

Polskie Górnictwo Naftowe i Gazownictwo S.A.

# INTERIM REPORT for the three months ended March 31st 2019

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



## Financial highlights

Key financial data – interim condensed consolidated financial statements	PLN million		EUR million	
	3 months ended Mar 31 2019	3 months ended Mar 31 2018	3 months ended Mar 31 2019	3 months ended Mar 31 2018
Revenue	14,340	13,247	3,337	3,170
Operating profit before depreciation and amortisation (EBITDA)	2,165	2,674	504	640
Operating profit (EBIT)	1,383	2,005	322	480
Profit before tax	1,410	2,080	328	498
Net profit attributable to owners of the parent	1,064	1,566	248	375
Net profit	1,063	1,566	247	375
Total comprehensive income attributable to owners of the parent	1,364	1,516	317	363
Total comprehensive income	1,362	1,516	317	363
Net cash from operating activities	2,792	3,528	650	844
Net cash from investing activities	(1,231)	(1,050)	(286)	(251)
Net cash from financing activities	(2,428)	(1,695)	(565)	(406)
Net cash flows	(867)	783	(202)	187
Basic and diluted earnings per share (PLN)	0.18	0.27	0.04	0.06
	As at Mar 31 2019	As at Dec 31 2018	As at Mar 31 2019	As at Dec 31 2018
Total assets	53,892	53,271	12,529	12,389
Total liabilities	15,867	16,639	3,689	3,870
Total non-current liabilities	8,351	7,255	1,942	1,687
Total current liabilities	7,516	9,384	1,747	2,183
Total equity	38,025	36,632	8,840	8,519
Share capital	5,778	5,778	1,343	1,344
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 and EUR)	6.58	6.34	1.53	1.47
Dividend per share declared or paid (PLN and EUR)	-	0.07	-	0.02

Key data from the interim condensed separate financial statements	PLN million		EUR million	
	3 months ended Mar 31 2019	3 months ended Mar 31 2018	3 months ended Mar 31 2019	3 months ended Mar 31 2018
Revenue	7,828	6,893	1,821	1,650
Operating profit before depreciation and amortisation (EBITDA)	908	1,170	211	280
Operating profit (EBIT)	701	978	163	234
Profit before tax	751	1,037	175	248
Net profit	601	825	140	197
Total comprehensive income	878	775	204	185
Net cash from operating activities	1,512	2,404	352	575
Net cash from investing activities	(1,116)	(319)	(260)	(76)
Net cash from financing activities	(2,325)	(1,456)	(541)	(348)
Net cash flows	(1,929)	629	(449)	151
Earnings and diluted earnings per share attributable to holders of ordinary shares (PLN and EUR)	0.10	0.14	0.02	0.03
	As at Mar 31 2019	As at Dec 31 2018	As at Mar 31 2019	As at Dec 31 2018
Total assets	36,020	36,993	8,374	8,604
Total liabilities	6,382	8,160	1,484	1,899
Total non-current liabilities	2,884	2,551	671	594
Total current liabilities	3,498	5,609	813	1,304
Equity	29,638	28,833	6,890	6,706
Share capital and share premium	7,518	7,518	1,748	1,748
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 and EUR)	5.13	4.99	1.19	1.16
Dividend per share declared or paid (PLN and EUR)	-	0.07	-	0.02

Average EUR/PLN exchange rates quoted by the NBP	Mar 31 2019	Mar 31 2018	December 31st 2018
Average exchange rate in period	4.2978	4.1784	4.2669
Exchange rate at end of period	4.3013	4.2085	4.3000

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 EUR/PLN exchange rate quoted by the NBP for the end of the reporting period.

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## Interim condensed consolidated financial statements

Consolidated statement of profit or loss	3 months ended	3 months ended	
	Mar 31 2019	Mar 31 2018	
	unaudited	unaudited	
Revenue from sale of gas	11,074	9,562	Note 3.4
Other revenue	3,266	3,685	Note 3.4
<b>Revenue</b>	<b>14,340</b>	<b>13,247</b>	
Cost of gas sold	(9,931)	(8,215)	Note 3.5
Other raw materials and consumables	(799)	(793)	Note 3.5
Employee benefits expense	(713)	(669)	Note 3.5
Transmission services	(261)	(269)	
Other services	(408)	(392)	Note 3.5
Taxes and charges	(553)	(557)	
Other income and expenses	248	112	Note 3.6
Work performed by the entity and capitalised	237	214	
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	5	(4)	Note 3.5
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>2,165</b>	<b>2,674</b>	
Depreciation and amortisation	(782)	(669)	
<b>Operating profit (EBIT)</b>	<b>1,383</b>	<b>2,005</b>	
Net finance costs	15	40	Note 3.7
Profit/(loss) from equity-accounted investees	12	35	
<b>Profit before tax</b>	<b>1,410</b>	<b>2,080</b>	
Income tax	(347)	(514)	Note 3.8
<b>Net profit</b>	<b>1,063</b>	<b>1,566</b>	
Net profit attributable to:			
owners of the parent	1,064	1,566	
non-controlling interests	(1)	-	
Weighted average number of ordinary shares (million)	5,778	5,778	
Basic and diluted earnings per share (PLN)	0.18	0.27	

Consolidated statement of comprehensive income	3 months ended	3 months ended	
	Mar 31 2019	Mar 31 2018	
	unaudited	unaudited	
<b>Net profit</b>	<b>1,063</b>	<b>1,566</b>	
Exchange differences on translating foreign operations	22	(4)	
Hedge accounting	320	(58)	
Deferred tax	(43)	8	
Share of other comprehensive income of equity-accounted investees	-	4	
<b>Other comprehensive income subject to reclassification to profit or loss</b>	<b>299</b>	<b>(50)</b>	
<b>Other comprehensive income, net</b>	<b>299</b>	<b>(50)</b>	
<b>Total comprehensive income</b>	<b>1,362</b>	<b>1,516</b>	
Total comprehensive income attributable to:			
owners of the parent	1,364	1,516	
non-controlling interests	(2)	-	

Consolidated statement of cash flows	3 months ended Mar 31 2019	3 months ended Mar 31 2018
	unaudited	unaudited
<b>Cash flows from operating activities</b>		
Net profit	1,063	1,566
Depreciation and amortisation	782	669
Current tax expense	347	514
Net gain/(loss) on investing activities	(16)	(187)
Other non-cash adjustments	(222)	280
Income tax paid	(181)	(488)
Movements in working capital	1,019	1,174
<b>Net cash from operating activities</b>	<b>2,792</b>	<b>3,528</b>
<b>Cash flows from investing activities</b>		
Payments for acquisition of tangible exploration and evaluation assets under construction	(221)	(200)
Payments for other items of property, plant and equipment and intangible assets	(1,112)	(723)
Payments for shares in related entities	-	(90)
Other items, net	102	(37)
<b>Net cash from investing activities</b>	<b>(1,231)</b>	<b>(1,050)</b>
<b>Cash flows from financing activities</b>		
Increase in debt	70	402
Decrease in debt	(2,498)	(2,097)
<b>Net cash from financing activities</b>	<b>(2,428)</b>	<b>(1,695)</b>
<b>Net cash flows</b>	<b>(867)</b>	<b>783</b>
Cash and cash equivalents at beginning of period	3,928	2,581
Foreign exchange differences on cash and cash equivalents	6	5
Cash flows associated with cash pooling transactions	(6) *	-
<b>Cash and cash equivalents at end of period</b>	<b>3,061</b>	<b>3,364</b>

\* On February 4th 2019, Gas Trading S.A., a subsidiary, joined the cash pooling agreement in place at the PGNiG Group. The company is not consolidated because of immateriality of its data.

Consolidated statement of financial position	As at	As at	
	Mar 31 2019	Dec 31 2018	
	unaudited	audited	
<b>ASSETS</b>			
Property, plant and equipment	36,631	34,236	Note 3.9
Intangible assets	440	1,173	
Deferred tax assets	35	94	
Equity-accounted investees	1,818	1,806	
Derivative financial instruments	156	226	
Other assets	1,361	1,363	
<b>Non-current assets</b>	<b>40,441</b>	<b>38,898</b>	
Inventories	2,180	3,364	
Receivables	5,954	5,742	
Derivative financial instruments	1,505	1,092	Note 3.10
Other assets	710	204	
Cash and cash equivalents	3,060	3,925	
Assets held for sale	42	46	
<b>Current assets</b>	<b>13,451</b>	<b>14,373</b>	
<b>TOTAL ASSETS</b>	<b>53,892</b>	<b>53,271</b>	
<b>EQUITY AND LIABILITIES</b>			
Share capital and share premium	7,518	7,518	
Hedging reserve	256	73	
Accumulated other comprehensive income	(181)	(203)	
Retained earnings	30,435	29,246	
Equity attributable to owners of the parent	38,028	36,634	
Equity attributable to non-controlling interests	(3)	(2)	
<b>TOTAL EQUITY</b>	<b>38,025</b>	<b>36,632</b>	
Financing liabilities	2,195	1,178	
Derivative financial instruments	75	105	
Employee benefit obligations	808	808	
Provision for well decommissioning costs	1,925	1,917	Note 3.3
Other provisions	207	197	Note 3.3
Grants	708	720	
Deferred tax liabilities	2,179	2,066	
Other liabilities	254	264	
<b>Non-current liabilities</b>	<b>8,351</b>	<b>7,255</b>	
Financing liabilities	216	2,524	
Derivative financial instruments	1,052	1,055	Note 3.10
Trade and tax payables*	4,130	3,748	
Employee benefit obligations	383	347	
Provision for well decommissioning costs	91	91	Note 3.3
Other provisions	773	675	Note 3.3
Other liabilities	871	944	
<b>Current liabilities</b>	<b>7,516</b>	<b>9,384</b>	
<b>TOTAL LIABILITIES</b>	<b>15,867</b>	<b>16,639</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>53,892</b>	<b>53,271</b>	

\*Including income tax of PLN 561m (2018: PLN 418m).

## Consolidated statement of changes in equity

	Equity attributable to owners of the parent							Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
	Share capital and share premium, including:		Accumulated other comprehensive income:				Hedging reserve				
	Share capital	Share premium	Exchange differences on translating foreign operations	Revaluation of financial assets available for sale	Actuarial gains/(losses) on employee benefits	Share of other comprehensive income of equity-accounted investees					
<b>At Jan 1 2018 (audited)</b>	<b>5,778</b>	<b>1,740</b>	<b>7</b>	<b>(93)</b>	<b>(3)</b>	<b>(64)</b>	<b>(5)</b>	<b>26,266</b>	<b>33,626</b>	<b>1</b>	<b>33,627</b>
Impact of IFRS 9 and IFRS 15	-	-	-	-	3	-	-	172	<b>175</b>	-	<b>175</b>
Net profit	-	-	-	-	-	-	-	1,566	<b>1,566</b>	-	<b>1,566</b>
Other comprehensive income, net	-	-	(50)	(4)	-	-	4	-	<b>(50)</b>	-	<b>(50)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(50)</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>1,566</b>	<b>1,516</b>	<b>-</b>	<b>1,516</b>
Change in equity recognised in inventories	-	-	15	-	-	-	-	-	<b>15</b>	-	<b>15</b>
<b>As at Mar 31 2018 (unaudited)</b>	<b>5,778</b>	<b>1,740</b>	<b>(28)</b>	<b>(97)</b>	<b>-</b>	<b>(64)</b>	<b>(1)</b>	<b>28,004</b>	<b>35,332</b>	<b>1</b>	<b>35,333</b>
<b>As at Jan 1 2019 (audited)</b>	<b>5,778</b>	<b>1,740</b>	<b>73</b>	<b>(112)</b>	<b>-</b>	<b>(91)</b>	<b>-</b>	<b>29,246</b>	<b>36,634</b>	<b>(2)</b>	<b>36,632</b>
Impact of IFRS 16	-	-	-	-	-	-	-	125	125	-	125
Net profit	-	-	-	-	-	-	-	1,064	<b>1,064</b>	(1)	<b>1,063</b>
Other comprehensive income, net	-	-	277	22	-	-	-	-	<b>299</b>	-	<b>299</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>277</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,064</b>	<b>1,363</b>	<b>(1)</b>	<b>1,362</b>
Change in equity recognised in inventories	-	-	(94)	-	-	-	-	-	<b>(94)</b>	-	<b>(94)</b>
<b>As at Mar 31 2019 (unaudited)</b>	<b>5,778</b>	<b>1,740</b>	<b>256</b>	<b>(90)</b>	<b>-</b>	<b>(91)</b>	<b>-</b>	<b>30,435</b>	<b>38,028</b>	<b>(3)</b>	<b>38,025</b>

## 1. General information

### 1.1. The Group

<b>Name</b>	Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna
<b>Registered office</b>	ul. Marcina Kasprzaka 25, 01-224 Warsaw, Poland
<b>Court of registration</b>	District Court for the Capital City of Warsaw, 16th Commercial Division
<b>NATIONAL COURT REGISTER (KRS) NO.</b>	0000059492
<b>INDUSTRY IDENTIFICATION NUMBER (REGON)</b>	012216736
<b>TAX IDENTIFICATION NUMBER (NIP)</b>	525-000-80-28
<b>Description of business</b>	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 Q1 2019, the State Treasury, represented by the Minister of Energy, was the only shareholder holding 5% or more of total voting rights at the Company's General Meeting.

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
<b>Total</b>	<b>5,778,314,857</b>	<b>100.00%</b>	<b>0.00%</b>	<b>100.00%</b>	<b>5,778,314,857</b>

\*As at December 31st 2018.

\*\*As at March 31st 2019.

The PGNiG Group is the only vertically integrated organisation in the Polish gas sector, and holds the leading position in all segments of the country's gas industry. It is also a significant domestic producer of heat and electricity. The PGNiG Group's business comprises exploration for hydrocarbon deposits; production of oil and natural gas; and import, storage and distribution of and trade in gas fuels. The PGNiG Group imports 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 of preparation of the financial statements presented in this report

These interim condensed consolidated financial statements and interim condensed separate financial statements for Q1 2019 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 was prepared on the assumption that the Group companies would continue as going concerns in the foreseeable future, with the exception of two subsidiaries: Geofizyka Kraków S.A. w likwidacji and PGNiG Finance AB I likwidation, which have been placed in liquidation. As at the date of authorisation of these financial statements for issue, no circumstances were identified which would indicate any threat to the Group's continuing as a going concern.

The Polish zloty (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 2018, issued on March 14th 2019.

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

The issue date of this interim report for Q1 2019 is May 17th 2019.

### 1.3. Significant accounting policies

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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 2018, except for the accounting policies arising from the implementation of the new standard IFRS 16 *Leases*.

The Group applied the requirements of the new standard using a modified retrospective method, with effect as of January 1st 2019. The impact of the amendments to IFRS 16 on the consolidated financial statements is presented in [Note 1.5](#)

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

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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

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Starting from January 1st 2019, the Group applied IFRS 16 to recognise, measure and present lease contracts.

The Group applied the requirements of the standard using a modified retrospective method, with effect as of January 1st 2019 (without restating the comparative period figures).

The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. All lease transactions result in the lessee acquiring a right-of-use asset and incurring a lease liability. Thus, IFRS 16 abolishes the operating and finance lease classification under IFRS 17 and provides a single lessee accounting model.

#### The Group as a lessee

The key changes resulting from the application of IFRS 16 are those relating to records of land and perpetual usufruct rights to land. Starting from January 1st 2019, perpetual usufruct rights acquired free of charge are initially recognised by the Group at the present value of lease payments outstanding at the date of initial application of IFRS 16. Perpetual usufruct rights acquired for consideration are measured on initial recognition at the present value of lease payments outstanding as at January 1st 2019, increased by:

- The excess of the first payment over the annual perpetual usufruct charge in the case of perpetual usufruct agreements made with the State Treasury or a local government unit;
- The cost of acquisition of the perpetual usufruct rights to land if the agreement was made with an entity other than the State Treasury or a local government unit.

As at January 1st 2019, the Group applied IFRS 16 to contracts previously classified as operating leases under IAS 17, in the amount equal to the present value of the lease liability adjusted for any prepaid or accrued lease payments that were recognised in the statement of financial position as at December 31st 2018. The lease liability was measured at the present value of the lease payments outstanding as at January 1st 2019, discounted using the lessee's incremental borrowing rate as at January 1st 2019. The incremental borrowing rate is the interest rate at inception of the lease which the lessee would have to pay to borrow funds necessary to purchase a given asset over a similar term and with a similar security. Depending on the lease term, the Group applies an incremental borrowing rate ranging from 2.9% to 5.5%.

In the case of leases previously classified as finance leases under IAS 17, the Group recognises the right-of-use asset and the lease liability at the carrying amount of the leased asset and the lease liability directly before the day of their measurement in accordance with IAS 17.

### The Group as a lessor

In accordance with IFRS 16, the Group did not make any changes to the existing and recognised operating and finance leases in which it was a lessor as at January 1st 2019.

IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. Lessors continue to classify leases as operating or finance leases, with each of them subject to different accounting treatment.

Group companies applied the following exemptions and did not apply IFRS 16 to the measurement of the lease liability and the right-of-use asset with respect to:

- Leases of intangible assets;
- Short-term leases (with a term below 12 months);
- Leases where the underlying asset is of a low value and is not sub-leased.

Furthermore, the Group did not recognise any lease contracts or lease decisions related to underground infrastructure. Since no uniform market practice has been established in this respect, the presentation may change during the year. According to the Group's estimates, if leases had been recognised under those contracts, liabilities would have increased by approximately PLN 760m as at March 31st 2019.

As at the date of initial application, the Group made adjustments to the initial balance of retained earnings related to the implementation of IFRS 16.

The effect of application of the standard on the Group's consolidated financial statements for the reporting period is presented below.

Consolidated statement of financial position	As at Dec 31 2018 – before restatement	Effect of IFRS 16 on consolidated statement of financial position	As at Jan 1 2019 after restatement
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>38,898</b>	<b>1,204</b>	<b>40,102</b>
<b>including:</b>			
Property, plant and equipment	34,236	1,828	36,064
Intangible assets	1,173	(625)	548
Deferred tax assets	94	(5)	89
Other assets	1,363	6	1,369
<b>Current assets</b>	<b>14,373</b>	<b>1</b>	<b>14,374</b>
<b>including:</b>			
Assets held for sale	46	1	47
<b>TOTAL ASSETS</b>	<b>53,271</b>	<b>1,205</b>	<b>54,476</b>
<b>EQUITY AND LIABILITIES</b>			
<b>TOTAL EQUITY</b>	<b>36,632</b>	<b>125</b>	<b>36,757</b>
<b>including:</b>			
Retained earnings	29,246	125	29,371
<b>Non-current liabilities</b>	<b>7,255</b>	<b>833</b>	<b>8,088</b>
<b>including:</b>			
Financing liabilities	1,178	831	2,009
Other provisions	197	(17)	180
Deferred tax liabilities	2,066	19	2,085
<b>Current liabilities</b>	<b>9,384</b>	<b>247</b>	<b>9,631</b>
<b>including:</b>			
Financing liabilities	2,524	249	2,773
Other provisions	675	(2)	673
<b>TOTAL LIABILITIES</b>	<b>16,639</b>	<b>1,080</b>	<b>17,719</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>53,271</b>	<b>1,205</b>	<b>54,476</b>

## 2. The Group and its reporting segments

The Group identifies five reporting segments.






The Group's fully-consolidated entities are presented below, by reporting segment.



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

Figure 1 Group structure by reporting segment

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

Segment	Description	Operating segments and aggregation criteria
<b>Exploration and Production</b>  	<p>The segment's principal business focuses on 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 in Poland and abroad.</p>	<p>This reporting segment comprises the following operating segments: exploration and production business of PGNiG S.A. as well as the Group companies specified in <a href="#">Figure 1</a>. 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).</p>
<b>Trade and Storage</b>  	<p>The segment's principal business activities are sale of natural gas (imported, produced or purchased on gas exchanges), operation of underground gas storage facilities for trading purposes (Mogilno, Wierzchowice, Kosakowo, Husów, Brzeźnica, Strachocina and Swarzędz), and electricity trading.</p>	<p>This reporting segment comprises the following operating segments: PGNiG S.A.'s gas fuel and electricity trading business as well as the Group companies specified in <a href="#">Figure 1</a>. 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.</p>
<b>Distribution</b>  	<p>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.</p>	<p>This operating segment overlaps with the reporting segment Distribution, and comprises Polska Spółka Gazownictwa Sp. z o.o. and its subsidiaries specified in <a href="#">Figure 1</a>.</p>
<b>Generation</b>  	<p>The segment's principal business activities consist in generation and sale of electricity and heat.</p>	<p>This reporting 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.</p>
<b>Other Activities</b>  	<p>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.</p>	<p>This reporting segment comprises the following operating segments: PGNiG S.A.'s activities related to corporate support for other reporting segments, and the Group entities which do not qualify for inclusion in the other reporting segments, specified under Other Activities in <a href="#">Figure 1</a>.</p>

## 2.1. Changes in the Group structure

Date	Company	Event
January 1st 2019	CIFL Sp. z o.o. w likwidacji (in liquidation)	On January 1st 2019, a resolution to dissolve the company, passed by the CIFL Sp. z o.o.'s General Meeting on December 21st 2018, came into force.

## 2.2. Equity-accounted investees

In its consolidated financial statements, the Group as 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 March 31st 2019

No.	Name	Share capital	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% <sup>1)</sup>
2	SGT EUROPOL GAZ S.A.	80,000,000	38,400,000	51.18% <sup>2)</sup>
3	Polimex-Mostostal S.A.	473,237,604	78,000,048	16.48% <sup>3)</sup>
4	Polska Grupa Górnicza Sp. z o.o.	3,916,718,200	800,000,000	20.43% <sup>1)</sup>

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.

### 2.3. Key data on the reporting segments.

3 months ended Mar 31 2019	Sales to external customers	Inter- segment sales	Total revenue	EBITDA	Depreciation and amortisation	EBIT (operating profit)	Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	Profit/(loss) from equity- accounted investees	Expenditure on acquisition of property, plant and equipment and intangible assets	Property, plant and equipment	Workforce*
<b>Exploration and Production</b>	807	905	1,712	1,297	(278)	1,019	4	9	(322)	13,530	6,758
<b>Trade and Storage</b>	11,538	155	11,693	(71)	(50)	(121)	-	-	(21)	3,287	3,078
<b>Distribution</b>	1,378	10	1,388	580	(235)	345	1	-	(476)	14,553	11,711
<b>Generation</b>	593	359	952	401	(204)	197	-	-	(307)	4,640	1,839
Other Activities	24	67	91	(49)	(15)	(64)	-	3	(46)	846	1,594
<b>Total</b>	<b>14,340</b>	<b>1,496</b>	<b>15,836</b>	<b>2,158</b>	<b>(782)</b>	<b>1,376</b>	<b>5</b>	<b>12</b>	<b>(1,172)</b>	<b>36,856</b>	<b>24,980</b>
Reconciliation with consolidated data			(1,496)	7	-	7	-	-	(161)	(225)	
<b>Total</b>			<b>14,340</b>	<b>2,165</b>	<b>(782)</b>	<b>1,383</b>	<b>5</b>	<b>12</b>	<b>(1,333)</b>	<b>36,631</b>	

\* Excluding employees of equity-accounted investees.

3 months ended Mar 31 2018	Sales to external customers	Inter- segment sales	Total revenue	EBITDA	Depreciation and amortisation	EBIT (operating profit)	Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	Profit/(loss) from equity- accounted investees	Expenditure on acquisition of property, plant and equipment and intangible assets	Property, plant and equipment	Workforce*
<b>Exploration and Production</b>	992	987	1,979	1,380	(252)	1,128	(4)	28	(299)	12,346	6,912
<b>Trade and Storage</b>	10,013	196	10,209	179	(46)	133	-	-	(9)	3,291	2,984
<b>Distribution</b>	1,541	10	1,551	763	(226)	537	-	-	(474)	13,164	11,230
<b>Generation</b>	660	258	918	401	(127)	274	-	-	(128)	3,485	1,787
Other Activities	41	73	114	(57)	(18)	(75)	-	7	(15)	445	1,810
<b>Total</b>	<b>13,247</b>	<b>1,524</b>	<b>14,771</b>	<b>2,666</b>	<b>(669)</b>	<b>1,997</b>	<b>(4)</b>	<b>35</b>	<b>(925)</b>	<b>32,731</b>	<b>24,723</b>
Reconciliation with consolidated data			(1,524)	8	-	8	-	-	2	(192)	
<b>Total</b>			<b>13,247</b>	<b>2,674</b>	<b>(669)</b>	<b>2,005</b>	<b>(4)</b>	<b>35</b>	<b>(923)</b>	<b>32,539</b>	

\* Excluding employees of equity-accounted investees.

## 2.4. Segments' financial results

In Q1 2019, the PGNiG Group generated revenue of PLN 14,340m, that is PLN 1,093m (8%) more than in the same period of the previous year. A PLN 1,716m (21%) year-on-year increase in the cost of gas sold, led by rising oil and gas prices, was the key factor behind the amount of consolidated EBIT, which came in at PLN 1,383m, down PLN 622m year on year.

Operating data	3 months ended Mar 31 2019	3 months ended Mar 31 2018
<b>Production of natural gas by the PGNiG Group (mcm)*</b>		
High-methane gas (E)	477	464
Nitrogen-rich gas (Ls/Lw as E equivalent)	704	719
Total (as E equivalent)	1,181	1,183
<b>Sales of natural gas by the PGNiG Group (mcm)*</b>		
High-methane gas (E)	9,431	9,414
Nitrogen-rich gas (Ls/Lw as E equivalent)	465	491
Total (as E equivalent)	9,896	9,905
<b>Volume of distributed gas (mcm)**</b>		
High-methane gas, nitrogen-rich gas, propane-butane, coke gas	3,881	4,220
<b>Crude oil, condensate and NGL ('000 tonnes)</b>		
Production	324	348
Sale	288	429
<b>Heat and electricity (from own generation sources)</b>		
Heat sales outside the PGNiG Group (TJ)	16,970	19,037
Sales of electricity from own generation sources (TWh)	1,513	1,539

\* Converted to gas with a calorific value of 39.5 mJ/m<sup>3</sup>.

\*\* In natural units.

## Exploration and Production

In Q1 2019, the segment's operating profit was PLN 1,019m, i.e. PLN 109m (10%) less than in the previous year. The key contributing factors included:

- PLN 267m (13%) year-on-year decrease in revenue, including:
  - PLN 61m (5%) 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 PPX (down 12% in Q1 2019), by reference to which the transfer price in transactions between the segments is set;
  - PLN 215m (31%) decrease in revenue from sale of crude oil, condensate and NGL, attributable to a year-on-year decrease in the sales volumes of these products in Q1 2019, despite a 5% growth in the average price of Brent crude in PLN during the first three months of the year;
- PLN 158m (19%) year-on-year drop in operating expenses, mainly driven by a positive PLN 64m effect on net profit of underlift balance measured at market prices. If output exceeds sales, 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 (PLN -139m in Q1 2018). 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.

Moreover, in Q1 2019, expenditure of PLN 13m on dry wells and seismic surveys was written off (Q1 2018: PLN 244m), and impairment losses on non-current assets of PLN 18m were reversed (Q1 2018: PLN 240m).

## Trade and Storage

In Q1 2019, the Trade and Storage segment reported an operating loss of PLN 121m, down by PLN 254m year on year. The segment's revenue reached PLN 11,693m, having increased by PLN 1,484m (15%) year on year. Its operating expenses stood at PLN 11,813m, up by PLN 1,737m (17%) year on year.

The key contributing factors included:

- Stable volumes of gas sold outside the Group, at 9.7 bcm, and higher selling prices; Revenue from gas sales outside the Group in Q1 2019 grew by 16% year on year;
- Higher cost of gas in the segment due to rising prices of crude oil and natural gas;
- Lower gas prices on the PPX, reflected in the value of domestically produced gas transferred from the Exploration and Production segment to the Trade and Storage segment;
- President of URE's decision of January 25th 2019 to approve Gas Fuel Trading Tariff No. 7 for PGNiG Obrót Detaliczny Sp. z o.o. for the period until December 31st 2019, which led to a 2.5% rise in the average price of gas fuel from February 15th 2019;
- PLN 179m net gain on realised hedging instruments designated for hedge accounting reported in Q1 2019 (PLN - 169m in Q1 2018).

## Distribution

In Q1 2019, the Distribution segment delivered an operating profit of PLN 345m, down by PLN 192m (36%) year on year. The segment's operating result was driven by:

- Year-on-year decrease in the volume of distributed gas, of 3.88 bcm or 8%;
- Positive average temperature in Q1 2019, at 2.1°C, compared with a negative average temperature in Q1 2018 (up 2.9°C);
- PLN 162m (10%) year-on-year decrease in total revenue, driven by lower revenue from sales of distribution services, reflecting the President of URE's decision of January 25th 2019 to approve new Gas Fuel Distribution Tariff No. 7, effective until December 31st 2019, which reduced the tariff rates by 5% as of February 15th 2019;

## Generation

The segment's operating profit earned in Q1 2019 was PLN 197m, down 28% year on year, while EBITDA reached PLN 400m and remained broadly flat year on year.

The key factors contributing to the segment's result included:

- Lower sales volumes of heat (down 11%) in Q1 2019, caused by a 2.9°C year-on-year increase in average air temperatures compared with Q1 2018;
- Higher cost of coal (including transport costs), the main feedstock for heat and electricity production, which grew 16% year on year;
- PLN 77m (61%) year-on-year increase in depreciation and amortisation, caused by higher cost of redemption of CO<sub>2</sub> emission allowances and the launch of the Zofiówka CHP plant in Q4 2018.

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

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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 market prices of certificates of origin;
- Regulations governing support programmes for electricity from high-efficiency co-generation and renewable sources;
- Processes connected with the continued deregulation of the gas market in Poland;
- 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 and in regulated areas offering considerable safety of the investments (gas distribution, power and heat generation).



### 3. 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
<b>As at Jan 1 2018</b>	<b>1,001</b>	<b>2,879</b>	<b>(860)</b>	<b>141</b>	<b>2,019</b>	
Impact of IFRS 9 and IFRS 15	(44)	-	-	-	-	(44)
Increase	168	155	-	-	-	13
Decrease	(198)	(137)	-	-	-	(61)
Currency translation differences	3	31	-	-	-	(28)
Other changes	-	(26)	-	-	-	26
<b>As at Dec 31 2018</b>	<b>930</b>	<b>2,902</b>	<b>(836)</b>	<b>94</b>	<b>2,066</b>	<b>(94)</b>
<b>As at Jan 1 2019</b>	<b>930</b>	<b>2,902</b>	<b>(836)</b>	<b>94</b>	<b>2,066</b>	
Impact of IFRS 16	(5)	19	-	-	-	-
Increase	36	107	-	-	-	(71)
Decrease	(58)	(6)	-	-	-	(52)
Currency translation differences	-	28	-	-	-	(28)
Other changes	-	(3)	-	-	-	3
<b>As at Mar 31 2019</b>	<b>903</b>	<b>3,047</b>	<b>(868)</b>	<b>35</b>	<b>2,179</b>	<b>(148)</b>

#### 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
<b>As at Jan 1 2018</b>	<b>4,038</b>	<b>84</b>	<b>17</b>	<b>844</b>	<b>30</b>	<b>191</b>	<b>759</b>	<b>-</b>	<b>5,963</b>
Impact of IFRS 9	-	-	-	-	-	-	68	-	68
Recognised impairment loss/write-down taken to profit or loss	743	8	4	49	-	136	466	1	1,407
Impairment loss/write-down reversal taken to profit or loss	(969)	(10)	-	-	-	(125)	(339)	-	(1,443)
Used	(32)	(1)	-	-	-	(2)	(31)	-	(66)
Transferred	-	-	(15)	-	25	-	(10)	-	-
Other changes	18	3	(1)	-	7	-	(3)	-	24
<b>As at Dec 31 2018</b>	<b>3,798</b>	<b>84</b>	<b>5</b>	<b>893</b>	<b>62</b>	<b>200</b>	<b>910</b>	<b>1</b>	<b>5,953</b>
<b>As at Jan 1 2019</b>	<b>3,798</b>	<b>84</b>	<b>5</b>	<b>893</b>	<b>62</b>	<b>200</b>	<b>910</b>	<b>1</b>	<b>5,953</b>
Impact of IFRS 16	21	(21)	-	-	-	-	-	-	-
Recognised impairment loss/write-down taken to profit or loss	-	-	-	14	-	89	96	-	199
Impairment loss/write-down reversal taken to profit or loss	(18)	-	-	-	-	(108)	(81)	-	(207)
Used	(23)	-	-	-	-	-	(13)	-	(36)
Transferred	-	-	-	-	-	-	-	-	-
Other changes	7	1	-	-	-	-	5	-	13
<b>As at Mar 31 2019</b>	<b>3,785</b>	<b>64</b>	<b>5</b>	<b>907</b>	<b>62</b>	<b>181</b>	<b>917</b>	<b>1</b>	<b>5,922</b>

### 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	Provision for environmental liabilities	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Other provisions	Total
<b>As at Jan 1 2018</b>	<b>1,770</b>	<b>155</b>	<b>163</b>	<b>124</b>	<b>10</b>	<b>31</b>	<b>319</b>	<b>2,572</b>
Impact of IFRS 9		-	-	-	-	-	18	18
Recognised provision capitalised in the cost of property, plant and equipment	237	-	-	-	-	-	-	237
Recognised provision taken to profit or loss	55	134	-	5	-	4	178	376
Provision reversal taken to profit or loss	(35)	(54)	-	(14)	-	(12)	(107)	(222)
Used provision	(28)	(114)	-	-	(10)	-	(3)	(155)
Other changes	9	30	12	-	-	-	3	54
<b>As at Dec 31 2018</b>	<b>2,008</b>	<b>151</b>	<b>175</b>	<b>115</b>	<b>-</b>	<b>23</b>	<b>408</b>	<b>2,880</b>
<b>As at Jan 1 2019</b>	<b>2,008</b>	<b>151</b>	<b>175</b>	<b>115</b>	<b>-</b>	<b>23</b>	<b>408</b>	<b>2,880</b>
Impact of IFRS 16	-	-	-	(19)	-	-	-	(19)
Recognised provision capitalised in the cost of property, plant and equipment	7	-	-	-	-	-	-	7
Recognised provision taken to profit or loss	6	86	-	20	-	1	36	149
Provision reversal taken to profit or loss	(9)	(5)	-	(3)	-	(2)	(14)	(33)
Used provision	(6)	-	-	-	-	-	-	(6)
Other changes	10	(1)	4	-	-	-	5	18
<b>As at Mar 31 2019</b>	<b>2,016</b>	<b>231</b>	<b>179</b>	<b>113</b>	<b>-</b>	<b>22</b>	<b>435</b>	<b>2,996</b>

Note 3.6  
Note 3.6

### 3.4. Revenue

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

The Group's business includes services, such as distribution of gas fuels, storage of gas fuels, geophysical and geological services, gas service connection, drilling and oilfield services, and other services.

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

#### 3.4.1. Revenue by product

	3 months ended Mar 31 2019	3 months ended Mar 31 2018
<b>Revenue from sale of gas, including:</b>	<b>11,074</b>	<b>9,562</b>
High-methane gas	10,367	9,233
Nitrogen-rich gas	477	455
LNG	26	23
CNG	9	8
Propane-butane gas	17	16
Adjustment to gas sales due to hedging transactions	178	(173)
<b>Other revenue, including:</b>	<b>3,266</b>	<b>3,685</b>
Sale of crude oil and natural gasoline	452	667
Sale of NGL	26	25
Sale of heat	521	571
Sale of electricity	665	593
Revenue from rendering of services:		
- drilling and oilfield services	29	43
- geophysical and geological services	16	10
- construction and assembly services	17	26
- distribution services	1,360	1,528
- connection charge	37	32
- other	61	107
Other	82	83
<b>Total revenue</b>	<b>14,340</b>	<b>13,247</b>

### 3.4.2. Revenue by segment

3 months ended Mar 31 2019	Exploration and Production	Trade and Storage	Distribution	Generation	Other Activities	Reconciliation with consolidated data	Total
<b>Revenue from sale of gas, including:</b>	<b>1,130</b>	<b>10,973</b>	-	-	-	<b>(1,029)</b>	<b>11,074</b>
High-methane gas	674	10,456	-	-	-	(764)	10,367
Nitrogen-rich gas	429	310	-	-	-	(262)	477
LNG	10	19	-	-	-	(3)	26
CNG	-	9	-	-	-	-	9
Propane-butane gas	17	-	-	-	-	-	17
Adjustment to gas sales due to hedging transactions	-	178	-	-	-	-	178
<b>Other revenue, including:</b>	<b>582</b>	<b>720</b>	<b>1,388</b>	<b>952</b>	<b>91</b>	<b>(467)</b>	<b>3,266</b>
Sale of crude oil and natural gasoline	452	-	-	-	-	-	452
Sale of NGL	26	-	-	-	-	-	26
Sale of heat	-	-	-	521	-	-	521
Sale of electricity	-	667	-	369	-	(371)	665
Revenue from rendering of services:							
- drilling and oilfield services	29	-	-	-	-	-	29
- geophysical and geological services	16	-	-	-	-	-	16
- construction and assembly services	10	-	-	-	21	(14)	17
- distribution services	-	-	1,342	25	-	(7)	1,360
- connection charge	-	-	37	-	-	-	37
- other	5	43	5	4	64	(59)	61
Other	44	10	4	33	6	(15)	82
<b>Total revenue:</b>	<b>1,712</b>	<b>11,693</b>	<b>1,388</b>	<b>952</b>	<b>91</b>	<b>(1,496)</b>	<b>14,340</b>

3 months ended Mar 31 2018	Exploration and Production	Trade and Storage	Distribution	Generation	Other Activities	Reconciliation with consolidated data	Total
<b>Revenue from sale of gas, including:</b>	<b>1,190</b>	<b>9,535</b>	-	-	-	<b>(1,163)</b>	<b>9,562</b>
High-methane gas	722	9,355	-	-	-	(844)	9,233
Nitrogen-rich gas	441	330	-	-	-	(315)	455
LNG	11	15	-	-	-	(3)	23
CNG	-	8	-	-	-	-	8
Propane-butane gas	16	-	-	-	-	-	16
Adjustment to gas sales due to hedging transactions	-	(173)	-	-	-	-	(173)
<b>Other revenue, including:</b>	<b>788</b>	<b>674</b>	<b>1,551</b>	<b>918</b>	<b>114</b>	<b>(361)</b>	<b>3,685</b>
Sale of crude oil and natural gasoline	667	-	-	-	-	-	667
Sale of NGL	25	-	-	-	-	-	25
Sale of heat	-	-	-	571	-	-	571
Sale of electricity	-	595	-	265	-	(268)	593
Revenue from rendering of services:							
- drilling and oilfield services	43	-	-	-	-	-	43
- geophysical and geological services	10	-	-	-	-	-	10
- construction and assembly services	7	-	-	-	28	(9)	26
- distribution services	-	-	1,506	28	-	(5)	1,528
- connection charge	-	-	32	-	-	-	32
- other	7	78	9	4	83	(73)	107
Other	28	2	4	50	3	(3)	83
<b>Total revenue:</b>	<b>1,979</b>	<b>10,209</b>	<b>1,551</b>	<b>918</b>	<b>114</b>	<b>(1,524)</b>	<b>13,247</b>

### 3.5. Operating expenses

	3 months ended Mar 31 2019	3 months ended Mar 31 2018
<b>Cost of gas sold</b>	<b>(9,931)</b>	<b>(8,215)</b>
Gas fuel	(9,932)	(8,219)
Cost of transactions hedging gas prices	1	4
<b>Other raw materials and consumables used</b>	<b>(799)</b>	<b>(793)</b>
Fuels for electricity and heat generation	(383)	(355)
Electricity for trading	(294)	(330)
Other raw materials and consumables used	(122)	(108)
<b>Employee benefits expense</b>	<b>(713)</b>	<b>(669)</b>
Salaries and wages	(504)	(468)
Social security contributions	(112)	(106)
Cost of long-term employee benefits	(23)	(23)
Other employee benefits expense	(74)	(72)
<b>Other services</b>	<b>(408)</b>	<b>(392)</b>
Regasification services	(93)	(89)
Repair and construction services	(38)	(42)
Mineral resources production services	(60)	(50)
Rental services	(12)	(25)
Other services	(205)	(186)
<b>Recognition and reversal of impairment losses on property, plant and equipment and intangible assets</b>	<b>5</b>	<b>(4)</b>
Cost of exploration and evaluation assets written-off	(13)	(244)
Impairment losses on property, plant and equipment	18	240
<b>Total</b>	<b>(11,846)</b>	<b>(10,073)</b>

### 3.6. Other income and expenses

	3 months ended Mar 31 2019	3 months ended Mar 31 2018
Compensation, penalties, and fines received	9	10
Exchange differences related to operating activities	18	52
Measurement and exercise of derivative financial instruments	15	(43)
Change in inventory write-downs	19	63
Change in impairment losses on trade and other receivables	(15)	(36)
Change in provision for well decommissioning costs	3	(1)
Change in provision for certificates of origin and energy efficiency certificates	(82)	(43)
Change in other provisions	(37)	(19)
Change in products	312	319
Change in underlift/ overlift	64	(139)
Other income and expenses	(58)	(51)
<b>Total other income and expenses</b>	<b>248</b>	<b>112</b>

### 3.7. Net finance income/(costs)

	3 months ended Mar 31 2019	3 months ended Mar 31 2018
Interest on debt (including fees)	(20)	(17)
Foreign exchange differences	14	24
Measurement and exercise of derivative financial instruments not designated for hedge accounting	(1)	(3)
Fair value measurement of financial assets	2	23
Other net finance costs/(income)	20	13
<b>Total net finance costs</b>	<b>15</b>	<b>40</b>

### 3.8. Income tax

Reconciliation of effective tax rate	3 months ended Mar 31 2019	3 months ended Mar 31 2018
Profit before tax	1,410	2,080
Corporate income tax at the 19% statutory rate applicable in Poland	(268)	(395)
Deductible temporary differences in respect of which no deferred tax was recognised	(79)	(119)
<b>Income tax expense disclosed in the statement of profit or loss</b>	<b>(347)</b>	<b>(514)</b>
Including:		
Current tax expense	(267)	(528)
Deferred tax expense	(80)	14
Effective tax rate	25%	25%

### Tax group

PGNiG S.A. represents the PGNiG Tax Group which, under the agreement concluded on September 19th 2016, will exist 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 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 the applicable tax laws, the companies included in the PGNiG Tax Group lost their separate status as payers of corporate income tax and such status was acquired by the PGNiG Tax Group, which allows corporate income tax to be calculated jointly for all members of the PGNiG Tax Group. The PGNiG Tax Group is a separate entity only for corporate income tax purposes, and it should not be viewed as a separate legal person. Its tax status does not extend to other types of taxes; in particular, each of the companies forming the PGNiG Tax Group is a separate payer of value-added tax and of tax on civil-law transactions, and a separate remitter of personal income tax withholdings. The other companies of the PGNiG Group are separate payers of corporate income tax.

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

- ability to offset losses generated by individual members of the PGNiG Tax Group against profits earned by other member companies in the period when such losses are incurred,
- CIT settlement by one entity only.

### 3.9. Property, plant and equipment

	As at Mar 31 2019	As at Dec 31 2018
Land	1,625	106
Buildings and structures	19,207	19,040
Plant and equipment	8,697	8,557
Vehicles and other	1,241	1,209
<b>Total tangible assets</b>	<b>30,770</b>	<b>28,912</b>
Tangible exploration and evaluation assets under construction	2,220	2,008
Other tangible assets under construction	3,641	3,316
<b>Total property, plant and equipment</b>	<b>36,631</b>	<b>34,236</b>

#### 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 material transactions to purchase or sell items of property, plant and equipment.

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

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

### 3.10. Derivative financial instruments

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

In the case of the Parent, all eligible transactions in the period January 1st–March 31st 2019 were accounted for using cash flow or fair value hedge accounting. The Company was party to CCIRS transactions, which are not designated for hedge accounting, As the valuation of both the hedged item and the hedge (the derivative transaction) is recognised in profit or loss, which produces the same effect as if hedge accounting was applied.

In the current reporting period, in its trading activity, the Parent entered into transactions within the approved limits. The aggregate amount of the hedging transactions does not exceed the amount of the hedged items.

The transactions in derivative financial instruments entered into by the Parent are based on the ISDA (International Swap & Derivatives Association) standards or Polish Master Agreements prepared in accordance with the guidelines of the Polish Banks Association.

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			3 months ended Mar 31 2019		3 months ended Mar 31 2018	
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
<b>Effect on statement of profit or loss</b>						
Net finance costs	Measurement and exercise of derivative financial instruments not designated for hedge accounting	Note 3.7	(1)	-	(3)	-
Other income and expenses	Measurement and exercise of derivative financial instruments not designated for hedge accounting	Note 3.6	15	-	(43)	-
Revenue	Reclassification from other comprehensive income	Note 3.4	-	178	-	(173)
Cost of gas sold	Reclassification from other comprehensive income	Note 3.5	-	1	-	4
			<b>14</b>	<b>179</b>	<b>(46)</b>	<b>(169)</b>
<b>Effect on other comprehensive income</b>						
	Gains/(losses) on measurement of derivative instruments designated for cash flow hedge accounting [effective portion]			499		(227)
	Reclassification of derivative instruments measurement to profit or loss upon exercise (cash flow hedges)			(179)		169
				<b>320</b>		<b>(58)</b>
	<b>Effect on comprehensive income</b>		<b>14</b>	<b>499</b>	<b>(46)</b>	<b>(227)</b>
	<b>Change in equity recognised in inventories</b>			<b>(94)</b>		<b>15</b>

The tables below present the Group companies' derivative transactions as at March 31st 2019.

Derivative instruments designated for hedge accounting	As at Mar 31 2019					As at Dec 31 2018			
	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
<b>Derivative instruments used to hedge currency risk in gas purchase and sale contracts</b>									
Forwards									
USD	833 USD	up to 3 years	3.34 -3.80	3.57	208	901 USD	up to 3 years	216	
USD	77 USD	1-3 months	3,76-3,79	3.77	-	77 USD	1-3 months	(1)	
EUR	1,457 EUR	up to 3 years	4,29-4,50	4.42	75	1,354 EUR	up to 3 years	50	
EUR	296 EUR	up to 3 years	4,32-4,49	4.38	(10)	438 EUR	up to 3 years	(18)	
					<b>273</b>			<b>247</b>	
<b>Derivative instruments used to hedge gas purchase and selling prices</b>									
TTF swap MA	5 MWh	1-3 months	14.03	14.03	3	-	-	-	
TTF swap DA	13 MWh	up to 3 years	14,82-20,84	18.54	78	9 MWh	up to 3 years	67	
TTF swap MA	3 MWh	1-3 months	17.60	17.60	(26)	2 MWh	1-3 months	(9)	
TTF swap DA	21 MWh	up to 3 years	14,00-19,68	16.54	(82)	3.16 MWh	up to 3 years	(54)	
GASPOOL Swap DA	13 MWh	up to 3 years	16,73-21,98	19.65	137	6.09 MWh	up to 3 years	57	
GASPOOL Swap DA	7 MWh	up to 3 years	15,97-17,23	16.51	(65)	16.28 MWh	up to 3 years	(276)	
					<b>45</b>			<b>(215)</b>	
				<b>Total</b>	<b>318</b>		<b>Total</b>	<b>32</b>	
			Including:	Assets	501	Including:	Assets	390	
				Liabilities	183		Liabilities	358	

TTF – Natural Gas at the Title Transfer Facility  
IRS – Interest Rate Swap  
MA – month-ahead; DA – day-ahead



Derivative instruments not designated for hedge accounting	As at Mar 31 2019		As at Dec 31 2018	
	Notional amount (million)	Fair value of instruments not designated for hedge accounting	Notional amount	Fair value of instruments not designated for hedge accounting
<b>Derivative instruments used to hedge interest rate risk and currency risk</b>				
CCIRS				
NOK	2,318 NOK	93	2,318 NOK	94
Forward				
EUR	315 EUR	14	573 EUR	16
EUR	261 EUR	(18)	97 EUR	(8)
EUR	2 EUR	-	336 EUR	(15)
		<b>89</b>		<b>87</b>
<b>Derivative instruments used as economic hedges of electricity purchase prices</b>				
Forward				
electricity – PPX	0.4 MWh	9	0.3 MWh	12
electricity – POLPX	9 MWh	-	8 MWh	(7)
electricity – OTC	2 MWh	44	1 MWh	75
electricity – OTC	2 MWh	(49)	2 MWh	(97)
Futures				
electricity – EEX AG	5 MWh	155	5 MWh	203
electricity – EEX AG	5 MWh	(148)	5 MWh	(180)
		<b>11</b>		<b>6</b>
<b>Derivative instruments used to hedge gas purchase and selling prices</b>				
Forward				
gas – OTC	27 MWh	442	30 MWh	305
gas – OTC	27 MWh	(424)	33 MWh	(342)
Futures				
gas – ICE ENDEX B.V.	8 MWh	165	7 MWh	85
gas – ICE ENDEX B.V.	6 MWh	(131)	5 MWh	(63)
gas – POWERNEXT SA	4 MWh	58	6 MWh	74
gas – POWERNEXT SA	6 MWh	(98)	6 MWh	(59)
GASPOOL DA	1 MWh	3		
TTF swap MA	-	-	1 MWh	2
TTF swap DA	9 MWh	162	5 MWh	37
TTF swap MA	4 MWh	(29)	1 MWh	(11)
TTF swap DA	1 MWh	(43)	2 MWh	(7)
		<b>105</b>		<b>21</b>
<b>Derivative instruments used to hedge purchase prices of CO<sub>2</sub> emission allowances</b>				
Forward	32 EUR	(1)	2 EUR	-
Forward	6 EUR	-	16 EUR	-
Futures	4 t	1	1 t	-
		-		-
<b>Derivative instruments used to hedge share purchase prices</b>				
Options	9.125 million shares	11	9.125 million shares	12
	<b>Total</b>	<b>216</b>	<b>Total</b>	<b>126</b>
	Including:		Including:	
	Assets	1,160	Assets	928
	Liabilities	944	Liabilities	802

CCIRS – Cross Currency Interest Rate Swap

POLPX – Towarowa Gielda 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 Mar 31 2019	As at Dec 31 2018
	Estimated amount	
Promissory notes received	1	1
Grants awarded	225	218
Other contingent assets	14	14
<b>Total</b>	<b>240</b>	<b>233</b>

In the reporting period, contingent assets increased due to an agreement for EU funding executed by Polska Spółka Gazownictwa Sp. z o.o.

Contingent liability	As at Mar 31 2019	As at Dec 31 2018
	Estimated amount	
Guarantees and sureties	3,897	3,504
Promissory notes	554	784
Other	11	8
<b>Total</b>	<b>4,462</b>	<b>4,296</b>

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 EUR 107,8m (PLN 463.6m at the exchange rate quoted by the NBP for March 31st 2019).

### 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 Mar 31 2019		As at Dec 31 2018	
	Level 1	Level 2	Level 1	Level 2
<b>Financial assets</b>				
Derivative instruments	869	792	763	555
	<b>869</b>	<b>792</b>	<b>763</b>	<b>555</b>
<b>Financial liabilities</b>				
Derivative instruments	873	254	820	340
	<b>873</b>	<b>254</b>	<b>820</b>	<b>340</b>

### 3.13. Classification of financial assets

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

## 4. Supplementary information to the report

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

Date	Company	Event
Jan 16th 2019	PGNiG S.A.	The PGNiG Supervisory Board passed a resolution to remove Mr Radosław Bartosik from the position of Vice President of the PGNiG Management Board, Chief Operating Officer.
Jan 25th 2019	Polska Spółka Gazownictwa Sp. z o.o.	<p>By a decision of January 25th 2019, the President of the Energy Regulatory Office (the "President of URE") approved new Tariff No. 7 for gas fuel distribution and liquefied natural gas regasification services provided by Polska Spółka Gazownictwa sp. z o.o. (the "Distribution Tariff").</p> <p>The prices and rates of network fees used for settlements with customers, provided in the Distribution Tariff were reduced by an average of 5% in relation to the current tariff of Polska Spółka Gazownictwa sp. o.o. for all tariff groups with the exception of coke gas.</p> <p>The Distribution Tariff will be effective from February 15th to December 31st 2019.</p> <p>For detailed information on the approved Distribution Tariff, see <a href="http://www.ure.gov.pl">www.ure.gov.pl</a> and <i>Biuletyn Branżowy URE – Paliwa gazowe</i> (the ERO official gazette – Gas fuels).</p>
Jan 25th 2019	PGNiG Obrót Detaliczny Sp. z o.o.	<p>On January 25th 2019, the President of the Energy Regulatory Office approved new Gas Fuel Trading Tariff No. 7 of PGNiG Obrót Detaliczny Sp. z o.o. ("Retail Tariff").</p> <p>The new Retail Tariff provides for a 2.5% increase in gas fuel prices for all tariff groups relative to the previous tariff of PGNiG Obrót Detaliczny Sp. z o.o. Subscription fees were adjusted in tariff groups 2.2 (reduced by 1.3%) and 3.6 (increased by 0.3%), while in the other tariff groups they remained unchanged. Furthermore, new Retail Tariff groups were introduced for customers using prepaid metering systems. The Retail Tariff applies only to household consumers of gas fuels.</p> <p>The Retail Tariff will be effective from February 15th to December 31st 2019.</p> <p>For detailed information on the approved tariffs, see <a href="http://www.ure.gov.pl">www.ure.gov.pl</a> and <i>Biuletyn Branżowy URE – Paliwa gazowe</i> (the ERO official gazette – Gas fuels).</p>
Mar 11th 2019	PGNiG S.A. PGNiG TERMIKA	On March 11th 2019, the President of the Office of Competition and Consumer Protection (UOKiK) issued a notification to the effect that antitrust proceedings had been opened in a case of a suspected breach of the prohibitions laid down in Art. 6.1.1, 6.1.3 and 6.1.7 of the Act on Competition and Consumer Protection and Art. 101(1)(a) and (c) of the Treaty on the Functioning of the European Union regarding fixing heat prices, sharing the heat market and fixing bids in procurement procedures for the sale and delivery of heat, as a result of an agreement that was allegedly made in 2014, with Veolia Energia Warszawa S.A., Veolia Energia Polska S.A., PGNiG TERMIKA and PGNiG as the parties to the proceedings.
Mar 14th 2019	PGNiG S.A.	The PGNiG Supervisory Board passed a resolution to appoint Robert Perkowski as a member of the PGNiG Management Board, Chief Operating Officer, with effect as of March 18th 2019.

#### 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 2018.

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 October 29th 2018, the Management Board of PGNiG S.A. resolved to distribute an interim dividend of PLN 404m from profit for 2018, with December 3rd 2018 set as the payment date.

As at the date of this interim report, no decision was made regarding payment of dividend for 2018.

No dividend was paid for 2017. On July 20th 2018, the PGNiG Annual General Meeting passed a resolution, based on a draft resolution proposed by a shareholder, to allocate PLN 867m from the net profit for 2017 to the capital reserve to be used for financing the expansion and modernisation of the Polish gas distribution network, and PLN 1,167m to increase the Company's statutory reserve funds.

#### 4.4. Issue, redemption, and repayment of debt securities

In Q1 2019, PGNiG S.A. redeemed PLN 2.3bn worth of domestic notes as part of the following programme:

Start date	End date	Issuance Programme	Participating banks as at the reporting date	Limit	Utilisation (%) as at		Outstanding debt (PLNbn) as at	
					Mar 31 2019	Mar 31 2019	Dec 31 2018	
Jun 10 2010	Jul 31 2020	Note programme	Bank Pekao S.A., ING Bank Śląski S.A., PKO BP S.A., Bank Handlowy w Warszawie, BNP Paribas S.A. Oddział w Polsce, Societe Generale S.A., Bank Zachodni WBK S.A., mBank S.A.	PLN 7bn	-	-	2.3	

PGNiG S.A. is also a party to debt securities programme agreements which were not performed in the reporting period (for PLN 1bn and PLN 5bn). A detailed description of the programmes is presented in the full-year consolidated financial statements for the period ended December 31st 2018.

#### 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 sales 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

In Q1 2019, there were no changes with respect to any material court, arbitration, or administrative proceedings pending, as compared with their status presented in the Directors' Report on the Operations of PGNiG S.A. and the PGNiG Group in 2018.

#### 4.7. Settlements from court proceedings

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

#### 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 results for 2019.

#### 4.12. Events subsequent to the reporting date

Date	Company	Event
Apr 1st 2019	PGNiG S.A.	<p>On April 1st 2019, PBG S.A. ("PBG") submitted a counterclaim against PGNiG with the Regional Court in Warsaw, 20th Commercial Division. In the counterclaim, PBG seeks satisfaction of claims under:</p> <ul style="list-style-type: none"> <li>The ocontract concluded with PGNiG S.A. on November 19th 2008 for the execution of the project to construct the Wierchowice Underground Gas Storage Facility, phase: 3.5bn m<sup>3</sup>, sub-phase: 1.2bn m<sup>3</sup> (the "Contract"), i.e. payment by PGNiG of the remaining consideration due to the Consortium (including PBG S.A., Technimont S P A., TCM FR S.A., Plynostav Pardubice Holding a.s., Plynostav-Regulace Plynu a.s.) under the Contract; and</li> <li>the contract of August 11th 2008 concluded with PGNiG S.A. for the execution of the LMG project – central facility, well areas, pipelines and other infrastructure (the "LMG Contract"), i.e. PGNiG's refund to PBG of the deposit securing warranty claims, which was offset under the LMG Contract against PGNiG's disputed claims against the Consortium under the LMG Contract.</li> </ul> <p>The claims total PLN 118.1m, together with default interest accrued from the claim filing date to the actual payment date. As at the date of issue of this report, PGNiG is analysing whether a provision should be recognised for the cost of the claim</p>
Apr 12th 2019	PGNiG S.A.	<p>On April 12th 2019, an agreement was signed with PKF Consult Sp. z o.o. Sp.k. for the audit of consolidated and separate financial statements of selected PGNiG Group companies for 2019–2020.</p>
Apr 25th 2019	Elektrociepłownia Stalowa Wola S.A. (indirect subsidiary of PGNiG; 50% owned by PGNiG TERMIKA S.A.)	<p>The Court of Arbitration at the Polish Chamber of Commerce in Warsaw (the "Arbitration Court") issued the award in a case brought by Abener Energía S.A. of Campus Palmas Altas, Seville, ("Abener Energia") against Elektrociepłownia Stalowa Wola S.A. of Stalowa Wola ("ECSW").</p> <p>The proceedings before the Arbitration Court concerned claims for payment, determination of the legal relationship and obligation to make a declaration of will in connection with the terminated contract between Abener Energia (general contractor)</p>

and ECSW (the contracting authority) for the construction of a ca. 400 MW CCGT unit with a heating unit at Elektrociepłownia Stalowa Wola S.A.

The Court of Arbitration ordered ECSW to pay to Abener Energia PLN 334m plus default interest at the statutory rate and costs of arbitration.

The Arbitration Court's award may be appealed against to a court of general jurisdiction. ECSW is analysing the award and its grounds with a view to filing a claim to vacate the award.

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

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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.

## 5. Quarterly financial data of PGNiG S.A.

### 5.1. Financial statements

Separate statement of profit or loss	3 months ended Mar 31 2019	3 months ended Mar 31 2018
Revenue from sale of gas	6,699	5,910
Other revenue	1,129	983
<b>Revenue</b>	<b>7,828</b>	<b>6,893</b>
Cost of gas sold	(5,722)	(4,683)
Other raw materials and consumables used	(542)	(384)
Employee benefits expense	(157)	(160)
Transmission, distribution and storage services	(230)	(239)
Other services	(206)	(406)
Depreciation and amortisation	(207)	(192)
Taxes and charges	(127)	(133)
Other income and expenses	67	73
Work performed by the entity and capitalised	3	1
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	17	243
Finance income	27	60
Interest income calculated using the effective interest rate	56	49
Finance costs	(40)	(46)
Gain/(loss) on derecognition of financial assets measured at amortised cost	10	-
Revaluation of financial assets	(26)	(39)
<b>Total</b>	<b>(7,077)</b>	<b>(5,856)</b>
<b>Profit before tax</b>	<b>751</b>	<b>1,037</b>
Income tax	(150)	(212)
<b>Net profit</b>	<b>601</b>	<b>825</b>
Weighted average number of ordinary shares (million)	5,778	5,778
Basic and diluted earnings per share (PLN)	0.10	0.14

Separate statement of comprehensive income	3 months ended Mar 31 2019	3 months ended Mar 31 2018
<b>Net profit</b>	<b>601</b>	<b>825</b>
Hedge accounting	320	(58)
Deferred tax	(43)	8
<b>Other comprehensive income subject to reclassification to profit or loss</b>	<b>277</b>	<b>(50)</b>
<b>Other comprehensive income, net</b>	<b>277</b>	<b>(50)</b>
<b>Total comprehensive income</b>	<b>878</b>	<b>775</b>

Separate statement of cash flows	3 months ended Mar 31 2019	3 months ended Mar 31 2018
<b>Cash flows from operating activities</b>		
Net profit	601	825
Depreciation and amortisation	207	192
Interest and dividends	(32)	(32)
Net gain/(loss) on investing activities	(15)	(171)
Other non-cash adjustments	(45)	355
Income tax paid	(116)	(275)
Current tax expense	150	212
Movements in working capital	762	1,298
<b>Net cash from operating activities</b>	<b>1,512</b>	<b>2,404</b>
<b>Cash flows from investing activities</b>		
Payments for tangible exploration and evaluation assets	(207)	(199)
Payments for other property, plant and equipment and intangible assets	(87)	(77)
Loans advanced	(978)	(90)
Payments for derivative financial instruments	(34)	(47)
Other cash used in investing activities	(6)	(3)
Repayments of loans advanced	121	11
Proceeds from derivative financial instruments	11	17
Interest received	48	59
Other cash generated by financing activities	16	10
<b>Net cash from investing activities</b>	<b>(1,116)</b>	<b>(319)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of debt securities	-	549
Other cash generated by financing activities	-	1
Redemption of debt securities	(2,295)	(1,996)
Interest paid	(15)	(10)
Payment of principal and interest under lease liabilities	(15)	-
<b>Net cash from financing activities</b>	<b>(2,325)</b>	<b>(1,456)</b>
<b>Net cash flows</b>	<b>(1,929)</b>	<b>629</b>
Cash and cash equivalents at beginning of period	4,844	1,680
<b>Cash and cash equivalents at end of period</b>	<b>2,915</b>	<b>2,309</b>

In the reporting period, selected PGNiG Group companies were parties to cash pooling agreements:

- Agreement of July 16th 2014 between Bank Pekao S.A. and Group companies (PGNiG S.A., Polska Spółka Gazownictwa Sp. z o.o., Exalo Driling S.A., Geofizyka Kraków S.A. w likwidacji, Geofizyka Toruń S.A., Gas Storage Poland Sp. z o.o., PGNiG Serwis Sp. z o.o., PGNiG Termika S.A., PGNiG Obrót Detaliczny Sp. Z o.o., Geovita S.A., PGNiG Gazoprojekt S.A., Gas-Trading S.A. and PGNiG Supply & Trading GmbH Sp. Z o.o. Poland Branch);
- Agreement of December 22nd 2016, effective from March 1st 2017, between PKO BP S.A. and Group companies (PGNiG S.A., Polska Spółka Gazownictwa Sp. z o.o., PGNiG Technologie S.A., Geofizyka Toruń S.A., Gas Storage Poland Sp. z o.o., PGNiG Serwis Sp. z o.o., PGNiG Termika S.A. and PGNiG Obrót Detaliczny Sp. Z o.o.).

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.



Therefore, 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	3 months ended Mar 31 2019	3 months ended Mar 31 2018
<b>Cash and cash equivalents at end of period in the statement of cash flows</b>	<b>2,915</b>	<b>2,309</b>
Opening balance of net exchange differences	(3)	(2)
Opening balance of inflows/outflows of cash under cash pooling arrangement	(1,697)	306
Net exchange differences in period	6	3
Inflows/(outflows) of cash under cash pooling arrangement in period	780	76
<b>Cash at end of period in the statement of financial position</b>	<b>2,001</b>	<b>2,692</b>

Separate statement of financial position	As at Mar 31 2019	As at Dec 31 2018
<b>Assets</b>		
Property, plant and equipment	12,648	12,116
Licences, mining rights and rights to geological information	118	120
Deferred tax assets	-	45
Shares	9,846	9,846
Derivative financial instruments	145	214
Loans advanced	3,815	2,881
Other assets	471	520
<b>Non-current assets</b>	<b>27,043</b>	<b>25,742</b>
Inventories	1,541	2,691
Receivables	2,690	2,365
Cash pooling receivables	1,372	1,825
Derivative financial instruments	690	453
Loans advanced	521	592
Other assets	162	181
Cash and cash equivalents	2,001	3,144
<b>Current assets</b>	<b>8,977</b>	<b>11,251</b>
<b>TOTAL ASSETS</b>	<b>36,020</b>	<b>36,993</b>
<b>Equity and liabilities</b>		
Share capital and share premium	7,518	7,518
Capital reserve	867	867
Hedging reserve	255	72
Accumulated other comprehensive income	13	13
Retained earnings	20,985	20,363
<b>Total equity</b>	<b>29,638</b>	<b>28,833</b>
Lease liabilities	350	-
Derivative financial instruments	75	105
Employee benefit obligations	255	255
Provision for well decommissioning costs	1,568	1,569
Other provisions	11	28
Grants	510	519
Other liabilities	73	75
<b>Non-current liabilities</b>	<b>2,884</b>	<b>2,551</b>
Financing liabilities	-	2,298
Lease liabilities	20	-
Derivative financial instruments	246	406
Trade and tax payables	2,150	2,194
Cash pooling liabilities	490	171
Employee benefit obligations	124	109
Provision for well decommissioning costs	91	91
Other provisions	311	287
Other liabilities	66	53
<b>Current liabilities</b>	<b>3,498</b>	<b>5,609</b>
<b>TOTAL LIABILITIES</b>	<b>6,382</b>	<b>8,160</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>36,020</b>	<b>36,993</b>

Separate statement of changes in equity

	Share capital and share premium	Capital reserve*	Hedging reserve	Accumulated other comprehensive income	Retained earnings (deficit)	Total equity
<b>As at Jan 1 2018</b>	7,518	-	7	23	18,485	26,033
Effect of IFRS 9	-	-	-	-	(140)	(140)
<b>As at Jan 1 2018 (restated)</b>	7,518	-	7	23	18,345	25,893
Net profit	-	-	-	-	825	825
Other comprehensive income, net	-	-	(50)	-	-	(50)
<b>Total comprehensive income</b>	-	-	(50)	-	825	775
Change in equity recognised in inventories	-	-	15	-	-	15
<b>As at Mar 31 2018</b>	7,518	-	(28)	23	19,170	26,683
<b>As at Jan 1 2019</b>	7,518	867	72	13	20,363	28,833
Effect of IFRS 16	-	-	-	-	21	21
<b>As at Jan 1 2019 (restated)</b>	7,518	867	72	13	20,384	28,854
Net profit	-	-	-	-	601	601
Other comprehensive income, net	-	-	277	-	-	277
<b>Total comprehensive income</b>	-	-	277	-	601	878
Change in equity recognised in inventories	-	-	(94)	-	-	(94)
<b>As at Mar 31 2019</b>	7,518	867	255	13	20,985	29,638

\* On July 20th 2018, the Annual General Meeting of PGNiG S.A. resolved to allocate PLN 867m to capital reserve to be used for the expansion and modernisation of the national gas distribution network.

5.2. Presentation changes in the financial statements

PGNiG S.A. adopted the new IFRS 16 starting from January 1st 2019 (for more information, see [Note 1.5.](#)).

The impact of IFRS 16 on the financial statements is presented below.

	Carrying amount as at Dec 31 2018	Effect of IFRS 16 on the statement of financial position	Carrying amount as at Jan 1 2019
<b>Assets</b>			
Property, plant and equipment, including	12,116	410	12,526
land	38	(19)	19
Right-of-use assets, including:	-	429	429
land	-	391	391
buildings and structures	-	19	19
plant and equipment	-	4	4
vehicles	-	15	15
Deferred tax on provision for environmental liabilities	5	(5)	-
Other assets, including:	520	(30)	490
perpetual usufruct rights to land	30	(30)	-
<b>Non-current assets</b>	25,742	375	26,117
<b>TOTAL ASSETS</b>	36,993	375	37,368
<b>Equity and liabilities</b>			
Retained earnings	20,363	21	20,384
<b>Total equity</b>	28,833	21	28,854
Other provisions, including	28	(17)	11
provisions for environmental liabilities	24	(17)	7
Finance lease liabilities	-	373	373
<b>Non-current liabilities</b>	2,551	356	2,907
Other provisions, including	287	(2)	285
provisions for environmental liabilities	2	(2)	-
<b>Current liabilities</b>	5,609	(2)	5,607
<b>TOTAL LIABILITIES</b>	8,160	354	8,514
<b>TOTAL EQUITY AND LIABILITIES</b>	36,993	375	37,368

### 5.3. Notes to the interim condensed separate financial statements

#### Deferred tax

	As at Jan 1 2018	Effect of implemen tation of IFRS 9 as at Jan 1 2018	Credited/Charged		As at Dec 31 2018	Effect of implemen tation of IFRS 16 as at Jan 1 2019	Credited/Charged		As at Mar 31 2019
			Net profit/(loss)	Other comprehe nsive income			Net profit/(loss)	Other comprehe nsive income	
<b>Deferred tax assets</b>									
Employee benefit obligations	49	-	4	2	55	-	(1)	-	54
Provision for well decommissioning costs	155	-	26	-	181	-	(1)	-	180
Other provisions	26	-	9	-	35	(5)	15	-	45
Valuation of derivatives	13	-	80	-	93	-	(36)	-	57
Impairment of property, plant and equipment	174	-	(76)	-	98	-	(3)	-	95
Unused tax losses of the Pakistan Branch	-	-	50	-	50	-	12	-	62
Other	26	-	10	-	36	-	(1)	-	35
<b>Total</b>	<b>443</b>	<b>-</b>	<b>103</b>	<b>2</b>	<b>548</b>	<b>(5)</b>	<b>(15)</b>	<b>-</b>	<b>528</b>
<b>Deferred tax liabilities</b>									
Difference between depreciation rates for property, plant and equipment	292	-	86	-	378	-	25	-	403
Valuation of derivatives	34	-	58	15	107	-	(2)	43	148
Other	38	(4)	(16)	-	18	-	1	-	19
<b>Total</b>	<b>364</b>	<b>(4)</b>	<b>128</b>	<b>15</b>	<b>503</b>	<b>-</b>	<b>24</b>	<b>43</b>	<b>570</b>
Set-off of assets and liabilities	(364)	-	-	-	(503)	-	-	-	(528)
<b>After set-off</b>									
Assets	79	-	-	-	45	-	-	-	-
Liabilities	-	-	-	-	-	-	-	-	42
<b>Net effect of changes in the period</b>		<b>4</b>	<b>(25)</b>	<b>(13)</b>		<b>(5)</b>	<b>(39)</b>	<b>(43)</b>	

In the period ended March 31st 2019, 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.

In the comparative period, the Company recognised the effect of IFRS 9 on deferred tax liabilities of PLN 4m. The balance of deferred tax assets was adjusted by the identified amount of liabilities.

### Impairment losses/write-downs

	Property, plant and equipment, licences, mining rights and rights to geological information	Other assets	Loans advanced	Shares	Inventories	Receivables	Cash pooling receivables	Current financial assets	Total
<b>As at Jan 1 2018</b>	<b>3,597</b>	<b>20</b>	<b>50</b>	<b>2,669</b>	<b>103</b>	<b>320</b>	<b>-</b>	<b>39</b>	<b>6,798</b>
Effect of IFRS 9	-	-	81	-	-	13	6	-	100
<b>As at Jan 1 2018 (restated)</b>	<b>3,597</b>	<b>20</b>	<b>131</b>	<b>2,669</b>	<b>103</b>	<b>333</b>	<b>6</b>	<b>39</b>	<b>6,898</b>
Recognised impairment loss/write-down taken to profit or loss	690	1	106	77	108	461	10	-	1,453
Transfers	-	(14)	-	15	-	(1)	-	-	-
Impairment loss/write-down reversal taken to profit or loss	(945)	(1)	(159)	(1)	(81)	(306)	(6)	-	(1,499)
Other changes	(94)	-	-	-	-	-	-	-	(94)
<b>As at Dec 31 2018</b>	<b>3,248</b>	<b>6</b>	<b>78</b>	<b>2,760</b>	<b>130</b>	<b>487</b>	<b>10</b>	<b>39</b>	<b>6,758</b>
<b>As at Jan 1 2019</b>	<b>3,248</b>	<b>6</b>	<b>78</b>	<b>2,760</b>	<b>130</b>	<b>487</b>	<b>10</b>	<b>39</b>	<b>6,758</b>
Recognised impairment loss/write-down taken to profit or loss	-	-	13	-	88	124	1	-	226
Impairment loss/write-down reversal taken to profit or loss	(17)	-	(7)	-	(108)	(98)	(1)	-	(231)
Other changes	(24)	-	-	-	-	-	-	-	(24)
<b>As at Mar 31 2019</b>	<b>3,207</b>	<b>6</b>	<b>84</b>	<b>2,760</b>	<b>110</b>	<b>513</b>	<b>10</b>	<b>39</b>	<b>6,729</b>

### Provisions

	Provision for well decommissioning costs	Provision for certificates of origin and energy efficiency certificates	Provision for liabilities associated with exploration work abroad	Provision for environmental liabilities	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Provision for financial guarantees	Other provisions	Total
<b>As at Jan 1 2018</b>	<b>1,429</b>	<b>38</b>	<b>162</b>	<b>26</b>	<b>10</b>	<b>6</b>	<b>-</b>	<b>15</b>	<b>1,686</b>
Effect of IFRS 9	-	-	-	-	-	-	18	-	18
<b>As at Jan 1 2019 (restated)</b>	<b>1,429</b>	<b>38</b>	<b>162</b>	<b>26</b>	<b>10</b>	<b>6</b>	<b>18</b>	<b>15</b>	<b>1,704</b>
Recognised provision capitalised in the cost of property, plant and equipment	237	-	-	-	-	-	-	-	237
Recognised provision taken to profit or loss	56	34	13	-	-	1	-	15	119
Used provision	(28)	(1)	-	-	(10)	-	-	-	(39)
Provision reversal taken to profit or loss	(34)	(1)	-	-	-	(3)	(3)	(5)	(46)
<b>As at Dec 31 2018</b>	<b>1,660</b>	<b>70</b>	<b>175</b>	<b>26</b>	<b>-</b>	<b>4</b>	<b>15</b>	<b>25</b>	<b>1,975</b>
Effect of IFRS 16	-	-	-	(19)	-	-	-	-	(19)
<b>As at Jan 1 2019 (restated)</b>	<b>1,660</b>	<b>70</b>	<b>175</b>	<b>7</b>	<b>-</b>	<b>4</b>	<b>15</b>	<b>25</b>	<b>1,956</b>
Recognised provision capitalised in the cost of property, plant and equipment	7	-	-	-	-	-	-	-	7
Recognised provision taken to profit or loss	7	11	4	-	-	-	-	12	34
Used provision	(6)	-	-	-	-	-	-	-	(6)
Provision reversal taken to profit or loss	(9)	-	-	-	-	-	-	(1)	(10)
<b>As at Mar 31 2019</b>	<b>1,659</b>	<b>81</b>	<b>179</b>	<b>7</b>	<b>-</b>	<b>4</b>	<b>15</b>	<b>36</b>	<b>1,981</b>

## Revenue

	Total		Domestic sales		Export sales	
	3 months ended Mar 31 2019	3 months ended Mar 31 2018	3 months ended Mar 31 2019	3 months ended Mar 31 2018	3 months ended Mar 31 2019	3 months ended Mar 31 2018
<b>Revenue from sale of gas, including:</b>	<b>6,699</b>	<b>5,910</b>	<b>6,402</b>	<b>5,670</b>	<b>297</b>	<b>240</b>
High-methane gas	5,944	5,566	5,712	5,370	232	196
Nitrogen-rich gas	489	451	457	427	32	24
Propane-butane gas	17	16	17	16	-	-
LNG	31	27	31	27	-	-
Helium	40	23	7	3	33	20
Adjustment to gas sales due to hedging transactions	178	(173)	178	(173)	-	-
<b>Other revenue, including:</b>	<b>1,129</b>	<b>983</b>	<b>1,007</b>	<b>792</b>	<b>122</b>	<b>191</b>
Sale of crude oil and natural gasoline	369	350	269	250	100	100
Sale of electricity	529	370	527	324	2	46
Right to use storage facilities	145	143	145	143	-	-
Other	86	120	66	75	20	45
<b>Total revenue</b>	<b>7,828</b>	<b>6,893</b>	<b>7,409</b>	<b>6,462</b>	<b>419</b>	<b>431</b>

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 concluded under long-term framework 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.

## Operating expenses

	3 months ended Mar 31 2019	3 months ended Mar 31 2018
<b>Cost of gas sold</b>	<b>(5,722)</b>	<b>(4,683)</b>
Gas fuel	(5,723)	(4,687)
Net gain/(loss) on transactions hedging gas prices	1	4
<b>Other raw materials and consumables used</b>	<b>(542)</b>	<b>(384)</b>
Electricity for trading	(513)	(361)
Other raw materials and consumables	(29)	(23)
<b>Employee benefits expense</b>	<b>(157)</b>	<b>(160)</b>
Salaries and wages	(97)	(97)
Social security contributions	(23)	(25)
Other employee benefits expense	(30)	(30)
Employee benefit obligations	(7)	(8)
<b>Transmission, distribution and storage services</b>	<b>(230)</b>	<b>(239)</b>
<b>Other services</b>	<b>(206)</b>	<b>(406)</b>
Regasification services	(93)	(89)
Cost of dry wells written off	(13)	(234)
Repair and construction services	(7)	(4)
Geological and exploration services	(7)	(3)
Mineral resources production services	(6)	(4)
Well abandonment services	(5)	(2)
Other services	(75)	(70)
<b>Depreciation and amortisation</b>	<b>(207)</b>	<b>(192)</b>
Depreciation of non-leased assets	(203)	(192)
Depreciation of leased assets	(4)	N/A
<b>Recognition and reversal of impairment losses on property, plant and equipment and intangible assets</b>	<b>17</b>	<b>243</b>
Impairment losses on property, plant and equipment	17	243
<b>Total</b>	<b>(7,047)</b>	<b>(5,821)</b>

## Other income and expenses

	3 months ended Mar 31 2019	3 months ended Mar 31 2018
Measurement and exercise of derivative financial instruments	28	(16)
Change in inventory write-downs	20	41
Change in provision for well decommissioning costs	2	(1)
Change in provision for certificates of origin and energy efficiency certificates	(11)	(9)
Cost of merchandise and materials sold	(10)	(2)
Change in other provisions	(11)	(20)
Other	49	80
<b>Total other income and expenses</b>	<b>67</b>	<b>73</b>

## Finance income and costs

	3 months ended Mar 31 2019	3 months ended Mar 31 2018
<b>Finance income</b>		
Foreign exchange gains	24	28
Fair value measurement of a loan	-	21
Other finance income	3	11
<b>Total finance income</b>	<b>27</b>	<b>60</b>
<b>Finance costs</b>		
Loss on measurement and exercise of forward contracts	(24)	(28)
Debt-related interest and fees	(14)	(12)
Other	(2)	(6)
<b>Total finance costs</b>	<b>(40)</b>	<b>(46)</b>

## Income tax

Reconciliation of effective tax rate	3 months ended Mar 31 2019	3 months ended Mar 31 2018
<b>Profit before tax</b>	<b>751</b>	<b>1,037</b>
Corporate income tax at the applicable 19% statutory rate	(143)	(197)
Other income not recognised as taxable income	(14)	52
Non-tax deductible expenses	7	(67)
<b>Corporate income tax at the effective tax rate</b>	<b>(150)</b>	<b>(212)</b>
Current tax expense	(111)	(191)
Deferred tax expense	(39)	(21)
<b>Effective tax rate</b>	<b>20%</b>	<b>20%</b>

## Property, plant and equipment

	As at Mar 31 2019	As at Dec 31 2018
Land	19	38
Buildings and structures	7,024	7,130
Plant and equipment	2,291	2,306
Vehicles and other	102	104
<b>Total tangible assets</b>	<b>9,436</b>	<b>9,578</b>
Tangible exploration and evaluation assets under construction	2,181	1,974
Other tangible assets under construction	607	564
<b>Total tangible assets under construction</b>	<b>2,788</b>	<b>2,538</b>
Right-of-use asset – land	389	N/A
Right-of-use asset – buildings and structures	17	N/A
Right-of-use asset – machinery and equipment	4	N/A
Right-of-use asset – vehicles	14	N/A
<b>Total right-of-use assets</b>	<b>424</b>	<b>N/A</b>
<b>Total property, plant and equipment</b>	<b>12,648</b>	<b>12,116</b>



## Hedge accounting

Type of hedging instrument	Notional amount	Carrying amount as at Mar 31 2019		Name of statement of financial position item which includes hedging instrument	Change in fair value of hedging instrument used as basis for recognising hedge ineffectiveness in given period	Hedging gains or losses for reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss	Statement of comprehensive income (statement of profit or loss) item in which ineffectiveness amount is included	Amount reclassified from cash flow hedging reserve to profit or loss as reclassification adjustment	Statement of comprehensive income (statement of profit or loss) item in which reclassification adjustment is included
		Assets	Liabilities							
<b>CASH FLOW HEDGES</b>										
<b>CURRENCY RISK</b>										
Forward contracts for currency purchase (USD)	3,197	208	-	Derivative financial instruments	208	86	-	Operating income / expenses	Not applicable	Not applicable
Average rate forwards (EUR)	7,539	75	10	Derivative financial instruments	42	26	-	Operating income / expenses	13	Revenue from sales of gas
<b>COMMODITY PRICE RISK</b>										
Basis swap contracts for gas price indices	465	46	31	Derivative financial instruments	17	77	-	Operating income / expenses	(85)	Revenue from sales of gas
Swap contracts for gas price indices	2,858	172	143	Derivative financial instruments	163	309	8	Operating income / expenses	(106)	Revenue from sales of gas
Swap contracts for petroleum product price indices	-	-	-	Derivative financial instruments	-	0	-	Operating income / expenses	Not applicable	Not applicable
<b>FAIR VALUE HEDGES</b>										
<b>Total</b>	<b>14,059</b>	<b>501</b>	<b>184</b>	<b>-</b>	<b>430</b>	<b>498</b>	<b>8</b>	<b>-</b>	<b>(178)</b>	<b>-</b>
Type of hedging instrument	Notional amount	Carrying amount as at Dec 31 2018		Name of statement of financial position item which includes hedging instrument	Change in fair value of hedging instrument used as basis for recognising hedge ineffectiveness in given period	Hedging gains or losses for reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss	Statement of comprehensive income (statement of profit or loss) item in which ineffectiveness amount is included	Amount reclassified from cash flow hedging reserve to profit or loss as reclassification adjustment	Statement of comprehensive income (statement of profit or loss) item in which reclassification adjustment is included
		Assets	Liabilities							
<b>CASH FLOW HEDGES</b>										
<b>CURRENCY RISK</b>										
Forward contracts for currency purchase (USD)	3,678	216	1	Derivative financial instruments	215	418	-	Operating income / expenses	Not applicable	Not applicable
Average rate forwards (EUR)	7,707	50	18	Derivative financial instruments	26	29	-	Operating income / expenses	(3)	Revenue from sale of gas
<b>COMMODITY PRICE RISK</b>										
Basis swap contracts for gas price indices	208	34	9	Derivative financial instruments	26	(192)	-	Operating income / expenses	217	Revenue from sale of gas
Swap contracts for gas price indices	3,081	90	330	Derivative financial instruments	(189)	(359)	(10)	Operating income / expenses	164	Revenue from sale of gas
Swap contracts for petroleum product price indices	-	-	-	Derivative financial instruments	-	28	-	Operating income / expenses	Not applicable	Not applicable
<b>FAIR VALUE HEDGES</b>										
<b>Total</b>	<b>14,674</b>	<b>390</b>	<b>358</b>	<b>-</b>	<b>78</b>	<b>(76)</b>	<b>(10)</b>	<b>-</b>	<b>378</b>	<b>-</b>

Hedged items as at Mar 31 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
<b>CURRENCY RISK</b>			
Natural gas (USD)	(208)	208	Not applicable
Natural gas (EUR)	(42)	31	35
<b>COMMODITY PRICE RISK</b>			
Gas contracts indexed to monthly gas price indices	(17)	16	0
Gas contracts indexed to daily gas price indices	(181)	23	1
Gas contracts indexed to monthly petroleum product indices	Not applicable	Not applicable	Not applicable
<b>TOTAL</b>	<b>(448)</b>	<b>278</b>	<b>36</b>

Hedged items as at December 31st 2018	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
<b>CURRENCY RISK</b>			
Natural gas (USD)	215	215	Not applicable
Natural gas (EUR)	(26)	31	(5)
<b>COMMODITY PRICE RISK</b>			
Gas contracts indexed to monthly gas price indices	(26)	25	1
Gas contracts indexed to daily gas price indices	179	(182)	2
Gas contracts indexed to monthly petroleum product indices	Not applicable	Not applicable	Not applicable
<b>TOTAL</b>	<b>342</b>	<b>89</b>	<b>(2)</b>

	2019	2018
<b>At beginning of period</b>	89	8
<b>CURRENCY RISK</b>		
Hedging gains or losses recognised in other comprehensive income during reporting period	113	448
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	13	(3)
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	(95)	(194)
<b>COMMODITY PRICE RISK</b>		
Hedging gains or losses recognised in other comprehensive income during reporting period	386	(523)
Part of loss taken to statement of profit or loss as hedged item was not expected to occur	-	(1)
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	(191)	381
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	-	(11)
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)	(16)
<b>At end of period</b>	<b>314</b>	<b>89</b>

## PGNiG S.A. Management Board:

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President of the Management Board	Piotr Woźniak	<i>Signed with qualified electronic signature</i>
Vice President of the Management Board	Łukasz Kroplewski	<i>Signed with qualified electronic signature</i>
Vice President of the Management Board	Robert Perkowski	<i>Signed with qualified electronic signature</i>
Vice President of the Management Board	Michał Pietrzyk	<i>Signed with qualified electronic signature</i>
Vice President of the Management Board	Maciej Woźniak	<i>Signed with qualified electronic signature</i>
Vice President of the Management Board	Magdalena Zegarska	<i>Signed with qualified electronic signature</i>

Warsaw, May 15th 2019

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.