(288)	*Note 3.5*
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	**1,333**	**10,685**	**803**	**3,983**	
Depreciation and amortisation expense	(745)	(2,441)	(669)	(2,135)	
Operating profit (EBIT)	**588**	**8,244**	**134**	**1,848**	
Net finance costs	12	(109)	(77)	(64)	*Note 3.7*
Profit/(loss) from equity-accounted investees	(387)	(595)	9	35	
Profit before tax	**213**	**7,540**	**66**	**1,819**	
Income tax	(97)	(1,504)	(52)	(473)	*Note 3.8*
Net profit	**116**	**6,036**	**14**	**1,346**	
Net profit attributable to:					
Owners of the parent	116	6,036	14	1,347	
Non-controlling interests	-	-	-	(1)	
Weighted average number of ordinary shares (million)	5,778	5,778	5,778	5,778	
Basic and diluted earnings per share (PLN)	0.02	1.04	0.00	0.23	

Consolidated statement of comprehensive income	3 months ended September 30th 2020	9 months ended September 30th 2020	3 months ended September 30th 2019	9 months ended September 30th 2019
	unaudited	unaudited	unaudited	unaudited
Net profit	**116**	**6,036**	**14**	**1,346**
Exchange differences on translating foreign operations	(18)	(39)	18	20
Hedge accounting	(376)	(690)	92	437
Deferred tax*	71	131	(17)	(83)
Other comprehensive income subject to reclassification to profit or loss	**(322)**	**(597)**	**93**	**374**
Actuarial losses on employee benefits	-	(54)	-	(15)
Deferred tax	-	10	-	3
Share of other comprehensive income of equity-accounted investees	-	(4)	-	(2)
Other comprehensive income not subject to reclassification to profit or loss	**-**	**(48)**	**-**	**(14)**
Other comprehensive income, net	**(322)**	**(645)**	**93**	**360**
Total comprehensive income	**(206)**	**5,391**	**107**	**1,706**
Total comprehensive income attributable to:				
Owners of the parent	(206)	5,391	107	1,707
Non-controlling interests	-	-	-	(1)

* In the reporting period, the Group changed the presentation of deferred tax relative to the comparative period: PLN 15m (PLN 20m for the three months ended September 30th 2019) was reclassified to the consolidated statement of changes in equity and disclosed under 'Change in equity recognised in inventories'. For more details, see additional information on the consolidated statement of changes in equity.

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(all amounts in PLN million, unless stated otherwise)

Consolidated statement of cash flows	9 months ended September 30th 2020	9 months ended September 30th 2019
	unaudited	unaudited
Cash flows from operating activities		
Net profit	6,036	1,346
Depreciation and amortisation expense	2,441	2,135
Current tax expense	1,504	473
Net gain/(loss) on investing activities	836	222
Other non-monetary adjustments	1,319	(32)
Income tax paid	(1,640)	(529)
Movements in working capital	1,922	673
Net cash from operating activities	**12,418**	**4,288**
Cash flows from investing activities		
Payments for purchase of tangible exploration and evaluation assets under construction	(728)	(721)
Payments for other property, plant and equipment and intangible assets	(3,383)	(2,916)
Payments for acquisition of short-term securities	(518)	-
Proceeds from sale of short-term securities	128	-
Other items, net	(63)	(81)
Net cash from investing activities	**(4,564)**	**(3,718)**
Cash flows from financing activities		
Increase in debt	308	1,755
Decrease in debt	(3,463)	(2,820)
Dividends paid	(520)	(636)
Other items, net	(13)	3
Net cash from financing activities	**(3,688)**	**(1,698)**
Net cash flows	**4,166**	**(1,128)**
Cash and cash equivalents at beginning of the period	3,041	3,928
Foreign exchange differences on cash and cash equivalents	(105)	6
Cash and cash equivalents at end of the period	**7,207**	**2,800**

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(all amounts in PLN million, unless stated otherwise)

Consolidated statement of financial position	As at September 30th 2020	As at December 31st 2019	
	unaudited	audited	
ASSETS			
Property, plant and equipment	41,238	40,002	*Note 3.9*
Intangible assets	408	729	
Deferred tax assets	25	32	
Equity-accounted investees	965	1,564	
Derivative financial instruments	330	237	
Other assets	1,748	1,375	
Non-current assets	**44,714**	**43,939**	
Inventories	2,896	4,042	
Receivables	3,837	5,504	
Derivative financial instruments	1,091	2,390	*Note 3.10*
Other assets	389	259	
Cash and cash equivalents	7,095	3,037	
Assets held for sale	10	14	
Current assets	**15,318**	**15,246**	
TOTAL ASSETS	**60,032**	**59,185**	
EQUITY AND LIABILITIES			
Share capital and share premium	7,518	7,518	
Hedging reserve	474	739	
Accumulated other comprehensive income	(332)	(246)	
Retained earnings	35,635	30,097	
Equity attributable to owners of the parent	43,295	38,108	
Equity attributable to non-controlling interests	(1)	(1)	
TOTAL EQUITY	**43,294**	**38,107**	
Financing liabilities	3,707	3,507	
Derivative financial instruments	119	20	
Employee benefit obligations	1,005	890	
Provision for well decommissioning costs	2,597	2,355	*Note 3.3*
Other provisions	288	279	*Note 3.3*
Grants	698	705	
Deferred tax liabilities	2,454	2,383	
Other liabilities	186	239	
Non-current liabilities	**11,054**	**10,378**	
Financing liabilities	348	3,245	
Derivative financial instruments	577	1,277	*Note 3.10*
Trade and tax payables*	2,243	3,487	
Employee benefit obligations	398	398	
Provision for well decommissioning costs	20	34	*Note 3.3*
Other provisions	760	728	*Note 3.3*
Other liabilities	1,338	1,531	
Current liabilities	**5,684**	**10,700**	
TOTAL LIABILITIES	**16,738**	**21,078**	
TOTAL EQUITY AND LIABILITIES	**60,032**	**59,185**	

*Including income tax of PLN 110m (2019: PLN 132m)

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(all amounts in PLN million, unless stated otherwise)

Consolidated statement of changes in equity

	Equity attributable to owners of the parent									Equity attributable to non-controlling interests	Total equity
	Share capital and share premium, including:		Hedging reserve	Accumulated other comprehensive income:				Retained earnings	Total		
	Share capital	Share premium		Translation reserve	Revaluation of financial assets available for sale	Actuarial gains/(losses) on employee benefits	Share of other comprehensive income of equity-accounted investees				
As at January 1st 2019 (audited)	**5,778**	**1,740**	**73**	**(112)**	**-**	**(91)**	**-**	**29,246**	**36,634**	**(2)**	**36,632**
Impact of IFRS 16	-	-	-	-	-	-	-	120	**120**	**-**	**120**
Net profit	-	-	-	-	-	-	-	1,347	**1,347**	(1)	**1,346**
Other comprehensive income, net*	-	-	354	20	-	(12)	(2)	-	**360**	-	**360**
Total comprehensive income	**-**	**-**	**354**	**20**	**-**	**(12)**	**(2)**	**1,347**	**1,707**	**(1)**	**1,706**
Change in equity recognised in inventories	-	-	(63)	-	-	-	-	-	**(63)**	-	**(63)**
Dividend	-	-	-	-	-	-	-	(636)	**(636)**	-	**(636)**
Changes in the Group	-	-	-	4	-	-	-	(4)	**-**	1	**1**
As at September 30th 2019 (unaudited)	**5,778**	**1,740**	**364**	**(88)**	**-**	**(103)**	**(2)**	**30,073**	**37,762**	**(2)**	**37,760**
As at January 1st 2020 (audited)	**5,778**	**1,740**	**739**	**(122)**	**-**	**(117)**	**(7)**	**30,097**	**38,108**	**(1)**	**38,107**
Net profit	-	-	-	-	-	-	-	6,036	**6,036**	-	**6,036**
Other comprehensive income, net	-	-	(559)	(39)	1	(44)	(4)	-	**(645)**	-	**(645)**
Total comprehensive income	**-**	**-**	**(559)**	**(39)**	**1**	**(44)**	**(4)**	**6,036**	**5,391**	**-**	**5,391**
Change in equity recognised in inventories	-	-	294	-	-	-	-	-	**294**	-	**294**
Dividend	-	-	-	-	-	-	-	(520)	**(520)**	-	**(520)**
Changes in the Group	-	-	-	-	-	-	-	22	**22**	-	**22**
As at September 30th 2020 (unaudited)	**5,778**	**1,740**	**474**	**(161)**	**1**	**(161)**	**(11)**	**35,635**	**43,295**	**(1)**	**43,294**

* In the reporting period, the Group changed the presentation of deferred tax disclosed in the consolidated statement of comprehensive income relative to the presentation for the period ended September 30th 2019. The change consisted in the reclassification of deferred tax on hedge accounting recognised in inventories, which had been previously presented in the consolidated statement of comprehensive income, directly to the consolidated statement of changes in equity, where it was disclosed under ‘Change in equity recognised in inventories’. As a result, the item ‘Change in equity recognised in inventories’ is presented on a net basis, i.e. including deferred tax. The comparative data for the period ended September 30th 2019 was adjusted for PLN 15m.

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(all amounts in PLN million, unless stated otherwise)

General information

1.1. Basic information about the Group

Parent's name	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, 13th Commercial Division of the National Court Register
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 is exploration for and production of crude oil and natural gas; import, storage and sale of gas and liquid fuels; and trade in electricity.

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna is the Parent of the PGNiG Group (the "PGNiG Group", the "Group"). The shares of PGNiG S.A. ("PGNiG", the "Company", the "Parent") have been listed on the Warsaw Stock Exchange (WSE) since September 2005.

As at the date of issue of this interim report for the third quarter of 2020, the State Treasury, represented by the minister competent for energy matters, was the only shareholder holding 5% or more of total voting rights in the Company.

The shareholding structure of PGNiG S.A. as at the date of this report is presented below:

Shareholder	Number of shares at the date of issue of the previous interim report*	% share in total voting rights at the date of issue of the previous interim report*	% change in the period	% share in total voting rights at the date of issue of this report**	Number of shares at the date of issue of this report**
State Treasury	4,153,706,157	71.88%	0.00%	71.88%	4,153,706,157
Other shareholders	1,624,608,700	28.12%	0.00%	28.12%	1,624,608,700
Total	**5,778,314,857**	**100.00%**	**0.00%**	**100.00%**	**5,778,314,857**

*As at June 30th 2020
**As at September 30th 2020

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 Group's business comprises exploration for hydrocarbon deposits; production of oil and natural gas; and import, storage, distribution, sale of and trade in gas fuels. The PGNiG Group imports gas fuel, and is the largest producer of natural gas from Polish deposits. The Group's upstream business is one of the key factors ensuring PGNiG's competitive position on the Polish gas market.

For further information on the Group's operating segments and consolidated entities, see **Note 2**.

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

These interim condensed consolidated financial statements and interim condensed separate financial statements for Q3 2020 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 March 29th 2018 (consolidated text: Dz.U. of 2018, item 757).

This interim report has been prepared on the assumption that the Parent and the Group will continue as going concerns in the foreseeable future. As at the date of authorisation of this interim report, no circumstances were identified which would indicate any threat to the Group's continuing as a going concern.

The Polish złoty (PLN) is the functional currency of PGNiG S.A. and the presentation currency of these consolidated financial statements. 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 2019, issued on March 12th 2020.

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

The issue date of this interim report for Q3 2020 is November 19th 2020.

1.3. Applied accounting policies

The accounting policies applied in preparing these interim condensed consolidated and separate financial statements were consistent with the policies applied to prepare the consolidated financial statements for 2019.

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

In these financial statements, the Group did not opt to early apply any standards, interpretations or amendments to the existing standards which have been issued.

1.5. Presentation changes in the financial statements

Following a detailed analysis of the regulations governing recognition of lease contracts/decisions concerning long-term lease of underground infrastructure and taking into account the relevant interpretation issued by the IFRS Interpretations Committee, in the preparation of the financial statements as at December 31st 2019 the Group concluded that it was a party to lease contracts/long-term lease decisions which satisfy the definition of leases in accordance with IFRS 16.

Therefore, the Group recognised right-of-use assets and lease liabilities as at January 1st 2019, and the adjustment also affected the financial data presented in the interim reports issued in 2019.

The tables below present the effect of the adjustment on the consolidated financial statements of the PGNiG Group for Q3 2019.

Consolidated statement of profit or loss	Period ended September 30th 2019 − before restatement	Period ended September 30th 2019 after restatement	Change
Revenue	**29,653**	**29,653**	**-**
Operating expenses	**(25,724)**	**(25,670)**	**54**
including:			
Taxes and charges	(702)	(648)	54
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	**3,929**	**3,983**	**54**
Depreciation and amortisation expense	(2,113)	(2,135)	(22)
Operating profit (EBIT)	**1,816**	**1,848**	**32**
Net finance costs	(37)	(64)	(27)
Profit before tax	**1,814**	**1,819**	**5**
Net profit	**1,341**	**1,346**	**5**

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(all amounts in PLN million, unless stated otherwise)

Consolidated statement of cash flows	Period ended September 30th 2019 − before restatement	Period ended September 30th 2019 after restatement	Change
Net cash from operating activities	**4,203**	**4,288**	**85**
Net cash from investing activities	**(3,718)**	**(3,718)**	**-**
Net cash from financing activities, including:	**(1,613)**	**(1,698)**	**(85)**
Decrease in debt	(2,735)	(2,820)	(85)
Net cash flows	**(1,128)**	**(1,128)**	**-**
Cash and cash equivalents at beginning of the period	3,928	3,928	-
Cash and cash equivalents at end of the period	**2,800**	**2,800**	**-**

Distribution	Period ended September 30th 2019 − before restatement	Period ended September 30th 2019 after restatement	Change
Sales to external customers	3,305	3,305	-
Inter-segment sales	128	128	-
Total revenue	3,433	3,433	-
EBITDA	1,485	1,539	54
Depreciation and amortisation expense	(723)	(745)	(22)
Operating profit (EBIT)	762	794	32

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The Group and its reportable segments

The Group identifies five reportable segments.

Below is presented a classification of the Group's fully-consolidated entities by reportable segment.

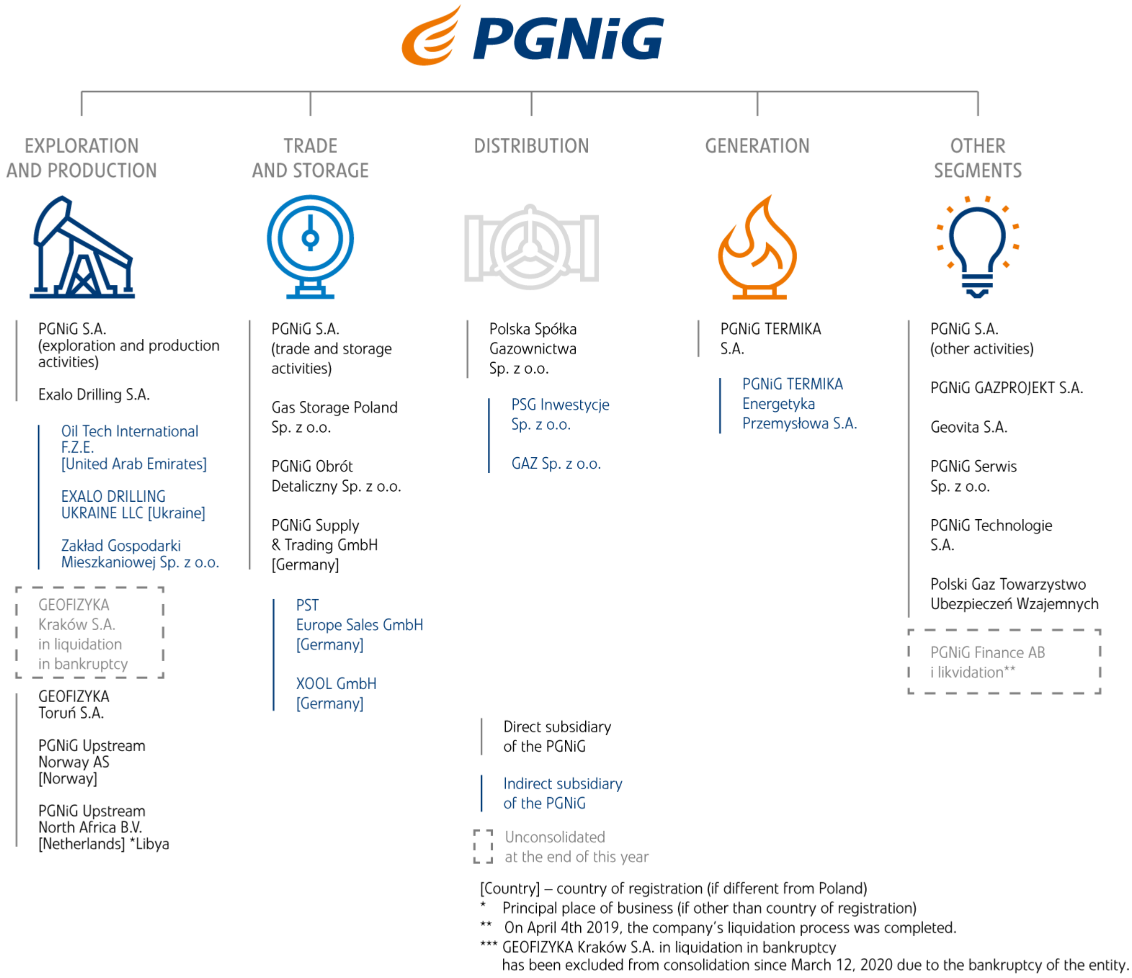

Figure 1 ***Group structure by reportable segments*** *(as at September 30th 2020)*

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The reportable segments were identified based on the type of business conducted by the Group companies. The individual operating segments were aggregated into reportable 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 is extracting hydrocarbons from deposits and preparing them for sale. It involves the process of exploration for and production of natural gas and crude oil, from geological surveys and geophysical research, through to drilling, development of gas and oil fields, and production of hydrocarbons. 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 and services in Poland and abroad.	This reportable segment comprises the operating segment of PGNiG S.A. (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, Swarzów and the storage system in Ukraine), and electricity trading.	This reportable segment comprises the operating segment of PGNiG S.A. related to the gas fuel 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 overlaps with the reportable segment Distribution, and comprises Polska Spółka Gazownictwa Sp. z o.o. and its subsidiaries specified in ***Figure 1***.
Generation	The segment's principal business activities consist in generation and sale of electricity and heat.	This reportable segment comprises the following operating segments: PGNiG TERMIKA S.A. and its subsidiary PGNiG TERMIKA Energetyka Przemysłowa S.A. The key aggregation criteria were similarity of products and services, similarity of the customer base, and similar economic characteristics.
Other segments	This segment comprises operations which cannot be classified into any of the segments listed above, i.e. the functions performed by the PGNiG Corporate Centre, engineering design and construction of structures, machinery and equipment for the extraction and energy sectors, as well as catering and hospitality and insurance services.	It includes PGNiG S.A.'s activities related to corporate support for other reportable segments, and the Group entities which do not qualify to be included in the other reportable segments, specified under Other Segments in ***Figure 1.***

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(all amounts in PLN million, unless stated otherwise)

2.1. Changes in the Group structure

Date	Company	Event
March 12th 2020	GEOFIZYKA Kraków S.A. w likwidacji w upadłości (in liquidation bankruptcy)	On March 12th 2020, the court declared GEOFIZYKA Kraków S.A. w likwidacji (in liquidation) bankrupt.

2.2. Equity-accounted investees

In its consolidated financial statements, the Group as a partner in a joint venture or a major investor in a company recognises its interest in such entities as an investment and accounts for the investment with the equity method.

The PGNiG Group applies the equity method to account for the interests it holds in the following jointly-controlled entities or entities over which it has significant influence:

Equity-accounted investees as at September 30th 2020

No.	Company name	Share capital	Value of shares held by PGNiG	PGNiG Group's ownership interest (%, direct and indirect holdings)
1	Elektrociepłownia Stalowa Wola S.A.	28,200,000	14,100,000	50%[1)]
2	SGT EUROPOL GAZ S.A.	80,000,000	38,400,000	51.18%[2)]
3	Polimex-Mostostal S.A.	473,237,604	78,000,048	16.48%[3)]
4	Polska Grupa Górnicza S.A.	3,916,718,200	800,000,000	20.43%[1)]

1) PGNiG's interest held indirectly through PGNiG TERMIKA S.A.
2) PGNiG's direct interest is 48.00%, with a 3.18% interest held indirectly through GAS-TRADING S.A.
3) PGNiG's interest held indirectly through PGNiG Technologie S.A.

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(all amounts in PLN million, unless stated otherwise)

2.3. Key data on the reportable segments

9 months ended September 30th 2020	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Total	Reconciliation with consolidated data*	Total
Sales to external customers	1,963	20,890	3,260	1,220	97	27,430		
Inter-segment sales	1,117	189	59	650	262	2,277		
Total revenue	3,080	21,079	3,319	1,870	359	29,707	(2,277)	27,430
EBITDA	721	8,187	1,539	568	(291)	10,724	(39)	10,685
Depreciation and amortisation expense	(911)	(167)	(801)	(519)	(43)	(2,441)	-	(2,441)
Operating profit (EBIT)	(190)	8,020	738	49	(334)	8,283	(39)	8,244
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, and rights to use assets	(936)	-	-	-	-	(936)	-	(936)
Profit/(loss) from equity-accounted investees	(607)	-	-	-	12	(595)	-	(595)
Purchase of property, plant and equipment and intangible assets	(1,733)	(32)	(2,032)	(257)	(99)	(4,153)	42	(4,111)
Property, plant and equipment	14,527	3,204	17,786	5,264	736	41,517	(279)	41,238
Employment**	6,561	3,022	11,515	1,828	1,782	24,708		

*Inter-company eliminations and consolidation adjustments
**Excluding employees of equity-accounted investees.

9 months ended September 30th 2019	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Total	Reconciliation with consolidated data*	Total
Sales to external customers	2,374	22,809	3,305	1,075	90	29,653		
Inter-segment sales	1,862	225	128	645	231	3,091		
Total revenue	4,236	23,034	3,433	1,720	321	32,744	(3,091)	29,653
EBITDA	2,666	(454)	1,539	443	(212)	3,982	1	3,983
Depreciation and amortisation expense	(802)	(150)	(745)	(391)	(47)	(2,135)	-	(2,135)
Operating profit (EBIT)	1,864	(604)	794	52	(259)	1,847	1	1,848
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, and rights to use assets	(256)	(2)	6	-	(36)	(288)	-	(288)
Profit/(loss) from equity-accounted investees	33	-	-	-	2	35	-	35
Purchase of property, plant and equipment and intangible assets	(1,135)	(58)	(1,641)	(702)	(106)	(3,642)	5	(3,637)
Property, plant and equipment	13,691	3,179	15,136	5,114	788	37,908	(235)	37,673
Employment**	6,617	3,052	11,598	1,844	1,647	24,758		

*Inter-company eliminations and consolidation adjustments
**Excluding employees of equity-accounted investees.

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(all amounts in PLN million, unless stated otherwise)

2.4. Revenue by segment

9 months ended September 30th 2020	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Reconciliation with consolidated data*	Total
Revenue from sale of gas, including:	1,620	18,902	-	-	-	(1,138)	19,384
High-methane gas	883	17,211	-	-	-	(889)	17,205
Nitrogen-rich gas	685	536	-	-	-	(245)	976
LNG	14	43	-	-	-	(6)	51
CNG	-	36	-	-	-	2	38
Propane-butane gas	38	-	-	-	-	-	38
Adjustment to gas sales due to hedging transactions	-	1,076	-	-	-	-	1,076
Other revenue, including:	1,460	2,177	3,319	1,870	359	(1,139)	8,046
Gas and heat distribution	-	-	3,113	54	-	(54)	3,113
Crude oil and natural gasoline	996	-	-	-	-	-	996
NGL	51	-	-	-	-	-	51
Sales of heat	-	-	-	958	-	-	958
Sales of electricity	-	2,051	-	733	-	(775)	2,009
Revenue from rendering of services:							
- drilling and oilfield services	82	-	-	-	-	-	82
- geophysical and geological services	82	-	-	-	-	-	82
- construction and assembly services	39	-	-	-	73	(56)	56
- connection charge	-	-	169	-	-	-	169
- other	22	104	28	13	267	(221)	213
Other	188	22	9	112	19	(33)	317
Total revenue	3,080	21,079	3,319	1,870	359	(2,277)	27,430

*Inter-company eliminations and consolidation adjustments

9 months ended September 30th 2019	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Reconciliation with consolidated data*	Total
Revenue from sale of gas, including:	2,403	21,167	-	-	-	(1,996)	21,574
High-methane gas	1,464	20,089	-	-	-	(1,558)	19,995
Nitrogen-rich gas	869	625	-	-	-	(431)	1,063
LNG	23	40	-	-	-	(7)	56
CNG	-	31	-	-	-	-	31
Propane-butane gas	47	-	-	-	-	-	47
Adjustment to gas sales due to hedging transactions	-	382	-	-	-	-	382
Other revenue, including:	1,833	1,867	3,433	1,720	321	(1,095)	8,079
Gas and heat distribution	-	-	3,059	52	-	(25)	3,086
Crude oil and natural gasoline	1,398	-	-	-	-	-	1,398
NGL	70	-	-	-	-	-	70
Sales of heat	-	-	1	890	-	-	891
Sales of electricity	-	1,717	-	659	-	(681)	1,695
Revenue from rendering of services:							
- drilling and oilfield services	87	-	-	-	-	(1)	86
- geophysical and geological services	87	-	-	-	-	-	87
- construction and assembly services	37	-	-	-	65	(48)	54
- connection charge	-	-	138	-	-	-	138
- other	17	117	18	30	239	(202)	219
Other	137	33	217	89	17	(138)	355
Total revenue	4,236	23,034	3,433	1,720	321	(3,091)	29,653

*Inter-company eliminations and consolidation adjustments

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2.5. Segments' financial results

In the nine months ended September 30th 2020, the PGNiG Group generated revenue of PLN 27,430m, that is PLN 2,223m (7.5%) less than in the same period of the previous year. Operating expenses went down by PLN 8,619m (31%), due mainly to the effect of the annex executed with PAO Gazprom/OOO Gazprom Export (PLN 5,689m decrease in gas costs) and lower gas purchase prices. Operating expenses were also affected by the recognition of impairment losses on non-current assets of PLN 808m (vs PLN 174m in the corresponding period of the year before). As a result, consolidated EBIT came in at PLN 8,244m, a year-on-year improvement of PLN 6,396m.

Operating data	9 months ended September 30th 2020	9 months ended September 30th 2019
Production of natural gas by the PGNiG Group (bcm)*		
High-methane gas (E)	1.33	1.37
Nitrogen-rich gas (Ls/Lw as E equivalent)	1.97	1.95
Total (as E equivalent)	3.30	3.32
Natural gas sales outside the PGNiG Group (bcm)*		
High-methane gas (E)	21.10	20.32
Nitrogen-rich gas (Ls/Lw as E equivalent)	1.18	1.15
Total (as E equivalent)	22.28	21.47
Distribution volume (bcm^3)**		
high-methane gas, nitrogen-rich gas, propane-butane, coke gas	8.03	8.24
Crude oil, condensate and NGL ('000 tonnes)		
Production	963	889
Sale	971	849
Heat and electricity (from own generation sources)		
Heat sales outside the PGNiG Group (PJ)	25.92	26.28
Sales of electricity from own generation sources (TWh)	2.47	2.68

* Converted to gas with a calorific value of 39.5 mJ/m^3.
** In natural units.

Exploration and Production

At the end of the reporting period, the segment's operating profit was PLN -190m, i.e. PLN 2,054m (110%) less than in the same period of the year before. The key contributing factors included:

- PLN 1,156m (27%) year-on-year decrease in revenue, led mainly by:
  - PLN 782m (33%) decrease in revenue from gas sales, attributable to lower prices of domestically produced gas at which gas was transferred from the Exploration and Production segment to the Trade and Storage segment. The lower prices were a direct effect of the average year-on-year drop in prices quoted on the POLPX (Polish Power Exchange) (down 38% over the nine months to September 30th 2020), by reference to which the transfer price in transactions between the segments is set;
  - PLN 420m (29%) decrease in revenue from crude oil and NGL sales, mainly due to a 34% year-on-year decline in the average price of Brent crude (in PLN terms) in the nine months, with a 14% year-on-year increase in the volume of crude oil sold in the nine months to September 30th 2020;
- PLN 898m (38%) year-on-year increase in operating expenses, driven mainly by:
  - recognition of impairment losses on non-current assets of PLN 808m (PLN 142m in the same period of the year before), after the Group had measured the value of property, plant and equipment and property, plant and equipment under construction related to hydrocarbon production taking into account current long-term oil and gas price forecasts;
  - PLN 128m (PLN 114m in the same period of the previous year) in expenditure on dry wells and seismic surveys written off as at the end of the reporting period;
  - lower positive effect on net profit (PLN 19m, vs PLN 62m in the same period of 2019) of underlift balance measured at market prices.

If crude oil output exceeds sales (underlift), the company recognises receivables in the statement of financial position and revenue in the statement of profit or loss. If sales exceed output (overlift), the company recognises a liability and expense. The underlift position follows from the nature of settlements of the joint ventures of the subsidiary PGNiG Upstream Norway AS. The sales volume may differ from the volume of crude oil and gas output assigned to a company under the contract.

Profit/(loss) from equity-accounted investees in the Exploration and Production segment was affected by a revaluation of the shareholding in Polska Grupa Górnicza S.A. (PGG). PGNiG TERMIKA S.A., PGNiG's subsidiary which holds the shares in PGG, tested the shares for impairment and recognised an impairment loss as a result of which as at September 30th 2020 the value of the shares was PLN 0. Following the recognition of the impairment loss, profit/(loss) from equity-accounted investees in the Exploration and Production segment as at the end of the third quarter of 2020 was PLN - (minus) 607m.

Trade and Storage

In the nine months ended September 30th 2020, the segment's operating profit was PLN 8,020m, having increased by PLN 8,624m year on year (nine month to September 30th 2019: PLN -604m operating loss). The segment's total revenue was PLN 21,079m, having decreased by PLN 1,955m (8%) year on year. The segment's operating expenses were PLN 13,059m, i.e. PLN 10,579m (45%) less year on year.

The key contributing factors included:

- operating expenses on gas down as a result of recognition of the effect of settlement under the annex to the Yamal contract of PLN 5,689m and net exchange gain arising on the measurement of mutual accounts (approximately PLN 300m);
- effect of payments for the gas supplied under the Yamal contract in amounts resulting from the pricing formula based on the Stockholm Arbitration Institute's award;
- major decline in gas prices on the POLPX, reflected in the price of domestically produced gas transferred to the Trade and Storage segment;
- a 10.6% decrease in the average price for gas fuel in the retail tariff effective from July 1st 2020;
- effect of the reversal of gas inventory write-down of PLN +359m, with a write-down reversal of PLN +34m for the nine months ended September 30th 2019;
- gain/loss realised on hedging instruments designated for hedge accounting and recognised in revenue of PLN 1,076m (nine months ended September 30th 2019: PLN +382m). The value of hedging transactions recognised in equity increased gas inventories by PLN 363m (decrease of PLN -78m in the corresponding period of 2019). With deferred tax taken into account, the values are consistent with the net values recognised in the statement of changes in equity (i.e. PLN 294m in 2020 and PLN -63m in 2019).

Distribution

In the nine months ended September 30th 2020, the segment's operating profit shrank by PLN 56m (7%) year on year, to PLN 738m, while operating profit before depreciation and amortisation (EBITDA) remained unchanged relative to the third quarter of 2019, at PLN 1,539m. In the reporting period, the segment's revenue fell slightly by 3% (to PLN 3,319m from PLN 3,433m in the corresponding period of the previous year).

Key drivers of the Group's performance included:

- a 3.5% increase in the tariff for gas distribution services, effective from April 3rd 2020;
- a 3% decrease in distribution volumes in the nine months ended September 30th 2020 relative to the same period of the previous year;
- net income/cost of system balancing, which amounted to PLN 19m the nine months to September 30th 2020, compared with PLN 144m in the corresponding period of the previous year.

Generation

In the nine months ended September 30th 2020, the segment's operating profit came in at PLN 49m, down PLN 3m year on year. EBITDA came in at PLN 568m, an increase of 28% on the result reported as at September 30th 2019.

The segment's results were affected by the higher depreciation and amortisation expense of PLN 519m, an increase of 33% year on year driven by a PLN 129m (93%) year-on-year increase the cost of redemption of CO_2 allowances.

A year-on-year increase in the segment's revenue by 9% (PLN 150m) was largely attributable to changes in the heat tariff effective September 1st 2019 and its revision of July 2020. Therefore, despite a slightly lower volume of heat sold (down 1.4%), revenue from sale of heat in the nine months ended September 30th 2020 rose 7.6% (PLN 67.7m) year on year.

2.6. Factors and events which may affect future results of the PGNiG Group

The following factors will have a significant impact on the PGNiG Group's financial condition in future periods:

- Conditions prevailing on the currency markets, commodity markets (prices of crude oil and petroleum products), energy markets (prices of electricity and gas), as well as fluctuations in the market prices of certificates of origin and CO_2 emission allowances;
- Negative economic effects of the COVID-19 pandemic (for a more detailed description of the factor see **Note 3.2 Impairment losses/write-downs**);
- Regulations governing support programmes for electricity from high-efficiency co-generation and renewable sources;
- Position of the President of URE on gas fuel sale and distribution tariffs and heat sale tariffs;
- weather conditions.

In future periods, in line with the PGNiG Group Strategy for 2017–2022 with an outlook until 2026, the principal objective will be ‘to increase the PGNiG Group's value and ensure its financial stability’. It will be pursued through sustainable development of the Group driven by parallel investments in riskier business areas yielding relatively high rates of return (exploration and production) and in regulated areas offering considerable safety of the investments (gas distribution, power and heat generation).

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Notes to the interim condensed consolidated financial statements

3.1. 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 the period
As at January 1st 2019	**930**	**2,902**	**(836)**	**94**	**2,066**	
Impact of IFRS 16	(5)	24	-	-	-	**(29)**
Increase	174	502	-	-	-	**(328)**
Decrease	(24)	-	-	-	-	**(24)**
Currency translation differences	-	(1)	-	-	-	**1**
Other changes	-	(1)	-	-	-	**1**
As at December 31st 2019	**1,075**	**3,426**	**(1,043)**	**32**	**2,383**	**(379)**
As at January 1st 2020	**1,075**	**3,426**	**(1,043)**	**32**	**2,383**	
Increase	111	334	-	-	-	**(223)**
Decrease	(134)	(197)	-	-	-	**63**
Currency translation differences	-	(68)	-	-	-	**68**
Other changes	-	(14)	-	-	-	**14**
As at September 30th 2020	**1,052**	**3,481**	**(1,027)**	**25**	**2,454**	**(78)**

3.2. 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 January 1st 2019	**3,798**	**84**	**5**	**893**	**62**	**200**	**910**	**1**	**5,953**
Impact of IFRS 16	24	(21)	-	-	-	-	-	-	**3**
Increase taken to profit or loss	1,121	13	1	171	1	385	220	-	**1,912**
Decrease taken to profit or loss	(734)	(1)	-	-	(1)	(127)	(262)	(1)	**(1,126)**
Used	(65)	-	(1)	-	-	(2)	(42)	-	**(110)**
Transfers	-	-	-	-	1	-	(1)	-	**-**
Other changes	-	-	-	-	(1)	-	3	-	**2**
As at December 31st 2019	**4,144**	**75**	**5**	**1,064**	**62**	**456**	**828**	**-**	**6,634**
As at January 1st 2020	**4,144**	**75**	**5**	**1,064**	**62**	**456**	**828**	**-**	**6,634**
Increase taken to profit or loss	1,006	14	-	333	-	24	155	-	**1,532**
Decrease taken to profit or loss	(211)	(1)	-	-	-	(377)	(95)	-	**(684)**
Used	(32)	-	-	-	-	-	(110)	-	**(142)**
Changes in the Group	-	-	-	-	60	(2)	(1)	39	**96**
Transfers	4	-	(4)	-	1	-	(1)	-	**-**
Other changes	2	1	-	-	-	(2)	27	-	**28**
As at September 30th 2020	**4,913**	**89**	**1**	**1,397**	**123**	**99**	**803**	**39**	**7,464**

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Impact of COVID-19 on impairment of non-financial assets and on expected credit losses on financial assets

Impairment of non-financial assets

Impairment losses on non-current assets are the result of an assessment of the recoverable amount of assets based on an analysis of future cash flows, in particular based on current and projected paths of hydrocarbon prices on international markets. The COVID-19 epidemic is one of the factors that have significantly contributed to the sharp decline in hydrocarbon prices, which is also reflected in long-term forecasts of gas and oil prices.

As at September 30th 2020, the Group maintained the measurement of property, plant and equipment, property, plant and equipment under construction and right-of-use assets related to hydrocarbon production made as at June 30th 2020. In the period from January 1st to June 30th 2020, the Company recognised PLN 685m impairment losses on domestic non-current hydrocarbon assets, and PLN 228m impairment losses on non-current hydrocarbon assets located outside of Poland.

Trade receivables

The economic effects of COVID-19 are expected to affect the quality of the Group's portfolio of financial assets and collectability of trade receivables. The projected impact varies depending on the sector of the economy in which the trading partners operate. The models adopted by the Group use adjusted probability of default by trading partners based on market expectations implied by prices of Credit Default Swaps (CDS).

In order to take into account the impact of future factors (including COVID-19) on the risk of the portfolio composed of individually assessed trading partners, the Group has adjusted the probability of default based on prices of CDS instruments as at the reporting date. The adjustment was differentiated according to the economic sectors and subsectors in which the trading partners operate and depended on the partners' ratings (both internal and third-party ratings).

In order to take into account the impact of future factors (including COVID-19) on the risk of the portfolio assessed using the matrix method, the Group assumed an increase in the value of indicators reflecting the expected collectability of receivables in individual aging groups. The increase was proportional to the increase in the market-expected probability of default (reflected in prices of CDS contracts) for trading partners with a risk profile similar to the average risk of the portfolio, taking into account the economic sectors of the Group's key trading partners.

Based on the analyses, as at September 30th 2020 the estimated effect of COVID-19 on impairment losses on trade receivables was PLN 17m.

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(all amounts in PLN million, unless stated otherwise)

3.3. 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 January 1st 2019	**2,008**	**151**	**175**	**115**	**-**	**23**	**408**	**2,880**	
Impact of IFRS 16	-	-	-	(19)	-	-	-	**(19)**	
Recognised provision capitalised in cost of property, plant and equipment	441	-	-	-	-	-	-	**441**	
Increase taken to profit or loss	60	265	-	49	6	2	183	**565**	
Decrease taken to profit or loss	(86)	(59)	-	(28)	-	(4)	(155)	**(332)**	
Used	(35)	(123)	-	-	-	-	(10)	**(168)**	
Other changes	1	(18)	2	5	-	-	39	**29**	
As at December 31st 2019	**2,389**	**216**	**177**	**122**	**6**	**21**	**465**	**3,396**	
As at January 1st 2020	**2,389**	**216**	**177**	**122**	**6**	**21**	**465**	**3,396**	
Recognised provision capitalised in cost of property, plant and equipment	260	-	-	-	-	-	-	**260**	
Increase taken to profit or loss	42	171	-	1	-	2	198	**414**	*Note 3.6*
Decrease taken to profit or loss	(29)	(11)	-	(4)	-	(4)	(75)	**(123)**	*Note 3.6*
Used	(22)	(179)	-	-	-	-	(10)	**(211)**	
Changes in the Group	-	-	-	-	-	-	(1)	**(1)**	
Other changes	(23)	5	3	-	-	-	(55)	**(70)**	
As at September 30th 2020	**2,617**	**202**	**180**	**119**	**6**	**19**	**522**	**3,665**	

(all amounts in PLN million, unless stated otherwise)

3.4. Revenue by product

The Group's revenue comes primarily from trade in high-methane and nitrogen-rich natural gas, distribution of gas and heat, generation and sale of electricity and heat, as well as sale of produced crude oil.

The Group’s business includes services, such as storage of gas fuels, geophysical and geological services, gas service connection, drilling and oilfield services, and other services. The Group companies also earn revenue from construction contracts.

The Group sells its products to both retail and business customers.

	9 months ended September 30th 2020	9 months ended September 30th 2019
Revenue from sale of gas, including:	**19,384**	**21,574**
High-methane gas	17,205	19,995
Nitrogen-rich gas	976	1,063
LNG	51	56
CNG	38	31
Propane-butane gas	38	47
Adjustment to gas sales due to hedging transactions	1,076	382
Other revenue, including:	**8,046**	**8,079**
Gas and heat distribution	3,113	3,086
Crude oil and natural gasoline	996	1,398
NGL	51	70
Sales of heat	958	891
Sales of electricity	2,009	1,695
Revenue from rendering of services:		
- drilling and oilfield services	82	86
- geophysical and geological services	82	87
- construction and assembly services	56	54
- connection charge	169	138
- other	213	219
Other	317	355
Total revenue	**27,430**	**29,653**

3.5. Operating expenses (selected items)

	9 months ended September 30th 2020	9 months ended September 30th 2019
Cost of gas	**(14,010)**	**(18,876)**
Gas fuel	(14,010)	(18,877)
Cost of transactions hedging gas prices	-	1
Effect of the annex executed with PAO Gazprom/OOO Gazprom Export on the cost of gas in 2014–2019	**4,915**	**-**
Other raw materials and consumables used	**(2,266)**	**(2,042)**
Fuels for electricity and heat generation	(615)	(648)
Electricity for trading purposes	(1,305)	(1,020)
Other raw materials and consumables used	(346)	(374)
Employee benefits expense	**(2,331)**	**(2,244)**
Salaries and wages	(1,732)	(1,688)
Social security contributions	(352)	(377)
Long-term employee benefits	(24)	(25)
Other employee benefits expense	(223)	(154)
Other services	**(1,324)**	**(1,319)**
Regasification services	(291)	(273)
Repair and construction services	(162)	(164)
Mineral resources production services	(141)	(141)
Rental services	(73)	(57)
Other services	(657)	(684)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	**(936)**	**(288)**
Cost of exploration and evaluation assets written-off	(128)	(114)
Impairment losses on property, plant and equipment	(795)	(167)
Impairment losses on intangible assets	(13)	(7)
Total	**(15,952)**	**(24,769)**

(all amounts in PLN million, unless stated otherwise)

3.6. Other income and expenses

	9 months ended September 30th 2020	9 months ended September 30th 2019
Compensation, penalties, and fines received	26	29
Exchange differences related to operating activities	35	10
Measurement and exercise of derivative financial instruments	77	78
Change in inventory write-downs	353	74
Change in impairment losses on trade and other receivables	(60)	(24)
Change in provision for well decommissioning costs	(13)	11
Change in provision for certificates of origin and energy efficiency certificates	(160)	(156)
Provision for CO_2 emission allowances	(52)	(85)
Change in other provisions	(72)	(43)
Change in products	54	71
Change in underlift/ overlift	19	62
Cost of merchandise and materials sold	(59)	(71)
Other income and expenses	(161)	(167)
Total other income and expenses	**(13)**	**(211)**

3.7. Net finance income/(costs)

	9 months ended September 30th 2020	9 months ended September 30th 2019
Interest on debt (including fees)	3	(54)
Interest on lease liabilities	(55)	(24)
Foreign exchange differences	(100)	(35)
Measurement and exercise of derivative financial instruments not designated for hedge accounting	(2)	(6)
Fair value measurement of financial assets	(4)	(1)
Other net finance costs (income)	49	56
Total net finance costs	**(109)**	**(64)**

(all amounts in PLN million, unless stated otherwise)

3.8. Income tax

Reconciliation of effective tax rate	9 months ended September 30th 2020	9 months ended September 30th 2019
Profit before tax	7,540	1,819
Corporate income tax at the 19% statutory rate applicable in Poland	(1,433)	(346)
Deductible temporary differences with respect to which no deferred tax was recognised	(71)	(127)
Income tax expense disclosed in the statement of profit or loss	**(1,504)**	**(473)**
Including:		
Current tax expense	(1,273)	(348)
Deferred tax expense	(231)	(125)
Effective tax rate	20%	26%

Tax group

PGNiG S.A. is the company representing the PGNiG Tax Group with respect to its obligations under the Act on Corporate Income Tax and the Tax Ordinance Act.

The PGNiG Tax Group was established under an agreement of September 19th 2016 for a period from January 1st 2017 to December 31st 2020.

The PGNiG Tax Group comprises: PGNiG S.A., PGNiG Obrót Detaliczny Sp. z o.o., Polska Spółka Gazownictwa Sp. z o.o., PGNiG Termika S.A., Gas Storage Poland Sp. z o.o., PGNiG Ventures Sp. z o.o. (until December 30th 2019 as 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.

In accordance with applicable tax laws, the companies included in the PGNiG Tax Group lost their status as separate 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,
- CIT settlements are handled by a single entity.

(all amounts in PLN million, unless stated otherwise)

3.9. Property, plant and equipment

	As at September 30th 2020	As at December 31st 2019
Land	130	130
Buildings and structures	20,262	19,805
Plant and equipment	7,978	8,198
Vehicles and other	1,266	1,272
Total own tangible assets	**29,636**	**29,405**
Right-of-use asset – land	2,409	2,245
Right-of-use asset – buildings and structures	281	278
Right-of-use asset – machinery and equipment	177	162
Right-of-use asset – vehicles	40	35
Total right-of-use assets	**2,907**	**2,720**
Tangible exploration and evaluation assets under construction	2,943	2,561
Other tangible assets under construction	5,752	5,316
Total property, plant and equipment	**41,238**	**40,002**

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

In the reporting period, the Group did not execute any individually material transactions to purchase or sell items of property, plant and equipment. The Group's most significant investment was the capital expenditure on expansion of the gas system (a total of PLN 1.8bn) and on the development of deposits in the Norwegian Sea and North Sea (the total amount spent in the period was approximately PLN 964m).

3.9.2. Material commitments or obligations related to purchase of property, plant and equipment

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

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3.10. Derivative financial instruments

The Group uses derivative financial instruments to hedge commodity, currency and interest rate risk exposures. The aggregate amount of hedging transactions does not exceed the amount of the hedged items.

In the nine months to September 30th 2020, the Parent accounted for all eligible transactions using cash-flow 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 reporting period, in its trading activity, the Parent entered into transactions within the approved limits.

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.

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			**9 months ended September 30th 2020**		**9 months ended September 30th 2019**	
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 3.7*	(2)	-	(6)	-
Other income and expenses	Measurement and exercise of derivative financial instruments not designated for hedge accounting	*Note 3.6*	77	-	78	-
Revenue	Reclassification from other comprehensive income	*Note 3.4.1.*	-	1,076	-	382
Cost of gas	Reclassification from other comprehensive income	*Note 3.5*	-	-	-	1
			75	**1,076**	**72**	**383**
Effect on other comprehensive income						
Gains/(losses) on measurement of derivative instruments designated for cash flow hedge accounting (effective portion)				386		820
Reclassification of derivative instruments measurement to profit or loss upon exercise (cash flow hedges)				(1,076)		(383)
				(690)		**437**
Effect on comprehensive income			**75**	**386**	**72**	**820**
Change in equity recognised in inventories				**294**		**(63)**

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The tables below present derivative instruments held by the Group companies as at September 30th 2020.

Derivative instruments designated for hedge accounting	As at September 30th 2020					As at December 31st 2019		
Type of derivative instrument	Notional amount (million)	Period when cash flow will occur and affect the financial result	Exercise price (exercise price range)	Weighted average exercise price	Fair value of instruments for which cash flow hedge accounting is applied	Notional amount (million)	Period when cash flow will occur and affect the financial result	Fair value of instruments for which cash flow hedge accounting is applied
Derivative instruments used to hedge currency risk in gas purchase and sale contracts								
Forwards								
USD	USD 447	up to 3 years	3.66-3.86	3.76	46	USD 371	up to 3 years	54
USD	USD 170	up to 3 years	3.87-4.00	3.93	(12)	USD 601	up to 3 years	(39)
EUR	-	-	-	-	-	EUR 970	up to 3 years	120
EUR/USD	EUR 177	up to 5 years	1.20-1.24	1.22	14	EUR 42	up to 3 years	2
EUR/USD	EUR 52	up to 3 years	1.12-1.18	1.15	(6)	-	-	-
Currency swap								
EUR	EUR 74	up to 3 years	4.62-4.66	4.64	5	-	-	-
EUR	EUR 666	up to 3 years	4.42-4.52	4.46	(57)	-	-	-
					(10)			**137**
Derivative instruments used to hedge gas purchase and selling prices								
TTF swap DA	31 MWh	up to 3 years	9.3-19.75	15.95	367	41 MWh	up to 3 years	807
TTF swap MA	4 MWh	1–3 months		11.20	11.20	3	2 MWh	1–3 months	(1)
TTF swap DA	23 MWh	up to 3 years	11.18-15.85	12.82	(96)	12 MWh	Up to 12 months	(254)
TTF swap MA	4 MWh	1–3 months	10.90-13.22	13.22	-	-	-	-
BRENT Swap	4 Bbl	up to 3 years	30.75-43.87	41.21	62	-	-	-
GASPOOL swap DA	0.3 MWh	Up to 12 months	21.93-21.98	21.96	10	4 MWh	up to 3 years	105
HH NYMEX	28 MMBTU	up to 5 years	2.25-2.61	2.43	29	-	-	-
HH NYMEX	28 MMBTU	up to 5 years	2.41-2.61	2.53	(18)	15 MMBTU	up to 3 years	(12)
NCG swap DA	0.3 MWh	1–3 months	6.93-7.45	7.19	(8)	-	-	-
					349			**645**
				Total	**339**		**Total**	**782**
			Including:	Assets	536	Including:	Assets	1,088
				Liabilities	197		Liabilities	306

TTF - Title Transfer Facility; Dutch Power Exchange
DA – day-ahead
MA – month-ahead
MMBTU - a million of international British Thermal Units
GASPOOL – German Power Exchange
NYMEX – New York Mercantile Exchange
NCG – Natural Converted Gas

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Derivative instruments not designated for hedge accounting	As at September 30th 2020		As at December 31st 2019	
Type of derivative instrument	Notional amount (million)	Fair value of instruments not designated for hedge accounting	Notional amount (million)	Fair value of instruments not designated for hedge accounting
Derivative instruments hedging interest rate risk and currency risk				
CCIRS				
NOK	NOK 3,818	67	NOK 2,318	90
Forwards				
EUR	EUR 101	13	EUR 608	89
EUR	EUR 26	(1)	EUR 1	-
EUR	-	-	EUR 610	(49)
EUR	EUR 1	-	EUR 24	(1)
USD	USD 16	3	-	-
Currency swap				
EUR	EUR 290	30	-	-
EUR	EUR 334	(22)	-	-
		90		**129**
Derivative instruments used as economic hedges of electricity purchase prices				
Forwards				
electricity – POLPX	13 MWh	52	12 MWh	18
electricity – POLPX	5 MWh	(17)	1 MWh	(5)
electricity – OTC	1 MWh	27	1 MWh	34
electricity – OTC	0.5 MWh	(11)	1 MWh	(22)
Futures				
electricity – EEX AG	1 MWh	28	2 MWh	69
electricity – EEX AG	1 MWh	(44)	3 MWh	(81)
		35		**13**
Derivative instruments used to hedge gas purchase and selling prices				
Forwards				
gas – OTC	26 MWh	191	16 MWh	393
gas – OTC	17 MWh	(135)	13 MWh	(310)
Futures				
gas – POLPX	1.5 MWh	7	-	-
gas – POLPX	2 MWh	(18)	2 MWh	(54)
gas – ICE ENDEX B.V.	3 MWh	26	4 MWh	91
gas – ICE ENDEX B.V.	3 MWh	(37)	4 MWh	(92)
gas – POWERNEXT SA	1 MWh	14	2 MWh	40
gas – POWERNEXT SA	2 MWh	(37)	3 MWh	(72)
GASPOOL DA	4 MWh	125	9 MWh	235
GASPOOL DA	3 MWh	(50)	7 MWh	(99)
HH NYMEX	1 MMBTU	(2)	-	-
BRENT	0.3 Bbl	3	-	-
TTF swap DA	21 MWh	262	21 MWh	473
TTF swap DA	12 MWh	(90)	9 MWh	(159)
TTF swap MA	2 MWh	12	-	-
TTF swap MA	1 MWh	(7)	9 MWh	(44)
NCG swap MA	0.2 MWh	(3)	-	-
		261		**402**

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Derivative instruments used to hedge purchase prices of CO_2 emission allowances				
Forwards	0.95 t	(25)	-	-
Futures	9.88 t	22	3 t	(1)
		(3)		**(1)**
Derivative instruments used to hedge share purchase prices				
Options	9.125 million shares	3	9.125 million shares	5
	Total	**386**	**Total**	**548**
	Including:		Including:	
	Assets	885	Assets	1,539
	Liabilities	499	Liabilities	991

CCIRS – Cross Currency Interest Rate Swap
POLPX – 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

3.11. Contingent assets and liabilities

Contingent asset	As at September 30th 2020	As at December 31st 2019
	Estimated amount	
Grants awarded*	195	187
Other contingent assets	14	14
Total	**209**	**201**

* Under EU funding agreements executed by Polska Spółka Gazownictwa Sp. z o.o.

Contingent liabilities	As at September 30th 2020	As at December 31st 2019
	Estimated amount	
Guarantees and sureties	4,530	3,808
Promissory notes	554	552
Other	11	11
Total	**5,095**	**4,371**

The carrying amount of contingent assets in the reporting period was mainly attributable to the co-financing granted to Polska Spółka Gazownictwa Sp. z o.o. for the construction of gas pipelines as part of the gas network roll-out process.

The change in contingent liabilities under sureties and guarantees issued in the reporting period was principally due to new guarantees issued as security for gas supplies, totalling PLN 799m (as translated at the exchange rate quoted by the NBP for September 30th 2020).

3.12. Fair value hierarchy

In the reporting period, the Group made no changes to the fair value measurement method used to measure financial instruments. There were also no transfers between fair value hierarchy levels.

	As at September 30th 2020		As at December 31st 2019	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Derivative instruments	431	990	714	1,913
	431	**990**	**714**	**1,913**
Financial liabilities				
Derivative instruments	319	377	634	663
	319	**377**	**634**	**663**

3.13. Classification of financial assets

In the reporting period, no changes were made to the classification of the Group's financial assets.

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Supplementary information to the report

4.1. Key events related to the issuer in the reporting period

Date	Company	Event
January 9th 2020	PGNiG S.A.	On January 10th 2020, the Supervisory Board appointed a new member of the PGNIG Management Board for a joint term of office. For detailed information, see the Directors' Report on the operations of PGNIG S.A. and the PGNiG Group in 2019.
January 9th 2020	PGNiG Upstream Norway AS	On January 9th 2020, the condition precedent of the agreement for PGNiG Upstream Norway AS to purchase shares in the Duva field from Pandion Energy was fulfilled (PUN obtained the required administrative approvals in Norway). On November 7th 2019, PGNiG Upstream Norway AS, a subsidiary, executed an agreement (subject to conditions precedent, including obtaining administrative approvals in Germany) to purchase an additional 10% interest in the PL636 and PL636B licences, including the Duva field, from Pondion Energy. As a result, PUN's interest in those licences increased from 20% to 30%.
February 27th 2020	PGNiG S.A.	The Supervisory Board decided to appoint Ms Magdalena Zegarska as Vice President of the Management Board for a joint term of office, with effect from February 27th 2020 (following the election of PGNiG employees).
March 18th 2020	Polska Spółka Gazownictwa sp. z o.o.	On March 18th 2020, the President of the Energy Regulatory Office (the "President of URE") approved new Tariff No. 8 for gas fuel distribution and liquefied natural gas regasification services provided by Polska Spółka Gazownictwa Sp. z o.o. (the "Distribution Tariff"). The prices and rates of network fees and charges applied in settlements with customers were increased by 3.5% on average in relation to the previous distribution tariff of Polska Spółka Gazownictwa sp. o.o. for all tariff groups with the exception of coke gas. Pursuant to the Energy Law, the Distribution Tariff should take effect no earlier than 14 days and no later than 45 days after its publication by the President of URE. The new Tariff will expire on December 31st 2020. For detailed information on the approved Distribution Tariff, see www.ure.gov.pl and *Biuletyn Branżowy URE – Paliwa gazowe* (the URE official gazette – Gas fuels).
May 22nd, May 29th 2020	PGNiG S.A.	On May 22nd 2020, Polskie LNG S.A. (Polskie LNG), the operator of the LNG terminal in Świnoujście, allocated as part of the Open Season procedure the base and transitional capacities to provide regasification service and technical services, including LNG tanker loading, LNG bunkering, and LNG transshipment between vessels. Following the Open Season procedure and once PGNiG concludes a regasification agreement with Polskie LNG (Regasification Agreement), the LNG regasification capacity reserved by PGNiG will increase from the current 5bcm to ca. 6.2 bcm of gas in 2022 (when the temporary regas service is launched) and then to ca. 8.3 bcm in 2024 (when the base regas service is launched). The reservation of increased regasification capacity at the LNG terminal will enable the Company to achieve its strategic objectives to diversify gas supply sources and to increase the national energy security. On May 29th 2020, PGNiG S.A. and Polskie LNG S.A. executed a Regasification Agreement as part of an Open Season procedure to make the LNG Terminal available in Świnoujście 2020, in accordance with the conditions described above. The Regasification Agreement was concluded for a period of 17 years. The services will be paid at tariff rates applicable during the term of the Agreement and approved by the President of URE. The increase in regasification capacity at the LNG Terminal is consistent with the PGNiG Group Strategy for 2017-2022, with an outlook until 2026, as announced in Current Report No. 19/2017 of March 13th 2017.

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June 9th 2020	PGNiG S.A.	On June 9th 2020, PGNiG S.A. adopted a strategic plan for future investment projects in the sector of renewable energy sources (RES) (Plan), which will enable the Group to establish a dedicated competence area for RES. By gaining exposure to RES, PGNiG S.A. aims to ensure conditions for the Group's sustained development in the long term by stabilising its revenue in the rapidly changing macroeconomic and regulatory environment. In building its RES operations, the PGNiG Group will mainly focus on: a) acquiring projects and gradually building its own development capabilities in wind power and photovoltaics; b) development of a franchise model for biomethane projects; c) research, development and innovation projects in hydrogen and energy storage. Based on its analyses and strategic model simulations, the PGNiG Management Board decided to allocate up to PLN 4bn over a period beyond PGNiG's strategic 2022 horizon to the implemention and acquisition of projects related, among other things, to RES generation. The ultimate scope of strategic objectives within this area of the PGNiG Group's business and the level of capital expenditure expected to be made will be analysed and modelled as part of an update of the PGNiG Group's Strategy for 2017–2022, with an outlook until 2026.
June 16th 2020	PGNiG S.A.	On June 16th 2020, PGNiG entered into exclusive negotiations with Tauron Polska Energia S.A. to acquire 100% of shares in TAURON Ciepło Sp. z o.o. (Transaction). The Transaction is to be completed in Q1 2021, subject to compliance with material conditions precedent, including receipt of administrative and corporate approvals. TAURON Ciepło Sp. z o.o.'s business consists primarily in the production, distribution and sale of heat and electricity generation. TAURON Ciepło Sp. z o.o. operates heating networks with a total length of 857 km, located in the Silesia and Dąbrowa Basin metropolitan area. TAURON Ciepło Sp. z o.o.'s generation capacities comprise a total of 1,160 MWt of heat capacities and 347 MWe of electric power capacities, located at three CHP plants and local heating plants. In 2019, TAURON Ciepło Sp. z o.o. generated heat sales of 12.01 PJ (with its own output of 6.02 PJ) and net electricity sales of 1.20 TWh. The purchase of shares in TAURON Ciepło Sp. z o.o. would be in line with the PGNiG Group's Strategy for 2017–2022 with an outlook until 2026, providing for the Group's expansion into the power and heat generation segment.
June 16th 2020	PGNiG Obrót Detaliczny Sp. z o.o.	On June 16th 2020, the President of the Energy Regulatory Office ("President of URE") approved Gas Fuel Trading Tariff No. 9 of PGNiG Obrót Detaliczny Sp. z o.o. ("Retail Tariff"). The Retail Tariff provides for a 10.6% reduction in gas fuel prices for all tariff groups relative to the previous Tariff of PGNiG Obrót Detaliczny Sp. z o.o. The subscription fees have remained unchanged. The Retail Tariff applies to household customers for gas fuels. The new Retail Tariff is valid from July 1st to December 31st 2020. For detailed information on the approved tariffs, see www.ure.gov.pl and Biuletyn Branżowy URE – Paliwa gazowe (the URE official gazette – Gas fuels).
June 25th 2020	PGNiG S.A.	On June 25th 2020, PGNiG and Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN") entered into an annex to the Individual Contract for gas fuel supplies to the ORLEN Group, dated September 29th 2016 ("Individual Contract"). As a result of the annex, gas fuel supplies will be made until December 31st 2022, with an option to extend them until December 31st 2023. The ORLEN Group will remain PGNiG's strategic customer for gas fuel. The value of the Individual Contract in the period from October 1st 2021 to December 31st 2023 is estimated at approximately PLN 5.5bn. The applied pricing formula is based on gas market price indices.
July 23rd 2020	PGNiG S.A.	On July 23rd 2020, PGNiG S.A. entered into a cooperation and non-disclosure agreement ("Agreement") with Polski Koncern Naftowy Orlen S.A. (PKN Orlen) aimed, among other things, at preparing and submitting by PKN Orlen of a notification of an intended concentration with a Community dimension, within the meaning of Council Regulation (EC) No. 139/2004 of January 20th 2004 on the control of concentrations between undertakings (the Merger Regulation), and conducting a due diligence process. The parties have agreed to take all necessary measures to ensure that information connected with the performance of the

(all amounts in PLN million, unless stated otherwise)

		Agreement is disclosed in compliance with the applicable laws, in particular the competition laws. The execution of the Agreement is related to the signing, on July 14th 2020, of a letter of intent between PKN Orlen and the State Treasury, represented by the Minister of State Assets, to launch a process whereby PKN Orlen is to acquire control of PGNiG.
September 3rd 2020	PGNiG S.A.	On September 3rd 2020, PGNiG and Polski Koncern Naftowy ORLEN S.A. (the Parties) signed a letter of intent to analyse the feasibility of joint investment projects involving the construction of a CCGT unit in Ostrołęka and development of a biogas plant (the Projects). The Parties intend to establish a general framework for their potential cooperation to implement the Projects, including in particular: - the legal, technical and any other conditions that may be relevant to the feasibility of the Projects; - the terms of financing the Projects; - in the case of construction of a gas-fired power plant: the provisions of a joint venture agreement. The Letter of Intent does not contractually bind the Parties to carry out the Projects. However, the Parties will use their best efforts to draft binding agreements under which they would cooperate as contemplated by the Letter of Intent, by October 30th 2020. The former would involve the construction of a CCGT unit with a net nameplate capacity of approximately 750 MW by the end of 2024. The biogas plant project would involve analytical and development work in the area of biogas, including acquisition and expansion of test biogas plants and launch of pilot production. The ultimate plan is to build a technological, scientific, legal and economic base for developing a network of biogas plants, each with a capacity of approximately 2.0-2.2 MW, by the end of 2025.
September 22nd 2020	PGNiG S.A.	On September 22nd 2020, the period of exclusive negotiations with Tauron Polska Energia S.A. (Tauron) to acquire 100% of shares in Tauron Ciepło Sp. z o.o. was extended until November 30th 2020 (see Current Report No. 29/2020 of June 16th 2020 on the opening of negotiations with Tauron on an exclusive basis and Current Report No. 43/2020 of July 28th 2020 on the first extension of the period of exclusive negotiations).
September 22nd 2020	PGNiG Termika S.A. Elektrociepłownia Stalowa Wola S.A. (ECSW)	On September 22nd 2020, the Court of Appeals of Rzeszów issued a judgment dismissing ECSW's complaint for the reversal of the Arbitration Court's ruling of April 25th 2019, under which ECSW was obliged to pay PLN 333,793,359.31 to Abener Energia S.A., together with statutory default interest and costs of the arbitration proceedings. Before the Arbitration Court's award is declared enforceable, ECSW will take steps to mitigate the adverse impact of the award on its financial position. A cassation complaint may be filed against the judgment of the Court of Appeals. PGNiG indirectly holds a 50% equity interest in ECSW through its subsidiary PGNiG Termika S.A.

4.1.1. Key events related to the issuer - outcome of arbitration proceedings

Date	Company	Event
March 30th 2020	PGNiG S.A.	On March 30th 2020, the Stockholm Arbitration Institute (the Arbitration Court) issued a final award ("Award") in the arbitration proceedings instigated by PGNiG against PAO Gazprom and OOO Gazprom Export (Gazprom) to reduce the contract price for gas supplied by Gazprom under the contract for sale of natural gas to the Republic of Poland, dated September 25th 1996 (the Yamal Contract), as previously reported by the Company in its financial and current reports. Pursuant to the Award, the Arbitration Court changed the pricing formula for the gas supplied by Gazprom under the Yamal Contract, including through its significant and direct linking to the prices of natural gas on the European energy market. The amended pricing formula will help PGNiG to significantly improve its trading position through greater consistency between the indexation of prices affecting the cost of imported gas and the arm's length pricing policy. Pursuant to the Yamal Contract and the Award, the new contract price determined by the Arbitration Court is applicable to gas supplies made from November 1st 2014, i.e. the date PGNiG requested that the contract price be renegotiated.

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		Therefore, pursuant to the final Award and based on the Company's preliminary assessment, the amount to be reimbursed by Gazprom to PGNiG for the period from November 1st 2014 to February 29th 2020 is approximately USD 1.5bn. Furthermore, PGNiG indicates that the contract price for gas supplied by Gazprom could be changed in the future, effectively as of November 1st 2017, as a result of the Company's request for renegotiation of the contract price announced by PGNiG in Current Report No. 91/2017 of November 1st 2017. The Company also indicates the possibility of changing the contract price in the future as a result of a request for renegotiation submitted by Gazprom, as announced by the Company in Current Report No. 96/2017 of December 8th 2017.
April 24th, April 29th 2020	PGNiG S.A.	In connection with the invoices received from Gazprom for the gas delivered in March 2020 and the first half of April 2020 ("Invoices"), issued without regard to the new price terms of the Yamal Contract, as set out in the Award, PGNiG demanded that Gazprom immediately (but not later than April 23rd 2020) correct the Invoices under pain of PGNiG considering Gazprom's actions as deliberate non-compliance with the provisions of the Award. On April 29th 2020, the Company received from Gazprom a declaration that it would observe the new price terms of the Yamal Contract set forth in the Award and correct the Invoices.
June 2nd 2020	PGNiG S.A.	On June 2nd 2020, the Company was notified that the defendant (Gazprom) had filed an appeal with the Court of Appeals in Stockholm to overturn the Award of March 30th 2020 issued by the Arbitration Court in Stockholm in arbitration proceedings brought by PGNiG against Gazprom to reduce the contract price for gas supplied by Gazprom under the Yamal Contract, as announced by the Company in Current Report No. 13/2020 of March 30th 2020. In the Company's opinion, there are no grounds to demand overturning of the final Award of March 30th 2020.
June 15th 2020	PGNiG S.A.	An annex (Annex) to the Yamal Contract was signed between PGNiG S.A. and Gazprom. The Annex was executed on June 5th 2020 in electronic form and then, by June 15th 2020, its original counterparts were signed and exchanged. In the Annex, the Parties confirmed the rules of applying the pricing formula for gas supplied under the Yamal Contract, as specified in the Award delivered on March 30th 2020. In addition, the Annex sets out the terms of mutual settlement between the Parties of the financial consequences of applying the new pricing formula retroactively as of November 1st 2014, whereby Gazprom is obliged to refund to PGNiG a net overpayment of approximately USD 1.5bn. The agreed payment deadline for Gazprom is July 1st 2020.
July 8th 2020	PGNiG S.A.	Further to PGNiG's Current Report No. 28/2020 of June 15th 2020 on the execution of an annex to the Yamal Contract with PAO Gazprom and OOO Gazprom Export (Gazprom), the Company – acting on instructions from the PFSA Office – announced that on July 1st 2020 it had received from Gazprom a payment of approximately USD 1.6bn. In accordance with the Annex, the Parties agreed that the price difference relating to gas supplies made in the individual months between November 2014 and February 2020 would be settled based on credit notes for approximately USD 1.6bn (payable by Gazprom to PGNiG) and debit notes for approximately USD 90m (paid by PGNiG to Gazprom on July 2nd 2020). As a result, the total net overpayment due to the Company under the Annex was approximately USD 1.5bn.
July 15th 2020	PGNiG S.A.	On July 15th 2020, the Court of Appeals in Stockholm served the Company with a copy of the appeal filed by PAO Gazprom and OOO Gazprom Export (Gazprom) to overturn the Award of March 30th 2020 issued by the Arbitration Court in Stockholm in the arbitration proceedings brought by PGNiG against Gazprom to reduce the contract price for gas supplied by Gazprom under the Yamal Contract, as reported by the Company in Current Report No. 13/2020 of March 30th 2020. The Company upholds its position that there are no grounds for overturning the Award. In the course of the proceedings before the Court of Appeals in Stockholm, the Company will request that Gazprom's appeal be dismissed as groundless. For more information on the arbitration proceedings, see the Directors' Report on the operations of PGNiG S.A. and the PGNiG Group in 2019, issued on March 12th 2020.

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In connection with the performance of the Award and the Annex to the Yamal Contract, in June 2020 the Company received correction invoices for gas supplies and recognised the effect of the settlement as follows:

- PLN 5,689m reduced operating expenses, including:
  - PLN 4,915m relating to costs of gas in 2014-2019 – presented as the "Effect of the annex executed with PAO Gazprom/OOO Gazprom Export on the cost of gas in 2014–2019" in the consolidated statement of profit or loss;
  - PLN 774m relating to costs of gas in 2020 - presented as "Cost of gas" in the consolidated statement of profit or loss;
- PLN 42m reduced the value of gas inventory;
- PLN 5m reduced the amount of property, plant and equipment.

In addition, the financial results for the first nine months of 2020 were affected by net exchange gains related to mutual settlements (approximately PLN 300m) and income tax. The PGNiG Group's corporate income tax advance for June 2020 was approximately PLN 1.1bn.

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(all amounts in PLN million, unless stated otherwise)

4.2. Shares held by management and supervisory personnel

The holdings of PGNiG shares by the management and supervisory personnel have not changed since the date of issue of the consolidated full-year report for 2019.

As at the date of this report, the Supervisory Board members who held shares in PGNiG S.A. were Mr Mieczysław Kawecki (9,500 shares) and Mr Stanisław Sieradzki (17,225 shares).

No Company shares were held by the other members of the Supervisory or Management Boards as at the date of this report.

4.3. Dividend paid (declared)

On June 24th 2020, the Annual General Meeting of PGNiG S.A. passed a resolution to distribute PGNiG's net profit for 2019 and the accumulated loss brought forward resulting from the adoption of new reporting standards, allocating PLN 520m (PLN 0.09 per share) to dividend payment. The dividend record date was set on July 20th 2020 and the dividend payment date – on August 3rd 2020.

On June 27th 2019, the Annual General Meeting of PGNiG S.A. passed a resolution to distribute PGNiG's net profit for 2018 and allocate PLN 1,040m (PLN 0.18 per share) to dividend payment. Following payment in 2018 of the interim dividend for 2018 of PLN 404m, i.e. PLN 0.07 per share, the outstanding balance of the dividend for 2018, amounting to PLN 636m, i.e. PLN 0.11 per share, was paid on August 7th 2019.

4.4. Issue, redemption, and repayment of debt securities

PGNiG S.A. has entered into an agreement on a debt securities programme (up to PLN 5bn). The agreement was not performed in the reporting period. For detailed information, see the full-year consolidated financial statements for the period ended December 31st 2019.

4.5. 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 and distribution 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 for reasons of 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.

4.6. Material court, arbitration and administrative proceedings

For a detailed description of all material court, arbitration, or administrative proceedings, see the Directors' Report on the operations of PGNiG S.A. and the PGNiG Group in 2019.

The following are the proceedings whose status changed in the reporting period, excluding the arbitration proceedings described in Note 4.1.1. Key events related to the issuer - outcome of arbitration proceedings

Subject of the dispute and parties to the proceedings	Description of the case
Proceedings with respect to the obligation to sell natural gas through commodity exchange in 2013 and 2014 **Parties to the proceedings: PGNiG, President of URE**	On May 25th 2016, the President of URE initiated *ex officio* the proceedings to impose a fine on PGNIG S.A.. for its failure to meet the exchange sale requirement in 2013. On June 17th 2016, pursuant to Art. 56.6a of the Energy Law, the Company filed a motion that the President of URE refrain from imposing a penalty. In the course of the proceedings, the President of URE declined the request of the Company's attorney to access the case files. On July 18th 2017, PGNIG S.A. filed a complaint against the decision and petitioned that the decision be revoked and proceedings costs be awarded to the Company. In a letter of April 23rd 2018, the President of URE responded to the complaint requesting its dismissal and award of the proceedings costs. On March 9th 2020, the Competition and Consumer Protection Court at the Regional Court of Warsaw reversed the decision and awarded the litigation costs to the Company. The proceedings continue.

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	On October 28th 2015, the President of URE instigated proceedings to impose a financial penalty on PGNiG S.A. for its failure to meet the exchange sale requirement in 2014. On April 20th 2016, having considered the evidence, PGNiG S.A. filed a request under Art. 56.6a of the Energy Law for refraining from imposing the penalty. By decision of May 9th 2016, the President of URE imposed a fine of PLN 15m on the Company. The Company appealed against the decision. On October 10th 2018, the Competition and Consumer Protection Court granted PGNIG S.A.'s appeal in part and reduced the administrative fine for failure to meet the exchange sale requirement in 2014 from PLN 15m to PLN 5m, and also cancelled the legal fees for the first instance proceedings between the parties. On December 11th 2018, the Company appealed against this judgment. The hearing date was set for October 30th 2020. By its judgment of November 12th 2020, the Court of Appeals in Warsaw dismissed PGNiG S.A.'s appeal.
Anti-trust proceedings instigated on December 28th 2010 **Parties to the proceedings: PGNiG, President of UOKiK**	On December 28th 2010, the President of UOKiK instigated ex officio antitrust proceedings concerning alleged abuse by PGNiG S.A. of its dominant position on the domestic natural gas wholesale market, which consisted in inhibiting trade in natural gas against the interests of trading partners or consumers and in impeding the development of market conditions necessary for the emergence or development of competition by refusing to sell gas fuel under a comprehensive supply contract to a business entity that intended to resell the gas, i.e. NowyGaz Sp. z o.o. of Warsaw. In a decision of July 5th 2012, the President of UOKiK found these practices to be anti-competitive, stated that PGNiG S.A. had discontinued them on November 30th 2010, and imposed a fine of PLN 60m on the Company. On July 24th 2012, PGNiG S.A. appealed against the decision to the Competition and Consumer Protection Court at the Regional Court of Warsaw. In its judgment of May 12th 2014, the Regional Court of Warsaw dismissed the appeal. On June 4th 2014, the Company appealed against the decision to the Warsaw Court of Appeals. In the judgment of May 29th 2015, the Court of Appeals amended the decision of the President of UOKiK where it referred to the amount of the fine by reducing its amount to PLN 5,508,581. The judgment was final. On June 12th 2015, PGNiG S.A. paid the fine imposed by the judgment of the Warsaw Court of Appeals. Both PGNiG S.A. and the President of UOKiK filed cassation complaints against the Court of Appeals' judgment to the Supreme Court. PGNiG S.A.'s cassation complaint challenged the finding of competition law infringement, whereas the President of UOKiK's cassation complaint questioned the Court of Appeals' decision to reduce the penalty imposed on PGNiG S.A. By its judgment of January 10th 2017, the Supreme Court dismissed the cassation complaint of the President of UOKiK, granted PGNiG S.A.'s cassation complaint and referred the case for re-examination by the Court of Appeals. On June 8th 2017, the Court of Appeals in Warsaw reversed the ruling of the Competition and Consumer Protection Court of May 12th 2014 and remanded the case for re-examination by that court. On October 10th 2019, the Competition and Consumer Protection Court again upheld the decision of the President of UOKiK and again imposed a fine on the Company, changing its amount to PLN 5,508,000. The Company filed an appeal with the Court of Appeals on November 28th 2019. On March 5th 2020, the President of UOKiK filed a response to PGNiG S.A. 's appeal.
Anti-trust proceedings instigated on April 3rd 2013 **Parties to the proceedings: PGNiG, President of UOKiK**	On April 3rd 2013, the President of the Office for Competition and Consumer Protection ("President of UOKiK") instigated antitrust proceedings concerning an alleged abuse by PGNiG of its dominant position on the domestic wholesale and retail natural gas market, which consisted in impeding the development of market conditions necessary for the emergence or development of competition by: • limiting the ability of business customers to reduce the contracted volumes of gas fuel and capacity, • limiting the ability of business customers to resell gas fuel, • requiring that business customers define the maximum volume of gas fuel purchased for resale in the contract, • refusing to grant wholesale customers the right to a partial change of supplier. On September 20th 2018, PGNiG filed a cassation complaint in connection with its appeal before the Regional Court and then by the Appellate Court concerning a fine of PLN 10.4m imposed on the Company by the President of UOKiK and the costs of proceedings awarded to the President of UOKiK of PLN 360. On January 22nd 2020, the Supreme Court dismissed the Company's cassation complaint.

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4.7. Settlements related to court proceedings

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

4.8. 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 fair value of the financial assets was affected by the COVID-19 epidemic which led to a decline in hydrocarbon prices on global markets. For more information on the effects of the pandemic on the Group's financial assets, see **Note 3.2. Impairment losses/write-downs**

4.9. 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.

4.10. Related-party transactions

In the reporting period, no transactions were concluded on non-arm's length terms between the PGNiG Group and its related parties.

4.11. Management Board's position on feasibility of meeting published forecasts for the year

The PGNiG Management Board has not published any forecasts of the PGNiG Group's financial results for 2020.

4.12. Events subsequent to the reporting date

October 21st 2020	PGNiG Supply & Trading GmbH	On October 21st 2020, PGNiG Supply & Trading GmbH ("PST"), a subsidiary of PGNiG, approved an agreement for the purchase of natural gas from Ørsted Salg & Service A/S. In accordance with the Agreement approved by PST, the natural gas supplies will be made in the period from January 1st 2023 to October 1st 2028 and will relate to the purchase of approximately 70 TWh (approximately 6.4bn bcm) of natural gas. The natural gas to be supplied under the Agreement comes from the Danish Continental Shelf and PST will be able to export it to Germany or Poland. Based on the provisions of the Agreement, the purchase of natural gas by PST depends on the gas output from the Danish part of the North Sea, including from the Tyra field, which is going to be the source of the majority of the purchased gas. The Tyra field is currently undergoing a workover, expected to be completed in 2022. The pricing formula under the Agreement is based on the market values of gas price indices.
October 21st 2020	PGNiG S.A.	On October 21st 2020, Jerzy Kwieciński resigned as President of the PGNiG Management Board as of the end of October 22nd 2020.
October 27th 2020	PGNiG S.A.	On October 27th 2020, an investment consortium including PGNiG S.A. submitted a preliminary non-binding offer to purchase the heating and cooling operations of Fortum Holding B.V. in Estonia, Lithuania, Latvia and Poland. The Consortium members are: PGNiG, PFR Inwestycje FIZ (a part of its portfolio is managed by Polski Fundusz Rozwoju S.A.), IFM Investors Pty Ltd and PGE Polska Grupa Energetyczna S.A. The Consortium will continue joint activities to submit a binding offer. The transaction target are Fortum Holding B.V.'s subsidiaries involved in operations related mainly to the generation, distribution and sale of heat and generation of electricity in Estonia, Lithuania, Latvia and Poland. The purchase of an interest in the Fortum Group's assets would be in line with the PGNiG Group's Strategy for 2017–2022 with an outlook until 2026 (published in Current Report No. 19/2017 of March 13th 2017), providing for the Group's expansion into the power and heat generation segment.
October 28th 2020	PGNiG S.A.	On October 28th 2020, the PGNiG Supervisory Board passed a resolution to appoint Jarosław Wróbel, Vice President of the Management Board, as acting President of the

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		Management Board (in accordance with Art. 32 of the PGNiG Articles of Association) until the recruitment procedure for the position of President is completed.
October 28th 2020	PGNiG S.A.	On October 28th 2020, the Company executed Annex 1 to the Programme Agreement of December 21st 2017 in connection with the PLN 5bn Note Programme with the following issue arrangers: ING Bank Śląski S.A., Bank Polska Kasa Opieki S.A., Bank Handlowy w Warszawie S.A., and Bank BNP Paribas Bank Polska S.A. Annex 1 aligns the Programme with the current legal framework and extends the Programme until October 28th 2025. Under the five-year Programme, PGNiG may issue fixed or floating rate notes with maturities of up to 10 years or zero-coupon notes as part of a public or private offering. The notes may be introduced to trading on the Catalyst multilateral trading facility. Proceeds from the notes will be used to satisfy the PGNiG Group's day-to-day financial needs related to the implementation of its strategy.
October 30th 2020	PGNiG S.A.	The PGNiG Supervisory Board announced a recruitment procedure for the position of President of the PGNiG Management Board for the joint term of office of the Company's Management Board, running from January 10th 2020 to January 10th 2023 (in accordance with Art. 25.2 and Art. 33.3.5 of the Company's Articles of Association).
November 1st 2020	PGNiG S.A.	On November 1st 2020, the Company filed a request with PAO Gazprom and OOO Gazprom Export to negotiate a downward revision of the price of gas supplied by Gazprom under the Yamal Contract. In accordance with the provisions of the Yamal Contract, a new price may enter into force three years after the entry into force of a previous change to the contract price. Given that the possible change to the terms of the contract involving the contract price reduction as a result of the renegotiation process on which the Company reported in Current Report No. 91/2017 of November 1st 2017 may enter into force retroactively as of November 1st 2017, PGNiG may request another renegotiation of the contract price starting from November 1st 2020. Submission of the abovementioned request by PGNiG begins this renegotiation process.
November 9th 2020	PGNiG S.A.	On November 9th 2020, the Company received PAO Gazprom and OOO Gazprom Export's request to negotiate an upward revision of the price of gas supplied by Gazprom under the Yamal Contract. The Company is of the opinion that Gazprom's request for negotiation is groundless and fails to meet the formal requirements set out in the Yamal Contract, and is therefore ineffective.
November 10th 2020	PGNiG S.A.	At its meeting on November 10th 2020, the PGNiG Supervisory Board decided to appoint Mr Paweł Majewski as President of the PGNiG Management Board, with effect from November 12th 2020, for the duration of the sixth term of office of the Company's Management Board, which expires on January 10th 2023.
November 16th 2020	PGNiG S.A.	On November 16th 2020 PGNiG S.A. and PGE Polska Grupa Energetyczna S.A. (PGE) submitted a modified, preliminary, non-ninding offer to acquire certain assets owned by Fortum Holding B.V. In the modified offer, PGNiG S.A. and PGR propose to acquire Fortum Holding B.V.'s heating operations conducted in Poland. PGNiG and PGE abandoned the plan to acquire Fortum Group's assets based in Estonia, Lithuania and Latvia and join the investmemt consortium of PFR Inwestycje FIZ and IFM Investors Pty Ltd. They will continue to work jointly on a binding offer. The principal business of Fortum Holding B.V.'s Polish subsidiary is production, distribution and sale of heat as well as electricity generation. The acquistion of the Fortum Group's assets is consistent with the PGNiG Group Strategy for 2017-2022 with an outlook until 2026.

4.13. Other information material to the assessment of assets, financial condition and results

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 assets, financial condition and results.

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Quarterly financial data of PGNiG S.A.

5.1. Interim condensed separate financial statements

Separate statement of profit or loss	3 months ended September 30th 2020	9 months ended September 30th 2020	3 months ended September 30th 2019	9 months ended September 30th 2019
Revenue from sale of gas	2,525	11,555	2,673	12,605
Other revenue	955	2,962	924	3,027
Revenue	**3,480**	**14,517**	**3,597**	**15,632**
Cost of gas	(1,231)	(7,549)	(2,418)	(10,955)
Effect of the annex executed with PAO Gazprom/OOO Gazprom Export on the cost of gas in 2014–2019	-	4,915	-	-
Other raw materials and consumables used	(567)	(1,746)	(392)	(1,349)
Employee benefits expense	(180)	(570)	(152)	(492)
Transmission, distribution and storage services	(226)	(682)	(251)	(715)
Other services	(265)	(749)	(339)	(754)
Depreciation and amortisation expense	(200)	(611)	(211)	(627)
Taxes and charges	(99)	(298)	(79)	(214)
Other income and expenses	(203)	377	172	62
Work performed by the entity and capitalised	2	8	3	9
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	45	(679)	43	(184)
Dividends	432	455	-	1,344
Finance income	7	94	91	116
Interest income calculated using the effective interest rate	44	171	60	173
Finance costs	(14)	(141)	(18)	(62)
Gain/(loss) on derecognition of financial assets measured at amortised cost	-	-	9	19
Revaluation of financial assets	(23)	(41)	(6)	1
Total	**(2,478)**	**(7,046)**	**(3,488)**	**(13,628)**
Profit before tax	**1,002**	**7,471**	**109**	**2,004**
Income tax	(130)	(1,369)	(14)	(137)
Net profit	**872**	**6,102**	**95**	**1,867**
Weighted average number of ordinary shares (million)	5,778	5,778	5,778	5,778
Basic and diluted earnings per share (PLN)	0.15	1.06	0.02	0.32

Separate statement of comprehensive income	3 months ended September 30th 2020	9 months ended September 30th 2020	3 months ended September 30th 2019	9 months ended September 30th 2019
Net profit	**872**	**6,102**	**95**	**1,867**
Hedge accounting	(376)	(690)	92	437
Deferred tax*	71	131	(17)	(83)
Other comprehensive income subject to reclassification to profit or loss	**(305)**	**(559)**	**75**	**354**
Actuarial losses on employee benefits	-	(26)	-	(6)
Deferred tax	-	5	-	1
Other comprehensive income not subject to reclassification to profit or loss	**-**	**(21)**	**-**	**(5)**
Other comprehensive income, net	**(305)**	**(580)**	**75**	**349**
Total comprehensive income	**567**	**5,522**	**170**	**2,216**

* In the reporting period, the Company changed the presentation of deferred tax disclosed in the separate statement of comprehensive income relative to the presentation for the period ended September 30th 2019. The change consisted in the reclassification of deferred tax on hedge accounting recognised in inventories, which had been previously presented in the separate statement of comprehensive income, directly to the separate statement of changes in equity, where it was disclosed under ‘Change in equity recognised in inventories’. As a result, the item ‘Change in equity recognised in inventories’ is presented on a net basis, i.e. including deferred tax. The comparative data for the period ended September 30th 2019 was adjusted for PLN 15m (PLN 6m for the three months ended September 30th 2019).

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(all amounts in PLN million, unless stated otherwise)

Separate statement of cash flows	9 months ended September 30th 2020	9 months ended September 30th 2019
Cash flows from operating activities		
Net profit	6,102	1,867
Depreciation and amortisation expense	611	627
Interest and dividends	(581)	(1,450)
Net gain/(loss) on investing activities	700	97
Other non-monetary adjustments	506	57
Income tax paid	(1,385)	(145)
Income tax expense recognised in profit or loss for the period	1,369	137
Movements in working capital	70	(497)
Net cash from operating activities	**7,392**	**693**
Cash flows from investing activities		
Payments for tangible exploration and evaluation assets	(565)	(688)
Payments for other property, plant and equipment and intangible assets	(226)	(192)
Loans	(1,464)	(1,786)
Payments for derivative financial instruments	(65)	(34)
Payments for shares in related entities	(4)	(446)
Payments for acquisition of securities	(400)	-
Other cash used in investing activities	(24)	(22)
Repayments of loans	385	179
Proceeds from derivative financial instruments	172	31
Interest received	142	116
Dividends received	449	1,344
Proceeds from sale of property, plant and equipment and intangible assets	61	45
Lease proceeds	-	6
Net cash from investing activities	**(1,539)**	**(1,447)**
Cash flows from financing activities		
Proceeds from borrowings	-	1,600
Other cash generated by financing activities	1	-
Dividends paid	(520)	(636)
Repayment of borrowings	(3,000)	-
Redemption of debt securities	-	(2,295)
Interest paid	(43)	(84)
Payment of lease liabilities	(15)	(15)
Net cash from financing activities	**(3,577)**	**(1,430)**
Net cash flows	**2,276**	**(2,184)**
Cash and cash equivalents at beginning of the period	4,525	4,844
Cash and cash equivalents at end of the period	**6,801**	**2,660**

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(all amounts in PLN million, unless stated otherwise)

As at September 30th 2020, the Group was a party to two cash pooling agreements:

- Cash pooling agreement of July 16th 2014 concluded with Bank Pekao S.A., and
- Cash pooling agreement of December 22nd 2016, effective as of March 1st 2017, concluded with PKO BP S.A.

The main objective of these agreements is to enhance the management of the Group's financial liquidity. The cash pooling arrangement facilitates liquidity planning within the PGNiG Group and has reduced dependency 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	9 months ended September 30th 2020	9 months ended September 30th 2019
Cash and cash equivalents at end of the period in the statement of cash flows	**6,801**	**2,660**
Opening balance of net exchange differences	(4)	(3)
Opening balance of inflows/outflows of cash under cash pooling arrangement	(2,406)	(1,697)
Net exchange differences in the period	(106)	6
Changes in impairment losses on cash	(3)	-
Inflows/(outflows) of cash under cash pooling arrangement in the period	2,121	280
Cash at end of the period in the statement of financial position	**6,403**	**1,246**

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(all amounts in PLN million, unless stated otherwise)

Separate statement of financial position	As at September 30th 2020	As at December 31st 2019
Assets		
Property, plant and equipment	12,033	12,423
Licences, mining rights and rights to geological information	124	149
Shares	10,285	10,285
Derivative financial instruments	336	234
Loans advanced	6,384	5,363
Other assets	744	431
Non-current assets	**29,906**	**28,885**
Inventories	2,228	3,230
Receivables	1,230	1,886
Cash pooling receivables	1,392	2,501
Derivative financial instruments	880	1,834
Loans advanced	506	563
Other assets	79	30
Cash and cash equivalents	6,403	2,115
Current assets	**12,718**	**12,159**
TOTAL ASSETS	**42,624**	**41,044**
Equity and liabilities		
Share capital and share premium	7,518	7,518
Capital reserve	1,867	1,867
Hedging reserve	473	737
Accumulated other comprehensive income	(21)	-
Retained earnings	26,078	20,496
Total equity	**35,915**	**30,618**
Financing liabilities	309	305
Derivative financial instruments	126	20
Employee benefit obligations	352	297
Provision for well decommissioning costs	2,137	1,923
Other provisions	17	17
Grants	458	484
Deferred tax liabilities	68	202
Other liabilities	57	67
Non-current liabilities	**3,524**	**3,315**
Financing liabilities	11	3,015
Derivative financial instruments	382	718
Trade and tax payables	1,206	2,802
Cash pooling liabilities	1,113	119
Employee benefit obligations	93	107
Provision for well decommissioning costs	20	34
Other provisions	299	266
Other liabilities	61	50
Current liabilities	**3,185**	**7,111**
TOTAL LIABILITIES	**6,709**	**10,426**
TOTAL EQUITY AND LIABILITIES	**42,624**	**41,044**

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(all amounts in PLN million, unless stated otherwise)

Statement of changes in equity

	Share capital and share premium	Capital reserve*	Hedging reserve	Accumulated other comprehensive income	Retained earnings (deficit)	Total equity
As at January 1st 2019	**7,518**	**867**	**72**	**13**	**20,363**	**28,833**
Effect of IFRS 16	-	-	-	-	20	20
As at January 1st 2019 (restated)	**7,518**	**867**	**72**	**13**	**20,383**	**28,853**
Net profit	-	-	-	-	1,867	1,867
Other comprehensive income, net**	-	-	354	(5)	-	349
Total comprehensive income	**-**	**-**	**354**	**(5)**	**1,867**	**2,216**
Transfers	-	1,000	-	-	(1,000)	-
Dividend	-	-	-	-	(636)	(636)
Change in equity recognised in inventories**	-	-	(63)	-	-	(63)
As at September 30th 2019	**7,518**	**1,867**	**363**	**8**	**20,615**	**30,371**
As at January 1st 2020	**7,518**	**1,867**	**737**	**-**	**20,496**	**30,618**
Net profit	-	-	-	-	6,102	6,102
Other comprehensive income, net	-	-	(559)	(21)	-	(580)
Total comprehensive income	**-**	**-**	**(559)**	**(21)**	**6,102**	**5,522**
Dividend	-	-	-	-	(520)	(520)
Change in equity recognised in inventories	-	-	295	-	-	295
As at September 30th 2020	**7,518**	**1,867**	**473**	**(21)**	**26,078**	**35,915**

* On June 27th 2019, the Annual General Meeting of PGNIG S.A. passed a resolution to allocate PLN 1,000m to capital reserve to expand and modernise the Polish gas distribution network, resulting in a total balance of PLN 1,867m of the capital reserve as at September 30th 2020.

** For more details, see the separate statement of comprehensive income.

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(all amounts in PLN million, unless stated otherwise)

Deferred tax

	As at January 1st 2019	Effect of implementation of IFRS 16 as at January 1st 2019	Credited/Charged		As at December 31st 2019	Credited/Charged		As at September 30th 2020
			Net profit/(loss)	Other comprehensive income		Net profit/(loss)	Other comprehensive income	
Deferred tax assets								
Employee benefit obligations	55	-	6	3	64	2	5	71
Provision for well decommissioning costs	181	-	21	-	202	33	-	235
Other provisions	35	(5)	(5)	-	25	14	-	39
Measurement of derivatives	93	-	31	-	124	(53)	-	71
Useful lives of property, plant and equipment	98	-	(4)	-	94	9	-	103
Unused tax losses of the Pakistan Branch	50	-	(17)	-	33	(13)	-	20
Inventories	25	-	51	-	76	(68)	-	8
Other	11	-	3	-	14	(2)	-	12
Total	**548**	**(5)**	**86**	**3**	**632**	**(78)**	**5**	**559**
Deferred tax liabilities								
Difference between depreciation rates for property, plant and equipment	378	-	32	-	410	(38)	-	372
Measurement of derivatives	107	-	128	156	391	(110)	(62)	219
Other	18	-	15	-	33	3	-	36
Total	**503**	**-**	**175**	**156**	**834**	**(145)**	**(62)**	**627**
Set-off of assets and liabilities	(503)	-	-	-	(632)	-	-	(559)
After set-off								
Assets	45	-	-	-	-	-	-	-
Liabilities	-	-	-	-	202	-	-	68
Net effect of changes in the period		**(5)**	**(89)**	**(153)**		**67**	**67**	

In the comparative period, the Company recognised the effect of IFRS 16 on deferred tax assets of PLN 5m. As deferred tax is presented in the statement of financial position on a net basis, the balance of deferred tax liabilities was adjusted by the identified amount of assets.

(all amounts in PLN million, unless stated otherwise)

Impairment losses/write-downs

	Property, plant and equipment, licences, mining rights and rights to geological information	Right-of-use assets	Other assets	Loans advanced	Shares	Inventories	Receivables	Cash pooling receivables	Current financial assets	Total
As at January 1st 2019	**3,248**	**-**	**5**	**78**	**2,760**	**130**	**486**	**10**	**39**	**6,756**
Increase taken to profit or loss	1,082	47	1	32	7	381	234	13	-	1,797
Transfers	-	-	(1)	-	-	-	1	-	-	-
Decrease taken to profit or loss	(711)	-	-	(17)	(2)	(110)	(321)	(9)	-	(1,170)
Other changes	(66)	-	-	-	-	-	-	-	-	(66)
As at December 31st 2019	**3,553**	**47**	**5**	**93**	**2,765**	**401**	**400**	**14**	**39**	**7,317**
Increase taken to profit or loss	871	10	1	65	5	20	91	4	-	1,067
Transfers	-	-	(1)	-	-	-	1	-	-	-
Decrease taken to profit or loss	(203)	(1)	-	(35)	-	(376)	(164)	(12)	-	(791)
Other changes	(33)	-	-	-	-	(1)	-	(5)	-	(39)
As at September 30th 2020	**4,188**	**56**	**5**	**123**	**2,770**	**44**	**328**	**1**	**39**	**7,554**

Impact of COVID-19 on impairment of non-financial assets and on expected credit losses on financial assets

Impairment of non-financial assets

Impairment losses on non-current assets are the result of an assessment of the recoverable amount of assets based on an analysis of future cash flows, in particular based on current and projected paths of hydrocarbon prices on international markets. The COVID-19 epidemic is one of the factors that have significantly contributed to the sharp decline in hydrocarbon prices, which is also reflected in long-term forecasts of gas and oil prices.

As at September 30th 2020, the Company maintained the measurement of property, plant and equipment, property, plant and equipment under construction and right-of-use assets related to hydrocarbon production taking into account current long-term oil and gas price forecasts, which it had recognised as at June 30th 2020. In the period from January 1st to June 30th 2020, the Company recognised PLN 685m impairment losses on domestic non-current hydrocarbon assets, and PLN 97m impairment losses on non-current hydrocarbon assets located outside of Poland.

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Trade receivables

The economic effects of COVID-19 are expected to affect the quality of the Company's portfolio of financial assets and collectability of trade receivables. The projected impact will vary depending on the sector of the economy in which the trading partners operate. The models adopted by the Company use adjusted probability of default by trading partners based on market expectations implied by prices of Credit Default Swaps (CDS).

In order to take into account the impact of future factors (including COVID-19) on the risk of the portfolio composed of individually assessed trading partners, the Company has adjusted the probability of default based on prices of CDS instruments as at the reporting date. The adjustment was differentiated according to the economic sectors and subsectors in which the trading partners operate and depended on the partners' ratings (both internal and third-party ratings).

In order to take into account the impact of future factors (including COVID-19) on the risk of the portfolio assessed using the matrix method, the Company assumed an increase in the value of indicators reflecting the expected collectability of receivables in individual aging groups. The increase was proportional to the increase in the market-expected probability of default (reflected in prices of CDS contracts) for trading partners with a risk profile similar to the average risk of the portfolio, taking into account the economic sectors of the Company's key trading partners.

The prices of CDSs, based on which the Company adjusts the probability of default, remained close to the level seen at end of the six months ended June 30th 2020. At the same time, the trading partners' creditworthiness assessments were revised, which also affected the expected probability of default. As a result, the (upward) adjustment to the expected credit loss due to COVID-19 was changed relative to the adjustment recognised at the end of the six months ended June 30th 2020.

The expected credit loss on trade receivables was estimated at PLN 328m, including on non-impaired receivables of PLN 10m, of which PLN 13m is the estimated effect of COVID-19 on the collectability of trade receivables and the related expected future credit loss, up by PLN 20m relative to the expected credit loss on trade receivables estimated at the end of 2019.

Loans and other financial instruments

The Company monitors the credit risk associated with its long-term financial instruments on an ongoing basis. The Company's trading partners (predominantly other PGNiG Group companies) operate in sectors with potentially high sensitivity to the effects of COVID-19. Ratings assigned to parent organisations of the Company's counterparties are investment grade, which limits the risk of counterparty default in the lifetime of financial instruments held by the Company, and therefore no indication of significant increase in the credit risk of the financial instruments was identified as at the reporting date.

The expected credit loss on loans advanced and financial assets other than trade receivables was estimated at PLN 136m, including PLN 79m on financial instruments for which the credit loss is estimated for a 12-month horizon, of which PLN 26m reflects the estimated effect of COVID-19 on the probability of the counterparties' insolvency in the future, up by PLN 15m relative to the expected credit loss on loans advanced and other financial instruments estimated at the end of 2019.

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(all amounts in PLN million, unless stated otherwise)

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	Provision for financial guarantees	Other provisions	Total
As at January 1st 2019	**1,660**	**70**	**175**	**26**	**-**	**4**	**15**	**25**	**1,975**
Effect of IFRS 16	-	-	-	(19)	-	-	-	-	(19)
As at January 1st 2019 (restated)	**1,660**	**70**	**175**	**7**	**-**	**4**	**15**	**25**	**1,956**
Recognised provision capitalised in cost of property, plant and equipment	361	-	-	-	-	-	-	-	361
Recognised provision taken to profit or loss	58	47	2	5	6	-	4	1	123
Used	(36)	(48)	-	-	-	-	-	-	(84)
Provision reversal taken to profit or loss	(86)	(21)	-	-	-	-	(5)	(4)	(116)
As at December 31st 2019	**1,957**	**48**	**177**	**12**	**6**	**4**	**14**	**22**	**2,240**
Recognised provision capitalised in cost of property, plant and equipment	218	-	-	-	-	-	-	-	218
Recognised provision taken to profit or loss	32	21	3	-	-	1	1	26	84
Used	(22)	(7)	-	-	-	-	-	-	(29)
Provision reversal taken to profit or loss	(29)	(2)	-	-	-	(1)	(6)	(3)	(41)
Other changes	1	-	-	-	-	-	-	-	1
As at September 30th 2020	**2,157**	**60**	**180**	**12**	**6**	**4**	**9**	**45**	**2,473**

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(all amounts in PLN million, unless stated otherwise)

Revenue

	Total		Domestic sales		Export sales	
	9 months ended Sepember 30th 2020	9 months ended Sepember 30th 2019	9 months ended Sepember 30th 2020	9 months ended Sepember 30th 2019	9 months ended Sepember 30th 2020	9 months ended Sepember 30th 2019
Revenue from sale of gas, including:	**11,555**	**12,605**	**10,700**	**12,117**	**855**	**488**
Revenue from contracts with customers IFRS 15	10,479	12,223	9,624	11,735	855	488
High-methane gas	9,300	10,951	8,755	10,657	545	294
Nitrogen-rich gas	903	1,047	759	943	144	104
Propane-butane gas	38	47	38	47	-	-
LNG	57	64	56	64	1	-
Helium	181	114	16	24	165	90
Excluded from the scope of IFRS 15	1,076	382	1,076	382	-	-
Adjustment to gas sales due to hedging transactions - IFRS 9	1,076	382	1,076	382	-	-
Other revenue, including:	**2,962**	**3,027**	**2,780**	**2,728**	**182**	**299**
Revenue from contracts with customers IFRS 15	2,521	2,580	2,339	2,281	182	299
Crude oil and natural gasoline	600	1,042	434	780	166	262
Sales of electricity	1,742	1,323	1,742	1,321	-	2
CO_2 emission allowances	21	17	21	17	-	-
Other	158	198	142	163	16	35
Excluded from the scope of IFRS 15	441	447	441	447	-	-
Right to use storage facilities - IFRS 16	430	434	430	434	-	-
Other income from operating leases - IFRS 16	11	13	11	13	-	-
Total revenue	**14,517**	**15,632**	**13,480**	**14,845**	**1,037**	**787**

Sales are made directly to business customers and via the Polish Power Exchange. Generally, goods are transferred at a specific point in time. They are sold on the basis of individual short-term contracts, meeting the definition of a “contract” provided in IFRS 15. Such contracts are entered into under long-term master agreements. Settlements are made on the basis of the contract price and the quantity of goods received by the customer. The Company did not identify any significant financing component in its contracts nor did it incur any significant incremental cost of obtaining a contract.

‘Adjustment to gas sales due to hedging transactions’ presents the effective portion of the hedge under cash flow hedge accounting. The Company uses a net open position basis for hedging. In line with the adopted methodology and given the level of sales generated in Poland in relation to sales generated outside Poland, the Company discloses the aggregate effect of adjustment to gas sales due to hedging transactions as adjustment to revenue earned in Poland.

The impact of COVID-19 on the Polish gas market so far is seen by the Company as limited. The pandemic has only slightly impeded the potential growth in consumption of high-methane grid gas in Poland, which reached 3.5% year on year in the period from January 1st 2020 to September 30th 2020. The above assessment is based on actual transmission data at high-methane gas grid exit points to end users and to the distribution network.

In the case of gas sales through the Polish Power Exchange, deliveries made by the Company in the period from January 1st 2020 to September 30th 2020 rose 10% year on year.

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(all amounts in PLN million, unless stated otherwise)

Operating expenses (selected items)

	9 months ended September 30th 2020	9 months ended September 30th 2019
Cost of gas sold	**(7,549)**	**(10,955)**
Gas fuel	(7,549)	(10,956)
Net gain/(loss) on gas price hedges	-	1
Effect of the annex executed with PAO Gazprom/OOO Gazprom Export on the cost of gas in 2014–2019	**4,915**	**-**
Other raw materials and consumables used	**(1,746)**	**(1,349)**
Electricity for trading	(1,664)	(1,265)
Other raw materials and consumables used	(82)	(84)
Employee benefits expense	**(570)**	**(492)**
Salaries and wages	(412)	(375)
Social security contributions	(99)	(90)
Other employee benefits expense	(53)	(46)
Provisions for employee benefits	(6)	19
Transmission, distribution and storage services	**(682)**	**(715)**
Other services	**(749)**	**(754)**
Regasification services	(292)	(273)
Cost of dry wells written off	(124)	(113)
Repair and construction services	(31)	(42)
Geological and exploration services	(34)	(39)
Mineral resources production services	(18)	(17)
Well abandonment services	(17)	(18)
IT services	(74)	(83)
Other services	(159)	(169)
Depreciation and amortisation expense	**(611)**	**(627)**
Depreciation of non-leased assets	(598)	(615)
Depreciation of the right of use	(13)	(12)
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	**(679)**	**(184)**
Impairment losses on property, plant and equipment and rights-of-use assets	(666)	(177)
Impairment losses on intangible assets	(13)	(7)
Total	**(7,671)**	**(15,076)**

The increase in impairment losses on property, plant and equipment, intangible assets, rights to use assets and their reversal results from the valuation by the Company as at September 30th 2020 of property, plant and equipment under construction and rights to use assets related to hydrocarbon production in Poland and abroad (for a detailed description, see Note 5.2 to the impairment table).

Other income and expenses (selected items)

	9 months ended September 30th 2020	9 months ended September 30th 2019
Measurement and exercise of derivative financial instruments	(24)	81
Change in inventory write-downs	356	66
Change in provision for well decommissioning costs	(3)	14
Change in provision for certificates of origin and energy efficiency certificates	(19)	(11)
Cost of merchandise and materials sold	(23)	(27)
- including the amount of value of CO_2 emission allowances sold	(21)	(17)
Change in provision for UOKiK fine	-	(6)
Change in other provisions	(23)	(2)
Net exchange differences related to operating activities	135	(10)
Other	(22)	(43)
Total other income and expenses	**377**	**62**

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(all amounts in PLN million, unless stated otherwise)

Finance income and costs (selected items)

	9 months ended September 30th 2020	9 months ended September 30th 2019
Finance income		
Gain on measurement and exercise of forward contracts	83	-
Foreign exchange gains	-	18
Gain on modification of financial assets	-	91
Other finance income	11	7
Total finance income	**94**	**116**
Finance costs		
Loss on measurement and exercise of forward contracts	-	(16)
Debt-related interest and fees	(35)	(41)
- including interest on lease liabilities	(6)	(7)
Foreign exchange losses	(100)	-
Other	(6)	(5)
Total finance costs	**(141)**	**(62)**

Income tax

Reconciliation of effective tax rate	9 months ended September 30th 2020	9 months ended September 30th 2019
Profit before tax	**7,471**	**2,004**
Corporate income tax at the applicable 19% statutory rate	(1,420)	(381)
Non-taxable income/(Non-deductible expenses)	51	244
Corporate income tax at the effective tax rate	**(1,369)**	**(137)**
Current tax expense	(1,436)	(74)
Deferred tax expense	67	(63)
Effective tax rate	**18%**	**7%**

The year-on-year increase in income tax expense in the reporting period was attributable to the execution by the Company, on June 5th 2020, of the Annex to the Yamal Contract with PAO Gazprom/OOO Gazprom Export, details of which are provided in Note 4.1.1. Key events related to the issuer - outcome of arbitration proceedings

Property, plant and equipment

	As at September 30th 2020	As at December 31st 2019
Land	18	20
Buildings and structures	6,659	7,158
Plant and equipment	1,941	2,145
Vehicles and other	79	96
Total tangible	**8,697**	**9,419**
Tangible exploration and evaluation assets under construction	2,427	2,225
Other tangible assets under construction	590	454
Total tangible assets under construction	**3,017**	**2,679**
Perpetual usufruct rights to land	243	249
Right-of-use asset – land	44	49
Right-of-use asset – buildings and structures	9	10
Right-of-use asset – machinery and equipment	2	3
Right-of-use asset – vehicles	21	14
Total right-of-use assets	**319**	**325**
Total property, plant and equipment	**12,033**	**12,423**

(all amounts in PLN million, unless stated otherwise)

Hedge accounting

Effect of cash flow hedge accounting on the statement of profit or loss and other comprehensive income

The amounts presented relate to those instruments that were designated for hedge accounting as at the reporting date or were excluded from hedge accounting during the reporting period.

Type of hedging instrument	Notional amount*	Carrying amount as at September 30th 2020		Period when cash flow will occur and affect the financial result	Change in fair value of hedging instrument used as basis for recognising hedge ineffectiveness in a given period	Hedging gains or losses for reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss (since the inception of the hedging relationship)	Amount reclassified from cash flow hedging reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
		Assets	Liabilities						
CASH FLOW HEDGES									
CURRENCY RISK									
Forward contracts for currency purchase (USD/PLN)	2,387	46	12	up to 3 years	137	121	-	Not applicable**	Not applicable
Forward contracts to purchase USD for EUR (EUR/USD)	1,064	14	6	up to 3 years	11	9	-	(3)	Revenue from sale of gas
Average rate forwards (EUR/PLN)	3,353	5	56	up to 3 years	4	(127)	-	(49)	Revenue from sale of gas
COMMODITY PRICE RISK									
Basis swap contracts for gas price indices	444	3	23	1–3 months	(24)	(13)	(10)	(31)	Revenue from sale of gas
Swap contracts for gas price indices	2,554	377	81	up to 3 years	1,250	313	32	(992)	Revenue from sale of gas
Swap contracts for HH price indices	545	29	18	1–3 years	(12)	-	-	Not applicable**	Not applicable
Swap contracts for Brent price indices	676	62	-	up to 3 years	83	82	-	Not applicable**	Not applicable
Total	**11,023**	**536**	**196**		**1,449**	**385**	**22**	**(1,075)**	

*Not all instruments were fully designated for hedge accounting.

**For these relationships, the relevant amounts are not reclassified to profit or loss but adjust the initial value of inventories (for more information, see the ‘Reconciliation of hedging reserve’ table).

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(all amounts in PLN million, unless stated otherwise)

Type of hedging instrument	Notional amount*	Carrying amount as at December 31st 2019		Period when cash flow will occur and affect the financial result	Change in fair value of hedging instrument used as basis for recognising hedge ineffectiveness in a given period	Hedging gains or losses for reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss (since the inception of the hedging relationship)	Amount reclassified from cash flow hedging reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
		Assets	Liabilities						
CASH FLOW HEDGES									
CURRENCY RISK									
Forward contracts for currency purchase (USD/PLN)	3,688	54	39	up to 3 years	287	72	-	Not applicable**	Not applicable
Forward contracts to purchase USD for EUR (EUR/USD)	186	2	-	up to 3 years	2	2	-	-	Revenue from sale of gas
Average rate forwards (EUR/PLN)	4,133	120	-	up to 3 years	156	129	-	(25)	Revenue from sale of gas
COMMODITY PRICE RISK									
Basis swap contracts for gas price indices	88	1	1	up to 3 years	310	286	-	(276)	Revenue from sale of gas
Swap contracts for gas price indices	2,899	911	254	up to 3 years	829	1,013	(4)	(270)	Revenue from sale of gas
Swap contracts for HH price indices	128	-	11	up to 3 years	(11)	(11)	-	Not applicable**	Not applicable
Total	**11,122**	**1,088**	**305**		**1,573**	**1,491**	**(4)**	**(571)**	

*Not all instruments were fully designated for hedge accounting.

**For these relationships, the relevant amounts are not reclassified to profit or loss but adjust the initial value of inventories (for more information, see the ‘Reconciliation of hedging reserve’ table).

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(all amounts in PLN million, unless stated otherwise)

Cash flow hedges

Items hedged as at September 30th 2020	Change in value of hedged item used as basis for recognising hedge ineffectiveness in given period	Balance of cash flow hedging reserve for continuing hedges	Balance remaining in cash flow hedging reserve in respect of all hedging relationships for which hedge accounting is no longer applied
CURRENCY RISK			
Natural gas (USD/PLN)	(137)	34	-
Natural gas (EUR/USD)	(10)	7	-
Natural gas (EUR/PLN)	(4)	(46)	-
COMMODITY PRICE RISK			
Gas contracts indexed to European gas price indices (daily or monthly)	(1,255)	254	261
Gas contracts indexed to monthly Henry Hub price indices	17	10	-
Gas contracts indexed to monthly Brent price indices	(82)	62	-
TOTAL	**(1,471)**	**321**	**261**

Items hedged as at December 31st 2019	Change in value of hedged item used as basis for recognising hedge ineffectiveness in given period	Balance of cash flow hedging reserve for continuing hedges	Balance remaining in cash flow hedging reserve in respect of all hedging relationships for which hedge accounting is no longer applied
CURRENCY RISK			
Natural gas (USD/PLN)	(287)	16	-
Natural gas (EUR/USD)	(2)	2	-
Natural gas (EUR/PLN)	(159)	93	38
COMMODITY PRICE RISK			
Gas contracts indexed to monthly gas price indices	(312)	33	1
Gas contracts indexed to daily gas price indices	(843)	606	133
Gas contracts indexed to monthly Henry Hub price indices	15	(11)	-
TOTAL	**(1,588)**	**739**	**172**

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(all amounts in PLN million, unless stated otherwise)

Reconciliation of hedging reserve

	2020	2019
Gross amount at beginning of the period	911	89
Net amount at beginning of the period	738	72
CURRENCY RISK		
Hedging gains or losses recognised in other comprehensive income during reporting period	3	202
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	(53)	(25)
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	(103)	(270)
Gross hedging reserve	**(153)**	**(93)**
Deferred tax on settlement and measurement of hedging instruments	29	18
Net hedging reserve	**(124)**	**(75)**
COMMODITY PRICE RISK		
Hedging gains or losses recognised in other comprehensive income during reporting period	383	1,288
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	(1,023)	(546)
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	466	174
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment for those hedging relationships to which hedge accounting is no longer applied	-	(1)
Gross hedging reserve	**(174)**	**915**
Deferred tax on settlement and measurement of hedging instruments	33	(174)
Net hedging reserve	**(141)**	**741**
Gross amount at end of the period	**584**	**911**
Net amount at end of the period	**473**	**738**

In the reporting period, the Company changed the presentation of certain data in the ‘Effect of cash flow hedge accounting on the statement of profit or loss and other comprehensive income’ and ‘Cash flow hedges’ tables relative to the data presented in the separate financial statements for the year ended December 31st 2019. The Company has monitored the developing market practice related to the required hedge accounting disclosures under IFRS 9, and has decided to change the classification of transactions accounted for within individual categories of notes and disclosed in the financial statements. At the same time, in order to maintain and ensure the comparability of data, the Company presented the notes contained in the financial statements for 2019 in accordance with the current model.

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PGNiG S.A. Management Board:

President of the Management Board	Paweł Majewski	*Signed with qualified digital signature*
Vice President of the Management Board	Robert Perkowski	*Signed with qualified digital signature*
Vice President of the Management Board	Arkadiusz Sekściński	*Signed with qualified digital signature*
Vice President of the Management Board	Przemysław Wacławski	*Signed with qualified digital signature*
Vice President of the Management Board	Jarosław Wróbel	*Signed with qualified digital signature*
Vice President of the Management Board	Magdalena Zegarska	*Signed with qualified digital signature*

Warsaw, November 17th 2020

This document is an English version of the original Polish version.
In case of any discrepancies between the Polish and English version, the Polish version shall prevail.