INTERIM REPORT

for the six months ended
June 30th 2022

2022

Financial highlights

Key data from the interim condensed consolidated financial statements	PLNm		EURm	
	6 months ended Jun 30 2022	6 months ended Jun 30 2021	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Revenue	78,372	24,985	16,881	5,495
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	15,067	5,195	3,245	1,142
Operating profit (EBIT)	11,917	3,417	2,567	751
Profit before tax	11,414	3,336	2,458	734
Net profit attributable to owners of the parent	4,839	2,434	1,042	535
Net profit	4,839	2,434	1,042	535
Total comprehensive income attributable to owners of the parent	(1,576)	2,371	(339)	521
Total comprehensive income	(1,576)	2,371	(339)	521
Net cash from operating activities	3,325	4,750	716	1,045
Net cash from investing activities	(2,785)	(2,878)	(600)	(633)
Net cash from financing activities	576	(1,065)	124	(234)
Net cash flows	1,116	807	240	177
Basic and diluted earnings per share (in PLN and EUR, respectively)	0.84	0.42	0.18	0.09

	As at Jun 30 2022	As at Dec 31 2021	As at Jun 30 2022	As at Dec 31 2021
Total assets	120,967	101,576	25,844	22,085
Total liabilities	78,556	57,197	16,783	12,436
Non-current liabilities	24,959	20,107	5,332	4,372
Current liabilities	53,597	37,090	11,451	8,064
Total equity	42,411	44,379	9,061	9,649
Share capital	5,778	5,778	1,234	1,256
Weighted average number of ordinary shares (million)	5,778	5,778	5,778	5,778
Book value per share and diluted book value per share (PLN/EUR)	7.34	7.68	1.57	1.67
Dividend per share declared or paid (PLN and EUR)	-	0.21	-	0.05

Key data from the interim condensed separate financial statements	PLNm		EURm	
	6 months ended Jun 30 2022	6 months ended Jun 30 2021	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Revenue	43,745	12,413	9,422	2,730
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	3,115	1,836	671	404
Operating profit (EBIT)	2,671	1,427	575	314
Profit before tax	2,893	2,140	623	471
Net profit	2,291	1,870	493	411
Total comprehensive income	(4,235)	1,779	(912)	391
Net cash from operating activities	(6,587)	(257)	(1,419)	(57)
Net cash from investing activities	(323)	738	(70)	162
Net cash from financing activities	2,375	(28)	512	(6)
Net cash flows	(4,535)	453	(977)	99
Earnings and diluted earnings per share attributable to holders of ordinary shares (PLN/EUR)	0.40	0.32	0.09	0.07

	As at Jun 30 2022	As at Dec 31 2021	As at Jun 30 2022	As at Dec 31 2021
Total assets	80,503	69,690	17,199	15,152
Total liabilities	49,560	34,120	10,588	7,418
Non-current liabilities	12,676	7,270	2,708	1,580
Current liabilities	36,884	26,850	7,880	5,838
Total equity	30,943	35,570	6,611	7,734
Share capital and share premium	7,518	7,518	1,606	1,635
Weighted average number of shares (million) in the period	5,778	5,778	5,778	5,778
Book value per share and diluted book value per share (PLN/EUR)	5.36	6.16	1.14	1.34
Dividend per share declared or paid (PLN and EUR)	-	0.21	-	0.05

Average EUR/PLN exchange rates quoted by the NBP	Jun 30 2022	Jun 30 2021	Dec 31 2021
Average exchange rate for period	4.6427	4.5472	4.5775
Exchange rate at end of period	4.6806	4.5208	4.5994

Items of the statement of profit or loss, statement of comprehensive income, and statement of cash flows were translated at the EUR/PLN exchange rate computed as the arithmetic mean of the mid rates quoted by the National Bank of Poland (NBP) for the last day of each calendar month in the reporting period.

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

TABLE OF CONTENTS

Interim condensed consolidated financial statements

Consolidated statement of profit or loss	Note	3 months ended Jun 30 2022	6 months ended Jun 30 2022	3 months ended Jun 30 2021	6 months ended Jun 30 2021
		unaudited	unaudited	unaudited	unaudited
Revenue from sales of gas	Note 3.4	26,201	67,648	7,274	17,879
Other revenue	Note 3.4	4,772	10,724	3,158	7,106
Revenue		**30,973**	**78,372**	**10,432**	**24,985**
Cost of gas	Note 3.5	(23,044)	(57,310)	(6,023)	(14,566)
Other raw materials and consumables used	Note 3.5	(1,101)	(2,285)	(811)	(1,901)
Employee benefits expense	Note 3.5	(908)	(1,795)	(814)	(1,651)
Transmission services		(415)	(774)	(269)	(538)
Other services	Note 3.5	(450)	(1,230)	(495)	(899)
Taxes and charges		(197)	(1,016)	(98)	(731)
Other income and expenses	Note 3.6	(31)	288	(487)	(171)
Work performed by the entity and capitalised		192	385	267	551
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	Note 3.5	450	432	100	116
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)		**5,469**	**15,067**	**1,802**	**5,195**
Depreciation and amortisation		(1,562)	(3,150)	(822)	(1,778)
Operating profit (EBIT)		**3,907**	**11,917**	**980**	**3,417**
Net finance costs	Note 3.7	(205)	(495)	(30)	(87)
Profit/(loss) from equity-accounted investees		(10)	(8)	6	6
Profit before tax		**3,692**	**11,414**	**956**	**3,336**
Income tax	Note 3.8	(2,946)	(6,575)	(269)	(902)
Net profit		**746**	**4,839**	**687**	**2,434**
Net profit attributable to:					
Owners of the parent		746	4,839	687	2,434
Non-controlling interests		-	-	-	-
Weighted average number of ordinary shares (million)		5,778	5,778	5,778	5,778
Basic and diluted earnings per share (PLN)		0.13	0.84	0.12	0.42

Consolidated statement of comprehensive income	Note	3 months ended Jun 30 2022	6 months ended Jun 30 2022	3 months ended Jun 30 2021	6 months ended Jun 30 2021
		unaudited	unaudited	unaudited	unaudited
Net profit		**746**	**4,839**	**687**	**2,434**
Exchange differences on translating foreign operations		(55)	107	(56)	21
Hedge accounting		(4,618)	(8,045)	(399)	(111)
Deferred tax		878	1,529	76	21
Share of other comprehensive income of equity-accounted investees		-	2	-	-
Other comprehensive income subject to reclassification to profit or loss		**(3,795)**	**(6,407)**	**(379)**	**(69)**
Actuarial losses on employee benefits		(29)	(29)	5	5
Deferred tax		6	6	(1)	(1)
Share of other comprehensive income of equity-accounted investees		15	15	2	2
Other comprehensive income not subject to reclassification to profit or loss		**(8)**	**(8)**	**6**	**6**
Other comprehensive income, net		**(3,803)**	**(6,415)**	**(373)**	**(63)**
Total comprehensive income		**(3,057)**	**(1,576)**	**314**	**2,371**
Total comprehensive income attributable to:					
Owners of the parent		(3,057)	(1,576)	314	2,371
Non-controlling interests		-	-	-	-

(in PLN million unless stated otherwise)

Consolidated statement of cash flows	Note	6 months ended Jun 30 2022	6 months ended Jun 30 2021
		unaudited	unaudited
Cash flows from operating activities			
Net profit		4,839	2,434
Depreciation and amortisation		3,150	1,778
Current tax expense		6,575	902
Net gain/(loss) on investing activities		(562)	(450)
Other non-cash adjustments		(134)	235
Income tax paid		(5,159)	(382)
Movements in working capital		(5,384)	233
Net cash from operating activities		**3,325**	**4,750**
Cash flows from investing activities			
Payments for acquisition of tangible exploration and evaluation assets under construction		(238)	(297)
Payments for other property, plant and equipment and intangible assets		(2,555)	(2,549)
Proceeds from sale of property, plant and equipment and intangible assets		80	16
Payments for shares in related entities		(38)	(26)
Payments for acquisition of short-term securities		(64)	-
Proceeds from sale of short-term securities		72	-
Other items, net		(42)	(22)
Net cash from investing activities		**(2,785)**	**(2,878)**
Cash flows from financing activities			
Increase in debt		3,208	4
Decrease in debt		(2,624)	(1,077)
Other items, net		(8)	8
Net cash from financing activities		**576**	**(1,065)**
Net cash flows		**1,116**	**807**
Cash and cash equivalents at beginning of the period		11,410	7,098
Foreign exchange differences on cash and cash equivalents		(103)	331
Impairment losses on cash and cash equivalents		(3)	(1)
Cash flows associated with cash pooling transactions		1	-
Cash and cash equivalents at end of the period		**12,421**	**8,235**
including restricted cash		4,297	2,076

(in PLN million unless stated otherwise)

Consolidated statement of financial position	Note	As at Jun 30 2022	As at Dec 31 2021
		unaudited	audited
ASSETS			
Property, plant and equipment	*Note 3.9*	50,913	50,192
Intangible assets		1,772	1,826
Deferred tax assets		3,005	1,494
Equity-accounted investees		994	984
Derivative financial instruments		2,758	1,396
Other assets		1,600	1,588
Non-current assets		**61,042**	**57,480**
Inventories		12,166	8,235
Receivables		22,046	16,462
Derivative financial instruments	*Note 3.10*	12,227	7,572
Other assets		1,057	336
Cash and cash equivalents		12,421	11,410
Assets held for sale		8	81
Current assets		**59,925**	**44,096**
TOTAL ASSETS		**120,967**	**101,576**
EQUITY AND LIABILITIES			
Share capital and share premium		7,518	7,518
Hedging reserve		(11,506)	(4,598)
Accumulated other comprehensive income		(180)	(281)
Retained earnings		46,579	41,740
Equity attributable to owners of the parent		**42,411**	**44,379**
Equity attributable to non-controlling interests		-	-
TOTAL EQUITY		**42,411**	**44,379**
Financing liabilities		2,888	4,489
Derivative financial instruments		11,528	4,867
Employee benefit obligations		996	933
Provision for decommissioning, restoration and environmental remediation costs	*Note 3.3.1.*	2,601	3,161
Other provisions	*Note 3.3.2.*	261	260
Grants		693	695
Deferred tax liabilities		5,898	5,572
Other liabilities		94	130
Non-current liabilities		**24,959**	**20,107**
Financing liabilities		12,795	10,148
Derivative financial instruments	*Note 3.10*	18,418	10,164
Trade and tax payables*		13,367	12,924
Employee benefit obligations		602	571
Provision for decommissioning, restoration and environmental remediation costs	*Note 3.3.1.*	71	103
Other provisions	*Note 3.3.2.*	701	762
Grants		1,814	42
Other liabilities		5,829	2,376
Current liabilities		**53,597**	**37,090**
TOTAL LIABILITIES		**78,556**	**57,197**
TOTAL EQUITY AND LIABILITIES		**120,967**	**101,576**

*Including income tax: PLN 5,634m (2021: PLN 4,853m)

(in PLN million unless stated otherwise)

Consolidated statement of changes in equity

	Equity attributable to owners of the parent										
	Share capital and share premium, including:			Accumulated other comprehensive income:							
	Share capital	Share premium	Hedging reserve	Translation reserve	Actuarial gains/(losses) on employee benefits	Share of other comprehensive income of equity-accounted investees	Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
As at Jan 1 2021 (audited)	**5,778**	**1,740**	**(16)**	**(132)**	**(173)**	**(10)**	**36,939**	**44,126**	**(1)**	**44,125**
Net profit	-	-	-	-	-	-	2,434	**2,434**	-	**2,434**
Other comprehensive income, net	-	-	(90)	21	4	2	-	**(63)**	-	**(63)**
Total comprehensive income	**-**	**-**	**(90)**	**21**	**4**	**2**	**2,434**	**2,371**	**-**	**2,371**
Change in equity recognised in inventories, net	-	-	(193)	-	-	-	-	**(193)**	-	**(193)**
As at Jun 30 2021 (unaudited)	**5,778**	**1,740**	**(299)**	**(111)**	**(169)**	**(8)**	**39,373**	**46,304**	**(1)**	**46,303**
As at Jan 1 2022 (audited)	**5,778**	**1,740**	**(4,598)**	**(162)**	**(120)**	**1**	**41,740**	**44,379**	**-**	**44,379**
Net profit	-	-	-	-	-	-	4,839	**4,839**	-	**4,839**
Other comprehensive income, net	-	-	(6,516)	107	(23)	17	-	**(6,415)**	-	**(6,415)**
Total comprehensive income	**-**	**-**	**(6,516)**	**107**	**(23)**	**17**	**4,839**	**(1,576)**	**-**	**(1,576)**
Change in equity recognised in inventories, net	-	-	(392)	-	-	-	-	**(392)**	-	**(392)**
As at Jun 30 2022 (unaudited)	**5,778**	**1,740**	**(11,506)**	**(55)**	**(143)**	**18**	**46,579**	**42,411**	**-**	**42,411**

1. General information

1.1 The Group

Name	Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna
Registered office	ul. Marcina Kasprzaka 25, 01-224 Warsaw, Poland
Court of registration	District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, Poland
NATIONAL COURT REGISTER NUMBER (KRS)	0000059492
INDUSTRY IDENTIFICATION NUMBER (REGON)	012216736
TAX IDENTIFICATION NUMBER (NIP)	525-000-80-28
Principal place of business	Poland

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 issue date of this interim report for the first half of 2022, the State Treasury, represented by the minister competent for state assets, was the only shareholder holding 5% or more of total voting rights in the Company. For more information on the PGNiG S.A. shareholding structure, see the Directors’ Report on the operations of the PGNiG Group and PGNiG S.A. in first half of 2022.

The PGNiG Group plays a key role in the Polish gas sector. It is responsible for national energy security, ensuring diversification of gas supplies by developing domestic deposits and sourcing gas from abroad. The Group’s principal business comprises exploration for and production of natural gas and crude oil, as well as import, storage, distribution and sale of gas and liquid fuels, as well as heat and electricity generation and sale.

The PGNiG Group is a market leader in many areas of its business. In Poland, the Group is the largest importer of gas fuel, the main producer of natural gas from Polish deposits, and a significant producer of heat and electricity in Poland. The Group’s upstream business is one of the key factors ensuring PGNiG’s competitive position on the Polish gas market.

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

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

The interim condensed consolidated financial statements of the PGNiG Group (the Consolidated Financial Statements) and the interim condensed separate financial statements of PGNiG S.A. (the Separate Financial Statements) for the first half of 2022 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).

These Consolidated Financial Statements and Separate Financial Statements have been prepared on the assumption that the Parent and the Group will continue as going concerns in the foreseeable future. As at the date of execution of this interim report no circumstances were identified which would indicate any threat to the Parent or the Group continuing as going concerns. Following the Russian Federation's invasion of Ukraine on February 24th 2022, the Group analysed the revenue generated in Ukraine and the Russian Federation. For detailed information on that revenue, see Note 3.4. For more information on the impact of the invasion on the Group’s business, see the Directors’ Report on the operations of the PGNiG Group and PGNiG S.A. for the first half of 2022.

The Polish złoty (PLN) is the functional currency of PGNiG S.A. and the presentation currency of these consolidated financial statements. The method of translation of items denominated in foreign currencies is presented in the full-year consolidated financial statements for the year ended December 31st 2021, issued on March 24th 2022.

Unless otherwise stated, all amounts in this report are given in millions of Polish złoty. Some totals may not equal the sum of individual components due to rounding.

The issue date of this interim Report for the first half of 2022 is August 18th 2022.

1.3 Applied accounting policies

The accounting policies applied in preparing the Consolidated Financial Statements and Separate Financial Statements were consistent with the policies applied to prepare the consolidated financial statements for 2021.

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

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

2. The Group and its reportable segments

The Group identifies five reportable segments.

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

Figure 1 Group structure by reportable segments (as at June 30th 2022)

PGNiG

EXPLORATION AND PRODUCTION

- **PGNiG SA** (exploration and production activities)
- **Exalo Drilling SA**
- **Oil Tech International – F.Z.E.** [United Arab Emirates]
- **Exalo Drilling Ukraine LCC** [Ukraine]
- **Zakład Gospodarki Mieszkaniowej sp. z o.o.**
- **Exalo Diament sp. z o.o.**
- **Geofizyka Toruń SA**
- **PGNiG Upstream Norway AS** [Norway]
- **PGNiG Upstream North Africa B.V.** [Netherlands] *Libya

TRADE AND STORAGE

- **PGNiG SA** (trade and storage activities)
- **Gas Storage Poland sp. z o.o.**
- **PGNiG Obrót Detaliczny sp. z o.o.**
- **PGNiG Supply & Trading GmbH** [Germany]
- **PST Europe Sales GmbH** in liquidation [Germany]
- **Xool GmbH** in liquidation [Germany]

DISTRIBUTION

- **Polska Spółka Gazownictwa sp. z o.o.**
- **PSG Inwestycje sp. z o.o.**
- **GAZ sp. z o.o.**

GENERATION

- **PGNiG TERMIKA SA**
- **PGNiG TERMIKA Energetyka Przemysłowa SA**

OTHER SEGMENTS

- **PGNiG SA** (other activities)
- **PGNiG GAZOPROJEKT SA**
- Geovita SA w Warszawie[1]
- **PGNiG SERWIS sp. z o.o.**
- **PGNiG TECHNOLOGIE SA**
- **Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych**

- PGNiG SA's direct subsidiaries
- PGNiG SA's indirect subsidiaries
- Unconsolidated at the end of the period

[ ] Country of registration (if other than Poland)

* Principal place of business (if other than country of registration)

[1] Geovita SA w Warszawie has not been consolidated since February 28th 2022 following the sale of the company

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

Segment	Description	Operating segments and aggregation criteria
Exploration and Production	The segment's 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.	This reportable segment comprises the operating segments of PGNiG S.A. (the exploration and production business) as well as the Group companies specified in Figure 1. The key aggregation criteria were similarity of sold products and services; similar characteristics of the production process and of the customer base; and economic similarities (exposure to the same market risks, as reflected in the correlation of results (margins) generated by the aggregated operating segments).
Trade and Storage	The segment's principal business activities are sale of natural gas (imported, produced or purchased on gas exchanges), operation of underground gas storage facilities (located in Mogilno, Wierzchowice, Kosakowo, Husów, Brzeźnica, Strachocina, Swarzów and in Denmark), and electricity trading. The segment operates 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.	This reportable segment comprises the operating segments of PGNiG S.A. related to the gas fuel and electricity trading business, as well as the Group companies specified in Figure 1. The key aggregation criteria were similarity of products and services, similarity of the customer base, and similar economic characteristics.
Distribution	The segment's principal business activity consists in distribution of natural gas via distribution networks to retail, industrial and wholesale customers, as well as operation, maintenance (repairs) and expansion of gas distribution networks.	This operating segment overlaps with the reportable Distribution, and comprises Polska Spółka Gazownictwa Sp. z o.o. and its subsidiaries specified in Figure 1.
Generation	The segment's principal business activities consist in generation and sale of electricity and heat.	This reportable segment comprises the following operating segments: PGNiG TERMIKA S.A. and its subsidiaries. The key aggregation criteria were similarity of products and services, similarity of the customer base, and similar economic characteristics.
Other segments	This segment comprises operations which cannot be classified into any of the segments listed above, i.e. the functions performed by the PGNiG Corporate Centre, engineering design and construction of structures, machinery and equipment for the extraction and energy sectors, as well as the provision of insurance services.	It includes PGNiG S.A.'s activities related to corporate support for other reportable segments, and the Group entities which do not qualify to be included in the other reportable segments, specified under Other Segments in Figure 1.

(in PLN million unless stated otherwise)

2.1 Equity-accounted investees

In its consolidated financial statements, the Group as a partner in a joint venture or with a significant influence over a company recognises its interest in a joint venture 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 June 30th 2022

No.	Company name	Share capital	Value of shares held by PGNiG	PGNiG Group's ownership interest (%, direct and indirect holdings)
1	Elektrociepłownia Stalowa Wola S.A.	28,200,000	14,100,000	50%[1)]
2	SGT EUROPOL GAZ S.A.	80,000,000	38,400,000	51.18%[2)]
3	Polimex-Mostostal S.A.	477,237,604	78,695,548	16.49%[3)]
4	Polska Grupa Górnicza S.A.	3,916,718,300	800,000,000	20.43%[1)]

1) PGNiG’s interest held indirectly through PGNiG TERMIKA S.A.

2) PGNiG’s direct interest is 48.00%, with a 3.18% interest held indirectly through GAS-TRADING S.A.

3) PGNiG's interest held indirectly through PGNiG Technologie S.A.

(in PLN million unless stated otherwise)

2.2 Key data on the reportable segments

6 months ended Jun 30 2022	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Total	Reconciliation with consolidated data*	Total
Sales to external customers	3,525	69,735	2,830	2,240	42	78,372		
Inter-segment sales	14,104	2,832	67	1,432	192	18,627		
Total revenue	17,629	72,567	2,897	3,672	234	96,999	(18,627)	78,372
EBITDA	16,670	(3,609)	1,399	696	(52)	15,104	(37)	15,067
Depreciation and amortisation	(1,376)	(183)	(630)	(926)	(36)	(3,151)	1	(3,150)
Operating profit (EBIT)	15,294	(3,792)	769	(230)	(88)	11,953	(36)	11,917
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	437	(1)	3	-	(7)	432	-	432
Profit/(loss) from equity-accounted investees	(16)	-	-	-	8	(8)	-	(8)
Acquisition of property, plant and equipment and intangible assets**	1,059	481	1,544	1,017	45	4,146	(28)	4,118
Property, plant and equipment	19,364	3,346	21,681	6,446	512	51,349	(436)	50,913
Employment***	6,294	2,948	11,634	1,827	1,630	24,333		

6 months ended Jun 30 2021	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Total	Reconciliation with consolidated data*	Total
Sales to external customers	1,742	19,134	2,820	1,238	51	24,985		
Inter-segment sales	2,049	325	48	448	226	3,096		
Total revenue	3,791	19,459	2,868	1,686	277	28,081	(3,096)	24,985
EBITDA	2,754	272	1,553	633	34	5,246	(51)	5,195
Depreciation and amortisation	(580)	(110)	(595)	(460)	(33)	(1,778)	-	(1,778)
Operating profit (EBIT)	2,174	162	958	173	1	3,468	(51)	3,417
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	140	1	2	-	(27)	116	-	116
Profit/(loss) from equity-accounted investees	(2)	-	-	-	8	6	-	6
Acquisition of property, plant and equipment and intangible assets**	871	11	1,326	399	76	2,683	(39)	2,644
Property, plant and equipment	15,534	3,038	19,431	5,581	738	44,322	(324)	43,998
Employment***	6,498	3,013	11,567	1,845	1,725	24,648		

**Inter-company eliminations and consolidation adjustments*
***Without intra-segment eliminations, including capitalised interest and increase due to new lease contracts.*
****Excluding employees of equity-accounted investees.*

(in PLN million unless stated otherwise)

2.3 Revenue by segment

6 months ended Jun 30 2022	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Reconciliation with consolidated data*	Total
Revenue from sales of gas, including:	**14,898**	**66,617**	**-**	**-**	**-**	**(15,718)**	**65,797**
High-methane gas	12,280	64,058	-	-	-	(13,845)	**62,493**
Nitrogen-rich gas	2,547	1,539	-	-	-	(1,851)	**2,235**
LNG	71	942	-	-	-	(23)	**990**
CNG	-	78	-	-	-	1	**79**
Other revenue, including:	**2,730**	**4,097**	**2,885**	**3,672**	**227**	**(2,903)**	**10,708**
Gas and heat distribution	-	-	2,742	61	-	(41)	**2,762**
Crude oil and natural gasoline	2,059	-	-	-	-	-	**2,059**
NGL	156	-	-	-	-	-	**156**
Sales of heat	-	-	-	1,205	-	-	**1,205**
Sales of electricity	-	2,960	-	2,177	-	(1,816)	**3,321**
Revenue from rendering of services:							
- drilling and oilfield services	104	-	-	-	-	(1)	**103**
- geophysical and geological services	83	-	-	-	-	-	**83**
- construction and assembly services	26	-	-	-	32	(36)	**22**
- connection charge	-	-	106	-	-	-	**106**
- other	120	377	9	106	186	(247)	**551**
Other	182	760	28	123	9	(762)	**340**
Excluded from the scope of IFRS 15	**1**	**1,853**	**12**	**-**	**7**	**(6)**	**1,867**
High-methane gas	-	2,709	-	-	-	-	**2,709**
Nitrogen-rich gas	-	255	-	-	-	-	**255**
Adjustment to gas sales due to hedging transactions	-	(1,112)	-	-	-	-	**(1,112)**
Other services	1	1	12	-	7	(6)	**15**
Total revenue	**17,629**	**72,567**	**2,897**	**3,672**	**234**	**(18,627)**	**78,372**

*Inter-company eliminations and consolidation adjustments

6 months ended Jun 30 2021	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Reconciliation with consolidated data*	Total
Revenue from sales of gas, including:	**2,412**	**18,016**	**-**	**-**	**-**	**(2,189)**	**18,239**
High-methane gas	1,568	17,320	-	-	-	(1,692)	**17,196**
Nitrogen-rich gas	828	567	-	-	-	(493)	**902**
LNG	16	97	-	-	-	(5)	**108**
CNG	-	32	-	-	-	1	**33**
Other revenue, including:	**1,378**	**1,803**	**2,859**	**1,686**	**275**	**(907)**	**7,094**
Gas and heat distribution	-	-	2,731	50	-	(40)	**2,741**
Crude oil and natural gasoline	1,012	-	-	-	-	-	**1,012**
NGL	73	-	-	-	-	-	**73**
Sales of heat	-	-	-	946	-	-	**946**
Sales of electricity	-	1,617	-	536	-	(576)	**1,577**
Revenue from rendering of services:							
- drilling and oilfield services	25	-	-	-	-	-	**25**
- geophysical and geological services	97	-	-	-	-	-	**97**
- construction and assembly services	20	-	-	-	69	(68)	**21**
- connection charge	-	-	110	-	-	-	**110**
- other	13	136	11	67	196	(180)	**243**
Other	138	50	7	87	10	(43)	**249**
Excluded from the scope of IFRS 15	**1**	**(360)**	**9**	**-**	**2**	**-**	**(348)**
Adjustment to gas sales due to hedging transactions	-	(360)	-	-	-	-	**(360)**
Other services	1	-	9	-	2	-	**12**
Total revenue	**3,791**	**19,459**	**2,868**	**1,686**	**277**	**(3,096)**	**24,985**

*Inter-company eliminations and consolidation adjustments

The Group's revenue comes primarily from trade in high-methane and nitrogen-rich natural gas, distribution of gas and heat, generation and sale of electricity and heat, as well as sale of produced crude oil. The Group's business includes services, such as storage of gas fuels, geophysical and geological services, gas service connection, drilling and oilfield services, and other services. The Group companies also earn revenue from construction contracts.

Revenue excluded from the scope of IFRS 15 is primarily the amount of compensation received from the Price Difference Payment Fund (for more information, see Note 4.1.), whose amount included in the reporting period's revenue was PLN 2,964m (for high-methane and nitrogen-rich gas), as well as an adjustment to gas sales under hedging transactions.

(in PLN million unless stated otherwise)

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
As at Jan 1 2021	**1,783**	**3,969**	**(1,741)**	**42**	**2,228**	
Increase	2,516	2,895	-	-	-	**(379)**
Decrease	(85)	(1,095)	-	-	-	**1,010**
Currency translation differences	25	106	-	-	-	**(81)**
Changes in the Group	286	2,734	-	-	-	**(2,448)**
Other changes	1	(5)	-	-	-	**6**
As at Dec 31 2021	**4,526**	**8,604**	**(3,032)**	**1,494**	**5,572**	**(1,892)**
As at Jan 1 2022	**4,526**	**8,604**	**(3,032)**	**1,494**	**5,572**	
Increase	2,637	2,980	-	-	-	**(343)**
Decrease	(187)	(1,621)	-	-	-	**1,434**
Currency translation differences	(15)	(109)	-	-	-	**94**
Changes in the Group	-	(5)	-	-	-	**5**
Other changes	(23)	(18)	-	-	-	**(5)**
As at Jun 30 2022	**6,938**	**9,831**	**(3,933)**	**3,005**	**5,898**	**1,185**

3.2 Impairment losses/write-downs

	Property, plant and equipment	Intangible assets	Assets held for sale	Equity-accounted investees	Other (non-current) assets	Inventories	Receivables	Other (current) assets	Total
As at Jan 1 2021	**5,704**	**86**	**1**	**1,355**	**176**	**100**	**811**	**41**	**8,274**
Increase taken to profit or loss	974	11	-	66	2	133	290	4	**1,480**
Decrease taken to profit or loss	(1,983)	(19)	-	(404)	(1)	(22)	(198)	(2)	**(2,629)**
Used	(87)	-	-	-	-	-	(30)	-	**(117)**
Transfers	(26)	-	27	-	301	-	(302)	-	**-**
Other changes	43	3	-	-	-	2	424	-	**472**
As at Dec 31 2021	**4,625**	**81**	**28**	**1,017**	**478**	**213**	**995**	**43**	**7,480**
As at Jan 1 2022	**4,625**	**81**	**28**	**1,017**	**478**	**213**	**995**	**43**	**7,480**
Increase taken to profit or loss	216	-	-	-	2	74	525	3	**820**
Decrease taken to profit or loss	(863)	(9)	-	(54)	(2)	(115)	(197)	-	**(1,240)**
Used	(59)	-	-	-	-	-	(12)	-	**(71)**
Changes in the Group	(21)	-	-	-	-	-	(1)	-	**(22)**
Transfers	22	-	(24)	-	343	-	(341)	-	**-**
Other changes	(266)	4	-	-	-	1	77	-	**(184)**
As at Jun 30 2022	**3,654**	**76**	**4**	**963**	**821**	**173**	**1,046**	**46**	**6,783**

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

Impairment of non-financial assets

Impairment losses on non-current assets are the result of an assessment of the recoverable amount of assets based on an analysis of future cash flows, in particular based on current and projected paths of hydrocarbon prices on international markets.

As at June 30th 2022, the Group did not identify any factors related to the COVID-19 pandemic which would affect impairment losses on property, plant and equipment, property, plant and equipment under construction and right-of-use assets related to hydrocarbon production.

Trade and other receivables

The economic effects of COVID-19, combined with the impact of other economic factors affecting international markets, are reflected in the quality of the Group's portfolio of financial assets and may affect the collectability of its trade and other receivables. Such impact will vary depending on the sector of the economy in which the trading partners operate. The models adopted by the Group use adjusted probability of default by trading partners based on market expectations implied by prices of Credit Default Swaps (CDS).

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

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

As at reporting date, the prices of CDS, based on which the Group adjusts the probability of default, were lower than at the end of 2021. At the same time, the trading partners' creditworthiness assessments were revised, which also affected the expected probability of default. As a result, the adjustment to the expected credit loss due to the effect of future factors (including COVID-19) was changed relative to the adjustments recognised at the end of 2021.

Based on analyses, as at June 30th 2022 the estimated effect of future factors (including COVID-19) on impairment losses on the PGNiG Group's trade receivables was an increase of PLN 65m.

(in PLN million unless stated otherwise)

3.3 Provisions

3.3.1 Provision for decommissioning, restoration and environmental remediation costs

	Provision for well decommissioning costs	Provisions for environmental liabilities	Provision for landfill site restoration	Total
As at Jan 1 2021	**3,129**	**116**	**66**	**3,311**
Recognised provision capitalised in cost of property, plant and equipment	(384)	32	-	**(352)**
Recognised provision taken to profit or loss	31	9	1	**41**
Used	(34)	-	-	**(34)**
Provision reversal taken to profit or loss	(68)	(55)	(47)	**(170)**
Exchange differences on translating foreign operations	41	-	-	**41**
Changes in the Group	427	-	-	**427**
As at Dec 31 2021	**3,142**	**102**	**20**	**3,264**
As at Jan 1 2022	**3,142**	**102**	**20**	**3,264**
Recognised provision capitalised in cost of property, plant and equipment	(441)	(13)	-	**(454)**
Recognised provision taken to profit or loss	18	-	-	**18**
Other increases – Extraction Facilities Decommissioning Fund	2	-	-	**2**
Used	(11)	-	-	**(11)**
Provision reversal taken to profit or loss	(113)	(11)	(4)	**(128)**
Exchange differences on translating foreign operations	(19)	-	-	**(19)**
As at Jun 30 2022	**2,578**	**78**	**16**	**2,672**

3.3.2 Other provisions

	Provision for certificates of origin and energy efficiency certificates	Provision for liabilities associated with exploration work abroad	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Other provisions	Total
As at Jan 1 2021	**275**	**175**	**6**	**18**	**450**	**924**
Increase taken to profit or loss	310	-	-	8	322	**640**
Decrease taken to profit or loss	(8)	-	-	(8)	(345)	**(361)**
Used	(238)	-	(6)	-	(5)	**(249)**
Changes in the Group	-	-	-	-	54	**54**
Other changes	3	14	-	-	(3)	**14**
As at Dec 31 2021	**342**	**189**	**-**	**18**	**473**	**1,022**
As at Jan 1 2022	**342**	**189**	**-**	**18**	**473**	**1,022**
Increase taken to profit or loss	178	-	-	1	125	**304**
Decrease taken to profit or loss	(4)	-	-	(3)	(48)	**(55)**
Used	(345)	-	-	-	(14)	**(359)**
Other changes	2	20	-	-	28	**50**
As at Jun 30 2022	**173**	**209**	**-**	**16**	**564**	**962**

(in PLN million unless stated otherwise)

3.4 Revenue

	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Revenue from contracts with customers	**76,505**	**25,333**
Poland	61,433	22,084
Germany	5,304	1,223
United Kingdom	3,569	553
The Netherlands	4,127	776
Austria	737	28
Switzerland	245	160
Pakistan	140	105
US	-	172
Other	950	232
Revenue excluded from the scope of IFRS 15	**1,867**	**(348)**
Poland	1,867	(348)
Total revenue	**78,372**	**24,985**

Following the invasion of Ukraine by the Russian Federation on February 24th 2022 and the imposition of sanctions on the Russian Federation and Belarus by the EU and the US, the Group analysed its revenue generated in the countries involved in the conflict: in the first half of 2022, the PGNiG Group's revenue from customers based in the Russian Federation and in Ukraine was PLN 21m and PLN 5m, respectively, while in the corresponding period of 2021 the respective amounts were: PLN 5m and PLN 22m, respectively (in 2022 and 2021, the Group did not generate any revenue from customers based in Belarus).

For a structure of revenue by product within the respective segments, see Note 2.4.

3.5 Operating expenses (selected items)

	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Cost of gas	**(57,310)**	**(14,566)**
Gas fuel	(57,896)	(14,617)
Cost of transactions hedging gas prices	586	51
Other raw materials and consumables used	**(2,285)**	**(1,901)**
Fuels for electricity and heat generation	(496)	(526)
Electricity for trading	(1,498)	(1,152)
Other raw materials and consumables used	(291)	(223)
Employee benefits expense	**(1,795)**	**(1,651)**
Salaries and wages	(1,277)	(1,200)
Social security contributions	(242)	(225)
Long-term employee benefits	(52)	(25)
Other employee benefits expense	(224)	(201)
Other services	**(1,230)**	**(899)**
Regasification services	(194)	(175)
Gas storage services	(135)	(9)
Repair and construction services	(92)	(105)
Mineral resources production services	(256)	(132)
Rental services	(41)	(38)
Other services	(512)	(440)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	**432**	**116**
Cost of exploration and evaluation assets written-off	(224)	(425)
Impairment losses on property, plant and equipment	647	542
Impairment losses on intangible assets	9	(1)
Total	**(62,188)**	**(18,901)**

3.6 Other income and expenses

	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Compensation, penalties, and fines received	49	23
Exchange differences related to operating activities	29	63
Measurement and exercise of derivative financial instruments	150	(70)
Change in inventory write-downs	41	(23)
Change in impairment losses on trade and other receivables	(52)	(27)
Provision for decommissioning, restoration and environmental remediation costs	110	28
Change in provision for certificates of origin and energy efficiency certificates	(174)	(150)
Provision for CO_2 emission allowances	(78)	(23)
Change in other provisions	(2)	(15)
Change in products	254	225
Change in underlift/ overlift	368	(36)
Cost of merchandise and materials sold	(332)	(87)
Other income and expenses	(75)	(79)
Total other income and expenses	**288**	**(171)**

(in PLN million unless stated otherwise)

3.7 Net finance income/(costs)

	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Interest on debt (including fees)	(240)	(8)
Interest on lease liabilities	(48)	(40)
Foreign exchange differences	26	26
Measurement and exercise of derivative financial instruments not designated for hedge accounting	(4)	4
Fair value measurement of financial assets	(2)	4
Impairment loss on loans	(146)	(90)
Other net finance costs (income)	(81)	17
Total net finance costs	**(495)**	**(87)**

3.8 Income tax

Reconciliation of effective tax rate	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Profit before tax	11,414	3,336
Corporate income tax at the 19% statutory rate applicable in Poland	(2,169)	(634)
Deductible temporary differences with respect to which no deferred tax was recognised	(4,406)	(268)
Income tax expense disclosed in the statement of profit or loss	**(6,575)**	**(902)**
Including:		
Current tax expense	(6,039)	(602)
Deferred tax expense	(536)	(300)
Effective tax rate	58%	27%

The acquisition of INEOS E&P Norge AS in 2021 and expansion of the PGNiG Group's operations on the Norwegian Continental Shelf led to an increase in the relative share of taxable profit subject to the high rate of tax levied in Norway (78%).

3.9 Property, plant and equipment

	As at Jun 30 2022	As at Dec 31 2021
Land	133	130
Buildings and structures	23,814	23,338
Plant and equipment	14,804	15,601
Vehicles and other	1,484	1,425
Total own tangible assets	**40,235**	**40,494**
Right-of-use asset – land	2,784	2,655
Right-of-use asset – buildings and structures	274	287
Right-of-use asset – plant and equipment	165	189
Right-of-use asset – vehicles and others	402	27
Total right-of-use assets	**3,625**	**3,158**
Tangible exploration and evaluation assets under construction	2,281	2,476
Other tangible assets under construction	4,772	4,064
Total property, plant and equipment	**50,913**	**50,192**

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

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

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

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

(in PLN million unless stated otherwise)

3.10 Derivative financial instruments

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

In the case of the Parent, all eligible transactions in the period January 1st–June 30th 2022 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,

In the reporting period, in its trading activity, the Parent entered into transactions within the approved limits.

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

The effect of the measurement of derivative instruments on profit or loss is presented in the table below.

Income and expenses related to assets and liabilities under derivative financial instruments			**6 months ended Jun 30 2022**		**6 months ended Jun 30 2021**	
Item of statement of profit or loss and statement of comprehensive income	**Item referenced in Note / additional explanations**	**Notes**	**Derivative financial instruments not designated for hedge accounting**	**Derivative financial instruments designated for cash flow hedge accounting**	**Derivative financial instruments not designated for hedge accounting**	**Derivative financial instruments designated for cash flow hedge accounting**
Effect on statement of profit or loss						
Net finance costs	Measurement and exercise of derivative financial instruments not designated for hedge accounting	*Note 3.7*	(4)	-	4	-
Other income and expenses	Measurement and exercise of derivative financial instruments not designated for hedge accounting	*Note 3.6*	150	-	(70)	-
Revenue	Reclassification from other comprehensive income	*Note 3.4*	-	(1,112)	-	(360)
Cost of gas sold	Reclassification from other comprehensive income	*Note 3.5*		586		51
			146	**(526)**	**(66)**	**(309)**
Effect on other comprehensive income						
Gains/(losses) on measurement of derivative instruments designated for cash flow hedge accounting (effective portion)				(9,157)		(471)
Reclassification of derivative instruments measurement to profit or loss upon exercise (cash flow hedges)				1,112		360
				(8,045)		**(111)**
Effect on comprehensive income			**146**	**(8,571)**	**(66)**	**(420)**
Change in equity recognised in inventories, gross				**(484)**		**(238)**

The effective hedge taken to equity over its lifetime is, once realised, reclassified to initial cost of gas inventory or is taken to profit or loss on gas sales.

The result reclassified to gas inventory has an effect on profit or loss when the gas inventory is released for sale.

Effect of hedging transactions on gas inventory	**6 months ended Jun 30 2022**	**6 months ended Jun 30 2021**
Effect of hedging transactions on gas inventory at beginning of period *	**(611)**	**(12)**
Reclassification from equity of changes in value of hedging instruments	(484)	(238)
Recognition as expense in current period due to release of gas inventory for sale**	586	51
Effect of hedging transactions on gas inventory at end of period*	**(509)**	**(199)**

** Negative value means a decrease in the cost of gas inventory (decrease in the carrying amount), while positive value means an increase in the cost of gas inventory (increase in the carrying amount).*
*** Positive value means a decrease in the cost of gas in the statement of profit or loss (positive effect on profit or loss), while negative value means an increase in the cost of gas in the statement of profit or loss (negative effect on profit or loss).*

The tables below present the Group companies' derivative transactions as at June 30th 2022.

Derivative instruments designated for hedge accounting	As at Jun 30 2022						As at Dec 31 2021		
Type of derivative instrument	**Notional amount (million)**	**Exercise price (exercise price range)**	**Weighted average exercise price**	**Fair value**			**Notional amount (million)**	**Fair value**	
				up to 1 year	**over 1 to 2 years**	**over 2 years**		**up to 1 year**	**over 1 year**
Derivative instruments used to hedge currency risk in gas purchase and sale contracts									
Forwards									
USD	USD 141	3.6787–4.4438	3.8960	88	-	-	USD 478	149	-
USD	-	-	-	-	-	-	USD 140	(1)	-
EUR/USD	EUR 303	1.1258–1.2514	1.2087	192	-	-	EUR 735	9	172
EUR/USD	EUR 349	1.1738-1.2575	1.2199	-	216	-	-	-	-
EUR/USD	EUR 76	1.1905–1.2391	1.2226	-	-	43	-	-	-
EUR/USD	-	-	-	-	-	-	EUR 13	(1)	-
Currency swap									
EUR	EUR 190	4.9385–5.2210	5.1291	39	-	-	EUR 45	1	1
EUR	EUR 327	4.4752–4.7957	4.6575	(76)	-	-	EUR 718	(24)	(66)
EUR	EUR 226	4.9055–5.2071	5.1014	-	(13)	-	-	-	-
				243	**203**	**43**		**133**	**107**
Derivative instruments used to hedge gas purchase and selling prices									
TTF swap DA	3 MWh	91.00–134.00	97.55	691	-	-	3 MWh	763	-
TTF swap DA	17 MWh	15.01–93.40	26.38	(8,093)	-	-	-	-	-
TTF swap DA	27 MWh	15.01–48.50	20.76	-	(8,511)	-	52 MWh	(824)	(3,691)
TTF swap DA	8 MWh	17.20–48.50	23.99	-	-	(1,346)	-	-	-
TTF swap MA	8 MWh	60.99–123.50	85.71	2,153	-	-	2 MWh	105	-
TTF swap MA	-	-	-	-	-	-	6 MWh	(1,026)	-
BRENT Swap	1 bbl	43.58–43.87	43.67	206	-	-	2 bbl	207	-
HH NYMEX	79 mmBtu	2.24–3.70	2.77	749	-	-	-	-	-
HH NYMEX	97 mmBtu	2.46–3.70	2.81	-	700	-	171 mmBtu	60	424
HH NYMEX	24 mmBtu	2.52–3.33	2.86	-	-	147	-	-	-
HH NYMEX	1 mmBtu	6.83	6.83	(6)	-	-	29 mmBtu	-	(36)
				(4,300)	**(7,811)**	**(1,199)**		**(715)**	**(3,303)**
			Total	**(4,057)**	**(7,608)**	**(1,156)**	**Total**	**(582)**	**(3,196)**
		Including:	Assets	4,119	916	190	Assets	1,294	597
			Liabilities	8,176	8,524	1,346	Liabilities	1,876	3,793

TTF – Natural Gas at the Title Transfer Facility
IRS – Interest Rate Swap
MA – month-ahead DA – day-ahead
mmBtu – a million of international British Thermal Units
Bbl - a barrel of crude oil

Derivative instruments not designated for hedge accounting	As at Jun 30 2022				As at Dec 31 2021		
Type of derivative instrument	**Notional amount (million)**	**Fair value**			**Notional amount (million)**	**Fair value**	
		up to 1 year	over 1 to 2 years	over 2 years		up to 1 year	over 1 year
Derivative instruments hedging interest rate risk and currency risk							
CCIRS							
NOK	NOK 3,818	(104)	-	-	NOK 3,818	-	(141)
Forwards							
EUR	EUR 221	22	4	-	EUR 206	15	-
EUR	EUR 221	(11)	(1)	-	EUR 142	(4)	-
EUR/USD	-	-	-	-	EUR 204	3	-
EUR/USD	EUR 9	(2)	(3)	(1)	EUR 15	(1)	(3)
Currency swap							
EUR	EUR 403	52	-	-	EUR 503	35	-
EUR	EUR 307	(46)	-	-	EUR 338	(36)	-
		(89)	**-**	**(1)**		**12**	**(144)**
Derivative instruments used as economic hedges of electricity purchase prices							
Forwards							
electricity – POLPX	0.5 MWh	406	1	1	1 MWh	442	-
electricity – POLPX	4 MWh	(385)	(1)	(13)	6 MWh	(308)	(2)
electricity – OTC	0.1 MWh	95	20	-	0.2 MWh	79	13
electricity – OTC	0.3 MWh	(303)	(22)	-	0.4 MWh	(256)	(31)
Futures							
electricity – EEX AG	0.2 MWh	278	22	-	0.4 MWh	230	32
electricity – EEX AG	0.1 MWh	(69)	(20)	-	0.1 MWh	(55)	(12)
		22	**-**	**(12)**		**132**	**-**
Derivative instruments used to hedge gas purchase and selling prices							
Forwards							
gas – OTC	72 MWh	2,004	1,248	4	78 MWh	1,652	482
gas – OTC	19 MWh	(3,055)	(1,483)	(37)	16 MWh	(2,179)	(599)
Futures							
gas – POLPX	3 MWh	807	166	32	2 MWh	352	68
gas – POLPX	0.1 MWh	(3)	(1)	-	0.2 MWh	(15)	-
gas – ICE ENDEX B.V.	1 MWh	166	26	12	1 MWh	157	15
gas – ICE ENDEX B.V.	-	(83)	(12)	(12)	0.4 MWh	(40)	(5)
gas – POWERNEXT SA	2 MWh	622	89	11	2 MWh	317	84
gas – POWERNEXT SA	2 MWh	(458)	(40)	(11)	2 MWh	(238)	(45)
Swap							
HH NYMEX	1 mmBtu	13	-	-	3 mmBtu	7	1
HH NYMEX	-	-	-	-	6 mmBtu	(5)	(7)
BRENT	0.1 Bbl	(34)	-	-	0.3 Bbl	(31)	-
TTF swap DA	9 MWh	3,411	-	-	14 MWh	2,463	90
TTF swap DA	10 MWh	(5,569)	-	-	28 MWh	(4,991)	(230)
TTF swap MA	1 MWh	122	-	-	4 MWh	436	-
TTF swap MA	0.1 MWh	(12)	-	-	1 MWh	(34)	-
		(2,069)	**(7)**	**(1)**		**(2,149)**	**(146)**
Derivative instruments used to hedge oil prices							
Futures							
Crude oil – ICE Futures Europe	-	-	-	-	0.01 Bbl	1	-
Crude oil – ICE Futures Europe	-	-	-	-	0.01 Bbl	(1)	-
		-	**-**	**-**		**-**	**-**
Derivative instruments used to hedge purchase prices of CO_2 emission allowances							
Forwards	0.4 t	12	-	2	-	-	-
Forwards	0.3 t	(105)	-	-	1 t	(93)	-
Futures	3 t	95	1	-	1 t	87	-
		2	**1**	**2**		**(6)**	**-**
Derivative instruments used to hedge share purchase prices							
Options	6.313 million shares	1	1	10	6.625 million shares	1	15
	Total	**(2,133)**	**(5)**	**(2)**	**Total**	**(2,010)**	**(275)**
	Including:				Including:		
	Assets	8,109	1,579	72	Assets	6,278	799
	Liabilities	10,242	1,584	74	Liabilities	8,288	1,074

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

(in PLN million unless stated otherwise)

3.11 Contingent assets and liabilities

Contingent asset	As at Jun 30 2022	As at Dec 31 2021
	Estimated amount	
Grants awarded*	131	144
Other contingent assets	13	13
Total	**144**	**157**

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

Contingent liabilities	As at Jun 30 2022	As at Dec 31 2021
	Estimated amount	
Guarantees and sureties	11,457	8,276
Promissory notes	487	558
Other	-	14
Total	**11,944**	**8,848**

The decrease in contingent assets – grants awarded was attributable to partial settlement in the reporting period of the relevant agreements executed by Polska Spółka Gazownictwa Sp. z o.o. (the grants were awarded for gas pipeline construction projects as part of the gas network roll-out).

The change in contingent liabilities under sureties and guarantees issued in the reporting period was principally due to new guarantees issued in foreign currencies (EUR and USD) as security for gas supplies, totalling PLN 3,304m (as translated at the exchange rates quoted by the NBP for June 30th 2022), with the concurrent expiry of some of the previously issued guarantees.

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 Jun 30 2022		As at Dec 31 2021	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Derivative instruments	6,040	8,945	3,910	5,058
	6,040	**8,945**	**3,910**	**5,058**
Financial liabilities				
Derivative instruments	7,340	22,606	4,873	10,158
	7,340	**22,606**	**4,873**	**10,158**

3.13 Classification of financial assets

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

(in PLN million unless stated otherwise)

3.14 Acquisition of INEOS E&P Norge AS – revision of the goodwill allocation

On March 25th 2021, PGNiG Upstream Norway AS (PUN), a subsidiary of PGNiG, entered into a conditional agreement (Agreement) to acquire INEOS E&P Norge AS (INEOS) from the INEOS Group. The acquirer, within the meaning of IFRS 3, is PUN. The scope of the Agreement included interests in 22 licences on the Norwegian Continental Shelf, the Nyhamna gas processing plant and transfer to PUN of INEOS staff. The purchase price provided for in the Agreement was USD 615m, with January 1st 2021 being the effective transaction date. In accordance with the contractual mechanism, the consideration payable to INEOS was to be adjusted for income generated by INEOS between the effective transaction date and the acquisition date, as well as for the balances of the over-/undercall positions and amounts receivable/payable at the effective transaction date and for the time value of money. Conditions precedent to the Agreement included the grant of corporate approvals within the PGNiG Group and the grant of administrative approvals by the Norwegian authorities.

On September 24th 2021, all the conditions precedent to the Agreement and conditions for the acquisition by PUN of control over INEOS were satisfied. The consideration was transferred on September 30th 2021, being the acquisition date within the meaning of IFRS 3. As stated in the consolidated financial statements of the PGNiG Group for 2021, the final accounting for the business combination in accordance with IFRS 3 will take place within 12 months of the acquisition date.

Following final calculation by PUN of the income tax due for 2021, it was determined that the final amount of tax liability for 2021 assumed from INEOS was lower than estimated at the time of the consideration payment. This was considered a fact existing as at the acquisition date which, had it then been known, would have resulted in the liability being recognised at its correct amount as at that date. Accordingly, the resulting goodwill was adjusted as shown in the table below:

	At the end of the previous period, translated at the exchange rate effective for Dec 31 2021	Adjustment translated at the exchange rate effective for Dec 31 2021	At the end of the previous period, translated at the exchange rate effective for Dec 31 2021 after the adjustment	Foreign exchange differences for 6 months ended Jun 30 2022	As at the end of the reporting period June 30th 2022
A. Consideration transferred					
Cash	1,309	-	1,309	(24)	1,285
Total consideration transferred	1,309	-	1,309	(24)	1,285
Total consideration transferred as disclosed in the statement of cash flows	**1,309**	**-**	**1,309**	**(24)**	**1,285**
B. Identifiable assets acquired and liabilities assumed					
Property, plant and equipment	3,746	-	3,746	(69)	3,677
Inventories	19	-	19	-	19
Receivables	513	-	513	(9)	504
Other assets	24	-	24	-	24
Deferred tax assets	286	-	286	(5)	281
Trade and tax payables	(1,270)	43	(1,227)	22	(1,205)
Employee benefit obligations	(3)	-	(3)	-	(3)
Provisions	(492)	-	(492)	9	(483)
Other liabilities	(116)	-	(116)	3	(113)
Deferred tax liability	(2,734)	-	(2,734)	50	(2,684)
Total identifiable net assets	**(27)**	**43**	**16**	**1**	**17**
Assets	4,588	-	4,588	(83)	4,505
Liabilities	(4,615)	43	(4,572)	84	(4,488)
Net assets	**(27)**	**43**	**16**	**1**	**17**
C. Goodwill					
Total purchase price (A)	1,309	-	1,309	(24)	1,285
Fair value of identifiable net assets (B)	(27)	43	16	1	17
Goodwill (A) - (B)	**1,336**	**(43)**	**1,293**	**(25)**	**1,268**

To the best of the management's knowledge, there will be no other changes affecting the accounting for the acquisition.

(in PLN million unless stated otherwise)

4. Supplementary information to the report

4.1 Key events related to the issuer in the reporting period

Date	Company	Event
January 5th 2022	PGNiG S.A.	On January 5th 2022, PGNiG SA entered into an overdraft facility agreement with Societe Generale SA Oddział w Polsce, securing additional short-term financing of PLN 750m for up to nine months from the agreement date.
January 31st 2022	PGNiG S.A.	On January 31st 2022, PGNIG received a decision of the President of the Office of Competition and Consumer Protection to approve concentration consisting in the establishment by ORLEN Południe and PGNiG of a joint venture, i.e. PGNiG SPV 7 Sp. z o.o., which will be involved in the acquisition and construction of biomethane units; development of technologies used to produce biomethane; as well as production, marketing and use of biomethane in various areas of PGNiG's and the ORLEN Group's operations. ORLEN Południe S.A. and PGNiG S.A. will hold 51% and 49% of shares in the joint venture, respectively.
February 23rd 2022	PGNiG S.A.	On February 23rd 2022, PGNiG S.A. entered into credit facility agreements with a bank syndicate of Bank of China Limited, acting through Bank of China Limited Luxembourg Branch, and Bank of China (Europe) S.A., acting through Bank of China (Europe) S.A. Branch in Poland for an amount of PLN 1,200m, and with banks: Deutsche Bank Polska S.A. for an amount of PLN 400m and Credit Agricole Bank Polska S.A. for an amount of PLN 200m, thus raising additional short-term financing for up to nine months from the agreement date.
February 24th 2022	PGNiG S.A.	On February 24th 2022, the Russian Federation invaded Ukraine. In Ukraine the PGNiG Group operates through the PGNiG SA Representative Office in Kiev, the Exalo Drilling Group (Exalo Drilling Ukraine LLC) and LLC Karpatgazvydobuvannya (exploration and production activities carried out in cooperation with ERU Management Services). As at the date of this Report, the value of assets engaged in Ukraine did not represent a material part of the Group's total assets. Employees of the PGNiG Group and their families have been evacuated from areas at risk of being affected by the military conflict. For more information on the impact of the invasion on the Group's business, see the Directors' Report on the operations of the PGNiG Group and PGNiG S.A. for the first half of 2022.
February 28th 2022	Elektrociepłownia Stalowa Wola S.A.	On February 28th 2022, Elektrociepłownia Stalowa Wola S.A. (ECSW) and Abener Energia S.A. signed an annex (the "Annex") to the settlement agreement of December 31st 2021 defining the terms on which ECSW and Abener Energia will settle their mutual claims arising from all court and arbitration proceedings between the parties conducted in connection with the contract to construct a CCGT unit (the "Settlement"). Pursuant to the Annex, the deadline for the performance of Abener Energia's obligations, the non-performance of which would be a condition precedent to the termination of the Settlement, including the submission of apostilled documents confirming the consent of the pledgees (whose pledges encumber the claims due to Abener Energia under the Arbitration Court Judgment) to the conclusion of the Annex has been extended from February 28th 2022 to March 7th 2022. Under the Annex Abener Energia was required to provide unconditional and irrevocable consent of the judicial authority, court commissioner, administrator or other competent authority designated by the Spanish court conducting insolvency proceedings against Abengoa S.A., to execute and perform this Annex by March 4th 2022.

(in PLN million unless stated otherwise)

		ECSW was required to submit a resolution of its supervisory board approving the execution of the Annex by March 4th 2022. PGNiG indirectly holds a 50% equity interest in ECSW through its subsidiary PGNiG TERMIKA S.A. On March 8th 2022, the Management Board of PGNIG S.A. was notified that the terms of the settlement had been fulfilled and the parties proceeded to execute the Settlement.
March 4th 2022	PGNiG S.A.	On March 4th 2022, the Management Board of PGNiG S.A. passed a resolution to approve the execution by the Company of an agreement on engaging the Government Agency for Strategic Reserves ("GASR") to perform tasks related to maintaining emergency stocks of natural gas (the "Agreement"). Pursuant to Art. 70c.3.1 of the Act of February 16th 2007 on Stocks of Crude Oil, Petroleum Products and Natural Gas, and on the Rules to Be Followed in the Event of Threat to National Fuel Security or Disruptions on the Petroleum Market (the "Act"), upon execution of the Agreement the GASR will purchase from PGNiG, for the State Treasury, natural gas held as emergency stocks at the price specified in the Act, and will assume PGNiG's rights and obligations under storage contracts with the storage system operator with respect to emergency stocks. Gas will be sold to RARS for the purpose of maintaining mandatory stocks at the price specified in the Act, corresponding to the arithmetic mean of settlement prices under supply contracts planned in Q2 and Q3 2022, as quoted in the last 30 calendar days immediately preceding the date of transfer of ownership of natural gas, published on the website of the company operating the Polish Power Exchange. Pursuant to the Act of January 26th 2022 on Special Solutions for the Protection of Gas Fuel Customers in View of the Situation on the Gas Market, GASR's expenditure on the activity referred to in Art. 70c.3.1 of the Act is capped at PLN 6bn in 2022. Energy companies operating in Poland, whose business consists in gas trading with foreign partners, and entities importing natural gas are required to maintain emergency stocks of natural gas in an amount equal to at least 30-day average daily imports.
March 7th 2022	PGNiG Obrót Detaliczny Sp. z o.o.	On March 7th 2022, PGNiG Obrót Detaliczny Sp. z o.o. received a tranche of compensation (PLN 1.255bn) from the Price Difference Payment Fund pursuant to Art. 8.1 of the Act of January 26th 2022 on Special Solutions for the Protection of Gas Fuel Consumers in View of the Situation on the Gas Market (the "Compensation"). For the amount of compensation recognised in revenue for the current reporting period, see Note 2.3. For information on further tranches of the compensation, see Note 4.9.
March 16th 2022	PGNiG S.A.	On March 16th 2022, the Company's Management Board received a positive conditional decision of the President of UOKiK to approve the merger with PKN ORLEN S.A. (ORLEN). The approval granted by the Polish antitrust authority is subject to the condition that PGNiG and ORLEN will implement a remedial measure involving their commitment to sell the controlling interest in the subsidiary Gas Storage Poland sp. z o.o. of Dębogórze ("GSP") to an independent investor within 12 months from the date of the Company's merger with ORLEN, within the meaning of Art. 493.2 of the Commercial Companies Code. Among the commitments proposed to be made by the Company and ORLEN is the one to execute an agreement, for a period of at least ten years, designating GSP or its legal successor as the operator of the gas fuel storage system owned by the entity formed through the merger of PGNiG and ORLEN. Currently, GSP is the operator of the gas fuel storage system in storage facilities owned by PGNiG.
March 18th 2022	PGNiG S.A.	On March 18th 2022, PGNiG executed an agreement engaging the Government Agency for Strategic Reserves ("GASR") to perform tasks related to maintaining emergency stocks of natural gas for the period from March 18th to September 30th 2022, with an option to extend its effective term until September 30th 2023 (the "Agreement"). Under the Agreement, PGNiG sold to GASR in favour of the State Treasury 10,063,104 MWhm of natural gas constituting emergency stocks, with a value of PLN 5,955m.

(in PLN million unless stated otherwise)

		Pursuant to the authorisations under the Act of January 26th 2022 on Special Solutions for the Protection of Gas Fuel Customers in View of the Situation on the Gas Market, GASR will pay the price in instalments, by August 31st 2022. The agreement also contains provisions stipulating PGNiG's obligation to repurchase natural gas in the event that the emergency stocks are released. Revenue under the Agreement of PLN 5.955bn was recognised in consolidated revenue for the reporting period.
March 25th 2022	PGNiG S.A.	On March 25th 2022, Paweł Majewski resigned as President of the PGNiG Management Board with effect from April 8th 2022.
March 30th 2022	PGNiG S.A.	On March 30th 2022, the Company submitted an order for regasification services in Phase 1 of the FSRU Open Season procedure carried out by the Transmission System Operator Gaz-System S.A. ("Gaz-System"). The purpose of the FSRU Open Season is to gauge the level of market demand for the capacity of a Floating Storage Regasification Unit (FSRU) by soliciting binding orders for long-term provision of regasification services. The project to which the FSRU Open Season relates will involve the deployment in the Gdańsk area of a FSRU vessel capable of unloading, storing and regasifying LNG and conducting the regasification process at the rate of up to 6.1 bcm of gaseous fuel per year. The provision of regasification services would commence on January 1st 2028 subject to a positive final investment decision being taken by Gaz-System and timely completion of the project. The FSRU Open Season is to attract binding orders from participants in Phase 1 enabling entry into Order to Proceed agreements, which would be the basis for an initial investment decision and the start of Phase 2 of the procedure, involving allocation of the regasification capacity among the participants and a final investment decision.
April 7th 2022	PGNiG S.A.	At its meeting of April 7th 2022, the Supervisory Board appointed Iwona Waksmundzka-Olejniczak as President of the PGNiG Management Board for the Management Board's 6th term of office due to end on January 10th 2023, with effect from April 9th 2022.
April 26th 2022	PGNiG S.A.	On April 12th 2022, the PGNiG Management Board resolved to continue to settle PGNiG's liabilities for gas supplied by PAO Gazprom and OOO Gazprom Eksport (Gazprom) under contract No. 2102-14/RZ-1/25/96 of September 25th 1996 for the supply of natural gas to the Republic of Poland (the Yamal Contract) in accordance with its existing terms, and to refuse to agree to the settlement of PGNiG's liabilities for gas supplied by Gazprom under the Yamal Contract as required under the Russian Federation's Presidential Decree No. 172 of March 31st 2022 on the special procedure for the fulfilment by foreign buyers of their obligations to Russian natural gas suppliers (the Decree). This means that the Company rejected the possibility of making final payments for gas supplied in Russian roubles from PGNiG's bank accounts that would have to be opened with AO Gazprombank. The Decree prohibits supplies of natural gas to foreign buyers from countries 'hostile to the Russian Federation' (including Poland) if payments for natural gas supplied to those countries starting from April 1st 2022 are made in a manner contrary to the provisions of the Decree. On April 26th 2022, PGNiG received a notice from OOO Gazprom Eksport stating that gas supplies to the Republic of Poland from PAO Gazprom and OOO Gazprom Eksport under contract No. 2102-14/RZ-1/25/96 of September 25th 1996 for the supply of natural gas to the Republic of Poland through the cross-border points of GCP Gaz-System/UA TSO (on the Polish-Ukrainian border), and Vysokoye, Teterovka and Kondratki (on the Polish-Belarusian border) would be completely halted as of 08:00 a.m. Polish time on April 27th 2022. As stated in Gazprom's notice, the supplies would be halted as a result of a prohibition imposed on Gazprom under the Decree, in connection with PGNiG's decision to continue to settle its liabilities for gas supplied by Gazprom under the Yamal Contract based on its existing terms and refusal to make final payments in Russian roubles. In the Company's opinion, the halt of natural gas supplies constitutes a breach of the Yamal Contract and therefore the Company will take appropriate steps to make

(in PLN million unless stated otherwise)

		Gazprom resume performance under the Yamal Contract. At the same time, the Company reserves the right to claim redress for the halt of natural gas supplies and will exercise all its contractual rights and legal remedies in doing so.
May 16th 2022	PGNiG S.A.	On May 16th 2022, PGNiG S.A. entered into an agreement on the possibility of entering into a long-term contract for the supply of liquefied gas (LNG) from Sempra Infrastructure Partners. Under the agreement, the parties will negotiate the provisions of a binding contract for the purchase by PGNiG of a total of 3 million tonnes of LNG (approximately 4.05 bcm of natural gas after regasification) annually for 20 years. The potential deliveries may be further traded by the Company on international markets and will be made on a free-on-board basis. Potential deliveries from Sempra Infrastructure Partners will be made through natural gas liquefaction terminals: Cameron LNG in Louisiana or Port Arthur LNG in Texas, with the first LNG deliveries to be made in 2027 at the earliest. The pricing formula is linked to the US Henry Hub gas price plus a liquefaction fee. The signed agreement does not constitute PGNiG's obligation to sign a final LNG purchase contract.
May 25th 2022	PGNiG S.A.	On May 25th 2022, the Company received a notification from Venture Global Plaquemines LNG, LLC that a Final Investment Decision (FID) was made with regard to the Plaquemines LNG terminal (in reference to Current Reports No. 36/2021, No. 32/2021, No. 25/2019 and No. 50/2018). The first commercial LNG deliveries under the long-term contract of September 28th 2018, as subsequently amended, concluded by PGNiG with Venture Global Plaquemines LNG, LLC (the "Contract"), from the Plaquemines terminal, are expected in 2026. The volume of LNG to be supplied under the Contract will be 4 million tonnes of LNG, or approximately 5.4 bcm of regasified natural gas, annually. The deliveries will be made for 20 years. The combined volume of LNG deliveries from Venture Global Plaquemines LNG, LLC and Venture Global Calcasieu Pass, LLC will reach 5.5 million tonnes of LNG per year, equivalent to a total volume of approximately 7.4 bcm of regasified natural gas. The deliveries will be made on a free-on-board basis.
June 30th 2022	PGNiG S.A.	On June 30th 2022, PGNIG signed a credit facility agreement with entities of the Sumitomo Mitsui Banking Corporation group, for up to EUR 170m, for a period of nine months from the agreement date.

4.2 Dividend paid (declared)

On June 22nd 2022, the Annual General Meeting of PGNiG S.A. decided to allocate PGNiG S.A.'s entire net profit for 2021, in the amount of PLN 5,121m, to increase the Company's statutory reserve funds.

The decision was prompted by the situation on European commodity markets which has not changed since 2021, that is higher gas prices and their increased volatility compared with previous years. In view of its strategic tasks related to ensuring Poland's energy security, PGNiG has identified an increased working capital requirement for the current year.

On July 9th 2021, the Annual General Meeting of PGNiG S.A. passed a resolution to distribute PGNiG's net profit for 2020 and accumulated loss brought forward and allocate PLN 1,213m (PLN 0.21 per share) to dividend payment. The dividend record date and the dividend payment date were set for July 19th 2021 and August 3rd 2021, respectively.

4.3 Issue, redemption, and repayment of debt securities

PGNiG S.A. has entered into an agreement on a debt securities programme (up to PLN 5bn). The agreement was not performed in the reporting period. For detailed information, see the full-year consolidated financial statements for the period ended December 31st 2021.

(in PLN million unless stated otherwise)

4.4 Seasonality

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

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

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

4.5 Settlements related to court proceedings

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

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

Over the reporting period, the Group's operations were markedly affected by the unprecedented rises and strong volatility of gas prices, as well as the war in Ukraine, resulting in a complete halt of gas supplies under the Yamal contract, disruption of gas deliveries to Europe, and a strong depreciation of the złoty against both the euro and the US dollar.

One effect of the strong volatility and soaring prices of gas on the European markets was a material change in the fair value of derivatives entered into by PGNiG S.A. as part of its commodity price hedging policy. Alongside the fair value remeasurement, the Company was required to meet cash margin calls from financial institutions. In order to meet the increased cash requirement, in the first half of 2022 PGNiG S.A. executed additional credit facility agreements (for more details, see Note 4.1. and Note 4.9.).

The continuing uncertainty regarding gas supplies to the European market ahead of the approaching winter and heating season, when demand for energy commodities shoots up, may entail further price increases and strong volatility, affecting the measurment of financial assets and financial liabilities whose fair values are determined by reference to the prices of energy commodities or foreign currencies.

For more information on changes in the PGNiG Group's business environment in the reporting period, see the Directors' Report on the operations of the PGNiG Group and PGNiG S.A. in the first half of 2022.

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

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

4.8 Related-party transactions

The Group's related parties include entities in which the PGNiG Group holds equity interests (entities jointly controlled by the Group, the Group's associates, the Group's subsidiaries which are not consolidated due to immateriality), companies in which the State Treasury holds an equity interest (subsidiaries, jointly controlled entities and associates), as well as the Group's key management personnel (i.e. members of the Management and Supervisory Boards of the Parent).

The State Treasury is the entity having control of the Group.

4.8.1 Related-party transactions with entities in which the PGNiG Group holds equity interests

	6 months ended Jun 30 2022			6 months ended Jun 30 2021		
	Joint ventures and associates	Other related parties	Total	Joint ventures and associates	Other related parties	Total
Revenue/expenses in reporting period (turnover)						
Sales	735	37	772	268	9	277
Purchases	(644)	(73)	(717)	(348)	(72)	(420)

(in PLN million unless stated otherwise)

'Sales' refer to revenue, including mainly revenue from sales of gas fuel and electricity. 'Purchases' refer to purchases of services, merchandise, materials, property, plant and equipment under construction and inventories.

The year-on-year increase in turnover recorded in the first quarter of 2022 was attributable, among other things, to higher sales to and purchases from Elektrociepłownia Stalowa Wola S.A. (a joint venture).

	As at Jun 30 2022			As at Dec 31 2021		
	Joint ventures and associates	Other related parties	Total	Joint ventures and associates	Other related parties	Total
Amounts receivable/payable at end of reporting period						
Trade and other receivables	307	-	314	280	7	287
Loans	268	96	364	425	81	506
Trade and other payables	445	14	459	252	15	267

4.8.2 Transactions with entities in which the State Treasury holds equity interests

	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Revenue	34,432	10,745
Expenses	(18,762)	(2,053)

	As at Jun 30 2022	As at Dec 31 2021
Receivables	3,779	3,515
Liabilities	244	37

Transactions with entities in which the State Treasury holds equity interests (and has control or joint control of, or significant influence on, such entities) are mainly transactions executed in the course of the Group's day-to-day operations, i.e. natural gas trading, sale of crude oil, and sale of electricity.

4.8.3 Transactions with key management personnel of the PGNiG Group

The PGNiG Group re-considered the application of the definition of 'key management personnel of the PGNiG Group', concluding that such personnel comprised members of the Management Board and Supervisory Board of the PGNiG Group's Parent, i.e. PGNiG S.A.

The previous approach was that 'key management personnel of the PGNiG Group' comprised not only members of the Management Board and Supervisory Board of PGNiG S.A as the Group's Parent, but also members of the management boards and supervisory boards of PGNiG S.A.'s subsidiaries.

The remuneration of key management personnel is presented in the table below.

	6 months ended Jun 30 2022			6 months ended Jun 30 2021		
	Management Board	Supervisory Board	Total	Management Board	Supervisory Board	Total
Parent*						
Short-term employee benefits	2.7	0.4	3.1	2.6	0.4	3.0
Termination benefits	-	-	-	0.1	-	0.1
Total	**2.7**	**0.4**	**3.1**	**2.7**	**0.4**	**3.1**

** Where applicable, the amounts are given in gross values, i.e. inclusive of VAT*

Other transactions between the PGNiG Group and its key management personnel (other than involving the payment of remuneration) were mainly purchases of gas fuel for those persons' private needs. The amounts involved were not material.

4.8.4 Transactions concluded on non-arm's length terms

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

4.9 Events subsequent to the reporting date

Date	Company	Event
July 7th 2022	PGNiG S.A.	On July 7th 2022, PGNiG executed annexes to agreements with five Grupa Azoty Group companies, namely Grupa Azoty S.A. of Tarnów, Grupa Azoty Zakłady Azotowe Puławy S.A., Grupa Azoty Zakłady Chemiczne Police S.A., Grupa Azoty Zakłady Azotowe Kędzierzyn S.A., and Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. to the Gas Sale Framework Agreement dated April 13th 2016 ("Individual Contracts").

(in PLN million unless stated otherwise)

		Under the Annexes, PGNiG will remain a strategic supplier of gas to the Grupa Azoty Group companies listed above until September 30th 2023. The aggregate value of the Annexes for the extension period of the Individual Contracts is estimated at PLN 13.4bn. The applied pricing formula is based on gas market price indices.
July 28th 2022	PGNiG S.A.	On July 28th 2022, PGNiG concluded a PLN 4.8bn credit facility agreement with Bank Polska Kasa Opieki S.A. (the "Bank"), for a term of 24 months from the date of the agreement (the "Credit Facility Agreement"). When signing the Credit Agreement PGNiG used State Treasury guarantees – a mechanism provided for in Art. 14.1.2 of the Act of January 26th 2022 on Special Measures to Protect Gas Fuel Customers in View of the Situation on the Gas Market (the "Act"). Some of the reasons behind the decision to use the aforementioned emergency measure provided for in the Act are: (1) persistently high prices for gas fuel on the intraday/day-ahead and futures markets of energy exchanges, including the Polish Power Exchange in Poland, Title Transfer Facility in the Netherlands and Trading Hub Europe in Germany, expected to continue in the coming quarters, and (2) concentration limits imposed on financial institutions, which are limits on the permitted amount of funding that can be provided to a single entity or sector of the economy. With the Credit Agreement being secured by State Treasury guarantees, the Bank may provide funding to PGNiG without violating the applicable concentration limit.
July 29th 2022	PGNiG S.A.	On July 29th 2022, the Company and Polski Koncern Naftowy ORLEN S.A. of Płock (PKN ORLEN) signed a plan of merger (the "Merger Plan"). The Merger Plan provides for a merger under Art. 492.1.1 of the Commercial Companies Code, i.e., a merger through the acquisition of PGNiG (the acquiree) by PKN ORLEN (the acquirer), consisting in the transfer of all PGNiG assets to PKN ORLEN in exchange for PKN ORLEN shares granted to the Company shareholders (the "Merger"). The shares to be granted will be new shares issued by way of an increase of PKN ORLEN's share capital (the "Merger Shares"). PKN ORLEN will conduct a public offering of the Merger Shares addressed to the Company's shareholders, based on the prospectus, upon its approval by the Polish Financial Supervision Authority in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14th 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJ L 168, 30.6.2017, p. 12, as amended). In accordance with the Merger Plan, in exchange for the Company shares held by them the Company shareholders will receive the Merger Shares in the following proportion: 0.0925 PKN ORLEN share for 1 Company share (the "Share Exchange Ratio"). It should be understood that in exchange for 1 (one) Company share the Company shareholders will receive 0.0925 Merger Share, with the proviso that the number of Merger Shares granted to them will be a natural number. For any Merger Share fractions not granted to the Company shareholders, resulting from the application of the Share Exchange Ratio, payments will be made to them in accordance with the terms set out in the Merger Plan. The Merger Plan and other documents published by the Company in connection with the Merger are available on the Company's website at https://pgnig.pl/relacje-inwestorskie/polaczenie-z-pkn-orlen.
August 2nd 2022	PGNiG Obrót Detaliczny Sp. z o.o.	On August 2nd 2022, PGNiG Obrót Detaliczny Sp. z o.o. ("PGNiG Obrót Detaliczny") received compensation tranches totalling PLN 2.495bn from the Price Difference Payment Fund pursuant to Art. 8.1 of the Act of January 26th 2022 on Special Solutions for the Protection of Gas Fuel Consumers in View of the Situation on the Gas Market (the "Compensation"). Between March 7th and August 2nd 2022, PGNiG Obrót Detaliczny received total Compensation payments of PLN 5.323bn. For the amount of compensation recognised in revenue for the current reporting period, see Note 2.3.

(in PLN million unless stated otherwise)

August 3rd 2022	PGNiG Termika S.A.	On August 3rd 2022, a conditional agreement to sell the shares in Polska Grupa Górnicza S.A. was concluded (the "Share Purchase Agreement"), ("PGG"). The sellers under the Share Purchase Agreement are: PGNiG TERMIKA S.A. (a PGNiG subsidiary), PGE GÓRNICTWO I ENERGETYKA KONWENCJONALNA S.A., ENEA S.A., ECARB SP. Z O.O., POLSKI FUNDUSZ ROZWOJU S.A., TOWARZYSTWO FINANSOWE SILESIA SP. Z O.O., and WĘGLOKOKS S.A., and the buyer is the State Treasury of the Republic of Poland (the "State Treasury"). Under the Share Purchase Agreement, PGNiG TERMIKA S.A. will sell to the State Treasury its entire equity interest in PGG, i.e., 8,000,000 ordinary registered shares (accounting for 20.43% of PGG's share capital) for a total price of PLN 1.00 for all the shares. As at March 31st 2022, the value of investment in PGG as disclosed in the most recent consolidated financial statements of the PGNiG Group was PLN 0, therefore the sale of PGG shares will not have a material effect on the PGNiG S.A.'s or the PGNiG Group's net result. The title to PGG shares will pass to the State Treasury on condition that the National Support Centre for Agriculture does not exercise its pre-emptive right pursuant to Art. 3a.1 of the Act on the Agricultural System of April 11th 2003.
August 12th 2022	PGNiG S.A.	On August 12th 2022, the Company received an auditor's opinion on the merger plan of July 29th 2022 concerning the merger of PKN ORLEN S.A. with the Company (as announced by the Company in Current Report No. 42/2022 of July 29th 2022; the "Merger Plan"), prepared pursuant to Art. 503.1 of the Commercial Companies Code (the "Opinion"). Acting in compliance with Art. 505.3'1 of the Commercial Companies Code, the Company has shared the Opinion online on its website at https://pgnig.pl/relacje-inwestorskie/polaczenie-z-pkn-orlen, where the Opinion will continue to be available at least until the date of the Company's General Meeting which is to pass the resolutions whose drafts are attached as Appendix 2 to the Merger Plan.
August 16th 2022	PGNiG S.A.	On August 16th 2022, PGNiG concluded a PLN 4.8bn credit facility agreement with Bank Gospodarstwa Krajowego, for a term of 24 months from the date of the agreement (the "Credit Facility Agreement"). When signing the Credit Facility Agreement, PGNiG used State Treasury guarantees – a mechanism provided for in Art. 14.1.2 of the Act of January 26th 2022 on Special Measures to Protect Gas Fuel Customers in View of the Situation on the Gas Market.

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

Other than the information disclosed in this Report and in the Directors' Report on the operations of the PGNiG Group and PGNiG S.A., 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.

Interim condensed separate financial statements

Separate statement of profit or loss	3 months ended Jun 30 2022	6 months ended Jun 30 2022	3 months ended Jun 30 2021	6 months ended Jun 30 2021
Revenue from sales of gas	13,826	38,638	4,050	9,871
Other revenue	1,763	5,107	1,153	2,542
Revenue	**15,589**	**43,745**	**5,203**	**12,413**
Cost of gas sold	(14,669)	(35,807)	(3,208)	(7,645)
Other raw materials and consumables used	(942)	(2,666)	(622)	(1,403)
Employee benefits expense	(250)	(456)	(204)	(409)
Transmission, distribution and storage services	(312)	(545)	(236)	(467)
Other services	(48)	(568)	(397)	(823)
Depreciation and amortisation	(228)	(445)	(206)	(409)
Taxes and charges	(152)	(458)	(51)	(236)
Other income and expenses	172	(578)	(14)	(29)
Work performed by the entity and capitalised	3	6	3	5
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	327	380	197	472
Dividends	237	237	724	724
Finance income	93	143	(98)	21
Interest income calculated using the effective interest rate	85	247	48	99
Finance costs	(85)	(241)	82	(45)
Revaluation of financial assets	105	(101)	(30)	(128)
Profit before tax	**(75)**	**2,893**	**1,191**	**2,140**
Income tax	(136)	(602)	(51)	(270)
Net profit	**(211)**	**2,291**	**1,140**	**1,870**
Weighted average number of ordinary shares (million)	5,778	5,778	5,778	5,778
Basic and diluted earnings per share (PLN)	(0.04)	0.40	0.20	0.32

Separate statement of comprehensive income	3 months ended Jun 30 2022	6 months ended Jun 30 2022	3 months ended Jun 30 2021	6 months ended Jun 30 2021
Net profit	**(211)**	**2,291**	**1,140**	**1,870**
Hedge accounting	(4,618)	(8,045)	(398)	(110)
Deferred tax	878	1,529	76	21
Other comprehensive income subject to reclassification to profit or loss	**(3,740)**	**(6,516)**	**(322)**	**(89)**
Actuarial losses on employee benefits	(12)	(12)	(2)	(2)
Deferred tax	2	2	-	-
Other comprehensive income not subject to reclassification to profit or loss	**(10)**	**(10)**	**(2)**	**(2)**
Other comprehensive income, net	**(3,750)**	**(6,526)**	**(324)**	**(91)**
Total comprehensive income	**(3,961)**	**(4,235)**	**816**	**1,779**

(in PLN million unless stated otherwise)

Separate statement of cash flows	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Cash flows from operating activities		
Net profit	2,291	1,870
Depreciation and amortisation	445	409
Interest and dividends	(175)	(811)
Net gain/(loss) on investing activities	(192)	(387)
Other non-cash adjustments	2	85
Income tax paid	(924)	(388)
Income tax expense recognised in profit or loss for the period	602	270
Movements in working capital	(8,636)	(1,305)
Net cash from operating activities	**(6,587)**	**(257)**
Cash flows from investing activities		
Payments for tangible exploration and evaluation assets	(173)	(259)
Payments for other property, plant and equipment and intangible assets	(234)	(166)
Loans	(1,689)	(170)
Payments for derivative financial instruments	(27)	(23)
Payments for shares in related entities	(48)	(254)
Other cash used in investing activities	(12)	(24)
Repayments of loans	1,667	801
Proceeds from derivative financial instruments	29	20
Interest received	117	86
Dividends received	1	721
Proceeds from sale of shares in associates	44	-
Proceeds from sale of property, plant and equipment and intangible assets	2	6
Net cash from investing activities	**(323)**	**738**
Cash flows from financing activities		
Proceeds from borrowings*	2,589	-
Other cash generated by financing activities	8	2
Interest paid	(211)	(19)
Repayment of lease liabilities	(11)	(11)
Net cash from financing activities	**2,375**	**(28)**
Net cash flows	**(4,535)**	**453**
Cash and cash equivalents at beginning of the period	14,002	7,534
Cash and cash equivalents at end of the period	**9,467**	**7,987**
including restricted cash	3,343	1,867

**Amounts drawn and repaid under the credit facility are disclosed in the statement of cash flows as the net value.*

Restricted cash

The main item of restricted cash are margins provided by the Company to the Commodity Exchange Clearing House (IRGiT) and Intercontinental Exchange Inc. (ICE) in respect of commodity exchange transactions in high-methane gas and electricity sold by the Company.

Cash pooling

As at June 30th 2022, the Group was a party to two cash pooling agreements:

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

The main objective of these agreements is to enhance the management of the Group's financial liquidity. The cash pooling arrangement facilitates liquidity planning within the PGNiG Group and has reduced dependency on borrowed funds. The improved and more efficient utilisation of free cash also enabled the Group to reduce its borrowing costs.

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

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

Reconciliation of cash and cash equivalents disclosed in the statement of cash flows with cash and cash equivalents disclosed in the statement of financial position	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Cash and cash equivalents at end of the period in the statement of cash flows	**9,467**	**7,987**
Opening balance of net exchange differences on cash	159	(152)
Opening balance of inflows/outflows of cash under cash pooling arrangement	(5,827)	(1,051)
Opening balance of impairment losses on cash	(3)	(2)
Net exchange differences on cash in the period	(103)	331
Changes in impairment losses on cash	(3)	(1)
Inflows/(outflows) of cash under cash pooling arrangement in the period	4,136	255
Cash at end of the period in the statement of financial position	**7,826**	**7,367**

(in PLN million unless stated otherwise)

Separate statement of financial position	As at Jun 30 2022	As at Dec 31 2021
Assets		
Property, plant and equipment	11,620	11,961
Licences, mining rights and rights to geological information	132	123
Deferred tax assets	2,703	1,260
Shares	10,553	10,514
Derivative financial instruments	1,407	688
Loans	6,415	6,817
Purchased debt instruments	390	394
Other assets	474	402
Non-current assets	**33,694**	**32,159**
Inventories	11,396	7,729
Receivables	14,336	8,866
Cash pooling receivables	2,080	5,970
Current income tax	257	-
Derivative financial instruments	10,286	6,283
Loans	504	262
Purchased debt instruments	8	8
Other assets	116	83
Cash and cash equivalents	7,826	8,330
Current assets	**46,809**	**37,531**
TOTAL ASSETS	**80,503**	**69,690**
Equity and liabilities		
Share capital and share premium	7,518	7,518
Capital reserve	1,867	1,867
Hedging reserve	(11,506)	(4,598)
Accumulated other comprehensive income	(20)	(10)
Retained earnings	33,084	30,793
Total equity	**30,943**	**35,570**
Financing liabilities	308	308
Derivative financial instruments	10,078	4,175
Employee benefit obligations	357	331
Provision for well decommissioning costs and other environmental liabilities	1,485	1,982
Other provisions	5	5
Grants	406	420
Other liabilities	37	49
Non-current liabilities	**12,676**	**7,270**
Financing liabilities	12,648	10,020
Derivative financial instruments	16,013	8,829
Trade and tax payables	7,450	7,279
Cash pooling liabilities	303	166
Employee benefit obligations	89	131
Provision for well decommissioning costs and other environmental liabilities	40	68
Other provisions	256	291
Other liabilities	85	66
Current liabilities	**36,884**	**26,850**
TOTAL LIABILITIES	**49,560**	**34,120**
TOTAL EQUITY AND LIABILITIES	**80,503**	**69,690**

Separate statement of changes in equity

	Share capital and share premium	Capital reserve	Hedging reserve	Accumulated other comprehensive income	Retained earnings	Total equity
As at Jan 1 2021	**7,518**	**1,867**	**(17)**	**(23)**	**26,885**	**36,230**
Net profit	-	-	-	-	1,870	1,870
Other comprehensive income, net	-	-	(89)	(2)	-	(91)
Total comprehensive income	**-**	**-**	**(89)**	**(2)**	**1,870**	**1,779**
Change in equity recognised in inventories	-	-	(193)	-	-	(193)
As at Jun 30 2021	**7,518**	**1,867**	**(299)**	**(25)**	**28,755**	**37,816**
As at Jan 1 2022	**7,518**	**1,867**	**(4,598)**	**(10)**	**30,793**	**35,570**
Net profit	-	-	-	-	2,291	2,291
Other comprehensive income, net	-	-	(6,516)	(10)	-	(6,526)
Total comprehensive income	**-**	**-**	**(6,516)**	**(10)**	**2,291**	**(4,235)**
Change in equity recognised in inventories	-	-	(392)	-	-	(392)
As at Jun 30 2022	**7,518**	**1,867**	**(11,506)**	**(20)**	**33,084**	**30,943**

(in PLN million unless stated otherwise)

5. Notes to the interim condensed separate financial statements

5.1 Deferred tax

	As at Jan 1st 2021	Credited/Charged		As at Dec 31 2021	Credited/Charged		As at Jun 30 2022
		Net profit/(loss)	Other comprehensive income		Net profit/(loss)	Other comprehensive income	
Deferred tax assets							
Employee benefit obligations	77	(1)	(3)	73	-	2	75
Provision for well decommissioning costs	254	(19)	-	235	(27)	-	208
Other provisions	29	3	-	32	(1)	-	31
Measurement of derivatives	186	2,179	-	2,365	2,470	-	4,835
Impairment losses on property, plant and equipment	158	(71)	-	87	(29)	-	58
Unused tax losses of the Pakistan Branch	20	(16)	-	4	-	-	4
Inventory write-downs	9	20	-	29	(7)	-	22
Other	14	126	-	140	(21)	-	119
Total	**747**	**2,221**	**(3)**	**2,965**	**2,385**	**2**	**5,352**
Deferred tax liabilities							
Difference between depreciation rates for property, plant and equipment	357	106	-	463	42	-	505
Measurement of derivatives	199	2,094	(1,074)	1,219	2,501	(1,622)	2,098
Other	36	(13)	-	23	22	-	45
Total	**592**	**2,187**	**(1,074)**	**1,705**	**2,565**	**(1,622)**	**2,648**
Set-off of assets and liabilities	(592)	-	-	(1,705)	-	-	(2,648)
After set-off							
Assets	155	-	-	1,260	-	-	2,703
Liabilities	-	-	-	-	-	-	-
Net effect of changes in the period		**34**	**1,071**	**-**	**(180)**	**1,624**	

(in PLN million unless stated otherwise)

5.2 Impairment losses/write-downs

	Property, plant and equipment, licences, mining rights and rights to geological information	Right-of-use assets	Other assets	Loans	Shares	Inventories	Receivables	Cash pooling receivables	Purchased debt instruments	Total
As at Jan 1 2021	**4,726**	**57**	**59**	**132**	**2,771**	**46**	**344**	**1**	**39**	**8,175**
Increase taken to profit or loss	925	34	1	479	6	128	313	29	-	1,915
Transfers	-	-	76	-	(77)	-	1	-	-	-
Decrease taken to profit or loss	(1,844)	(10)	(2)	(59)	-	(20)	(242)	(1)	-	(2,178)
Other changes	(84)	(3)	-	-	-	-	-	-	-	(87)
As at Dec 31 2021	**3,723**	**78**	**134**	**552**	**2,700**	**154**	**416**	**29**	**39**	**7,825**
Increase taken to profit or loss	206	6	-	346	10	71	101	5	-	745
Transfers	-	-	(7)	-	-	-	7	-	-	-
Decrease taken to profit or loss	(586)	(6)	(78)	(49)	-	(110)	(153)	(17)	-	(999)
Other changes	(365)	-	-	-	-	-	-	-	-	(365)
As at Jun 30 2022	**2,978**	**78**	**49**	**849**	**2,710**	**115**	**371**	**17**	**39**	**7,206**

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

Impairment of non-financial assets

Impairment losses on non-current assets are the result of an assessment of the recoverable amount of assets based on an analysis of future cash flows, in particular based on current and projected paths of hydrocarbon prices on international markets.

As at June 30th 2022, the Company did not identify any factors related to the COVID-19 pandemic which would affect impairment losses on property, plant and equipment, property, plant and equipment under construction and right-of-use assets related to hydrocarbon production.

Trade and other receivables

The economic effects of COVID-19, combined with the impact of other economic factors affecting international markets, are reflected in the quality of the Company’s portfolio of financial assets and may affect the collectability of its trade and other receivables. Such impact will vary depending on the sector of the economy in which the trading partners operate. The models adopted by the Company use adjusted probability of default by trading partners based on market expectations implied by prices of Credit Default Swaps (CDS).

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

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

As at reporting date, the prices of CDS, based on which the Company adjusts the probability of default, were lower than at year end 2021. At the same time, the trading partners’ creditworthiness assessments were revised, which also affected the expected probability of default. As a result, the (upward) adjustment to the expected credit loss due to the effect of future factors (including COVID-19) was changed relative to the adjustments recognised at the end of 2021.

The expected credit loss on current and non-current trade and other receivables was estimated at PLN 347m, including PLN 37m on non-impaired receivables. The amount of PLN 12m reflects the estimated effect of future factors (including COVID-19) on the collectability of trade and other receivables at the reporting date and the related expected credit loss in future periods. The expected credit loss is PLN 46m lower than the expected credit loss on trade and other receivables estimated at the end of 2021. This significant decrease is attributable to a drop in trade receivables which were fully written off, following an individual assessment, as at the end of 2021 due to being more than 90 days past due.

Loans

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

The expected credit loss calculated for loans was estimated at PLN 849m, of which PLN 31m reflects the effect, estimated as at the reporting date, of COVID-19 on the probability of future default by the counterparties. As at June 30th 2022, the expected credit loss on loans, calculated for a 12-month period, was PLN 221m. The total expected credit loss for loans is higher by PLN 287m compared to the expected credit loss for loans as at December 31st 2021.

(in PLN million unless stated otherwise)

5.3 Provisions

	Provision for well decommissioning costs and other environmental liabilities	Provision for certificates of origin and energy efficiency certificates	Provision for liabilities associated with exploration work abroad	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Provision for financial guarantees	Other provisions	Total
As at Jan 1 2021	**2,449**	**66**	**175**	**6**	**5**	**7**	**20**	**2,728**
Recognised provision capitalised in cost of property, plant and equipment	(298)	-	-	-	-	-	-	(298)
Recognised provision taken to profit or loss	21	52	15	-	-	3	9	100
Used	(33)	(31)	-	(6)	-	-	-	(70)
Provision reversal taken to profit or loss	(89)	(4)	-	-	(1)	(1)	(19)	(114)
As at Dec 31 2021	**2,050**	**83**	**190**	**-**	**4**	**9**	**10**	**2,346**
Recognised provision capitalised in cost of property, plant and equipment	(454)	-	-	-	-	-	-	(454)
Recognised provision taken to profit or loss	18	43	20	-	-	2	9	92
Used	(11)	(98)	-	-	-	-	-	(109)
Provision reversal taken to profit or loss	(80)	(3)	-	-	-	(6)	(2)	(91)
Other changes	2	-	-	-	-	-	-	2
As at Jun 30 2022	**1,525**	**25**	**210**	**-**	**4**	**5**	**17**	**1,786**

(in PLN million unless stated otherwise)

5.4 Revenue

	Total		Domestic sales		Export sales	
	6 months ended Jun 30 2022	6 months ended Jun 30 2021	6 months ended Jun 30 2022	6 months ended Jun 30 2021	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Revenue from sales of gas, including:	**38,638**	**9,871**	**37,488**	**9,558**	**1,150**	**313**
Revenue from contracts with customers IFRS 15	39,750	10,231	38,600	9,918	1,150	313
High-methane gas	37,449	9,358	36,461	9,147	988	211
Nitrogen-rich gas	1,812	753	1,684	654	128	99
LNG	489	120	455	117	34	3
Excluded from the scope of IFRS 15	(1,112)	(360)	(1,112)	(360)	-	-
Adjustment to gas sales due to hedging transactions - IFRS 9	(1,112)	(360)	(1,112)	(360)	-	-
Other revenue, including:	**5,107**	**2,542**	**4,722**	**2,299**	**385**	**243**
Revenue from contracts with customers IFRS 15	4,827	2,249	4,442	2,006	385	243
Crude oil and natural gasoline	1,024	570	779	431	245	139
Sales of electricity	2,646	1,355	2,646	1,355	-	-
Propane-butane	55	36	55	36	-	-
Helium	109	96	22	10	87	86
CO_2 emission allowances	759	49	759	49	-	-
Other	234	143	181	125	53	18
Excluded from the scope of IFRS 15	280	293	280	293	-	-
Right to use storage facilities - IFRS 16	272	285	272	285	-	-
Other income from operating leases - IFRS 16	8	8	8	8	-	-
Total revenue	**43,745**	**12,413**	**42,210**	**11,857**	**1,535**	**556**

Sales are made directly to business customers and via the Polish Power Exchange. Generally, goods are transferred at a specific point in time. Natural gas and electricity are sold on the basis of individual short-term contracts, meeting the definition of a “contract” in accordance with IFRS 15. Such contracts are entered into under long-term master agreements. Crude oil is sold under contracts concluded for an indefinite period. 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.

In the first half of 2022, we saw a continued strong increase in the prices of energy commodities, which started in 2021 driven by a rapid economic recovery across the world attributable to deferred demand resulting from the COVID-19 pandemic and Russia’s invasion of Ukraine. Record high price rises were recorded particularly on the European gas market, where increased demand was met with supply barriers, including reduced volumes of gas transmitted from Russia, LNG supplies being redirected to the competing Asian market and historically low gas stocks held in European storage facilities. Soaring gas prices have not only become a factor hampering Poland’s consumption growth, as was the case in the second half of 2021, but have also led to a 12.8% decline in Polish demand for gas relative to the corresponding period of the previous year. This was a result of increased exposure to contracts based on prices quoted on commodity exchanges during the crisis escalation, as well as the effect of Russia’s aggression against Ukraine, which further aggravated the gas crisis in Europe. In addition, the decline in Polish gas consumption was driven by a 1.5°C increase in the average air temperature relative to the first half of 2021 (adjusted for the weather conditions, the decline in gas demand was approximately 8.0% year on year).

In the case of net gas sales through POLPX, the Company’s first half 2022 deliveries by volume fell 4.6% year on year.

(in PLN million unless stated otherwise)

5.5 Operating expenses (selected items)

	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Cost of gas sold	**(35,807)**	**(7,645)**
Other raw materials and consumables used	**(2,666)**	**(1,403)**
Electricity for trading	(2,575)	(1,350)
Other raw materials and consumables used	(91)	(53)
Employee benefits expense	**(456)**	**(409)**
Salaries and wages	(347)	(319)
Social security contributions	(64)	(59)
Other employee benefits expense	(73)	(66)
Provisions for employee benefits	28	35
Transmission, distribution and storage services	**(545)**	**(467)**
Other services	**(568)**	**(823)**
Regasification services	(194)	(175)
Cost of dry wells written off	(145)	(425)
Repair and construction services	(22)	(21)
Geological and exploration services	(25)	(31)
Mineral resources production services	(14)	(11)
Well abandonment services	(11)	(4)
IT services	(34)	(52)
Other services	(123)	(104)
Depreciation and amortisation	**(445)**	**(409)**
Depreciation of non-leased assets	(436)	(400)
Depreciation of the right of use	(9)	(9)
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	**380**	**472**
Impairment losses on property, plant and equipment and rights-of-use assets	371	473
Impairment losses on intangible assets	9	(1)
Total	**(40,107)**	**(10,684)**

5.6 Other income and expenses (selected items)

	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Measurement and exercise of derivative financial instruments	635	(12)
Change in inventory write-downs	39	(20)
Change in provision for well decommissioning costs and other provisions related to environmental protection	62	20
Change in provision for certificates of origin and energy efficiency certificates	(40)	(9)
Cost of merchandise and materials sold	(999)	(54)
- including the amount of value of CO2 emission allowances sold	*(998)*	*(54)*
Change in other provisions	(7)	(18)
Net exchange differences related to operating activities	(276)	56
Other	8	8
Total other income and expenses	**(578)**	**(29)**

5.7 Finance income and costs (selected items)

	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Finance income		
Gain on measurement and exercise of forward contracts	38	-
Foreign exchange gains	66	16
Gain on disposal of investments	16	-
Gain on modification of financial assets	3	-
Other finance income	20	5
Total finance income	**143**	**21**
Finance costs		
Loss on measurement and exercise of forward contracts	-	(27)
Debt-related interest and fees	(232)	(13)
- including interest on lease liabilities	*(6)*	*(2)*
Other	(9)	(5)
Total finance costs	**(241)**	**(45)**

(in PLN million unless stated otherwise)

5.8 Income tax

Reconciliation of effective tax rate	6 months ended Jun 30 2022	6 months ended Jun 30 2021
Profit before tax	**2,893**	**2,140**
Corporate income tax at the applicable 19% statutory rate	(550)	(406)
Non-taxable income/(Non-deductible expenses)	(52)	136
Corporate income tax at the effective tax rate	**(602)**	**(270)**
Current tax expense	(422)	(206)
Deferred tax expense	(180)	(64)
Effective tax rate	**21%**	**12%**

5.9 Property, plant and equipment

	As at Jun 30 2022	As at Dec 31 2021
Land	21	20
Buildings and structures	6,677	6,992
Plant and equipment	1,905	1,958
Vehicles and other	88	86
Total tangible	**8,691**	**9,056**
Tangible exploration and evaluation assets under construction	2,108	2,117
Other tangible assets under construction	482	466
Total tangible assets under construction	**2,590**	**2,583**
Perpetual usufruct of land (PWUG)	256	245
Right-of-use asset – plots/land	60	50
Right-of-use asset – buildings and structures	10	10
Right-of-use asset – plant and equipment	-	1
Right-of-use asset – vehicles and others	13	16
Total right-of-use assets	**339**	**322**
Total property, plant and equipment	**11,620**	**11,961**

(in PLN million unless stated otherwise)

5.10 Hedge accounting

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

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

Type of hedging instrument	Notional amount*	Carrying amount as at Jun 30 2022		Period when cash flow will occur and affect the financial result	Change in fair value of hedging instrument used as basis for recognising hedge ineffectiveness in a given period	Hedging gains or losses for reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss (since the inception of the hedging relationship)	Amount reclassified from cash flow hedging reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
		Assets	Liabilities						
					CASH FLOW HEDGES				
					CURRENCY RISK				
Forward contracts for currency purchase (USD/PLN)	632	88	-	up to 1 year	224	76	-	Not applicable**	Not applicable
Forward contracts to purchase USD for EUR (EUR/USD)	3,963	452	-	up to 3 years	463	281	2	1	Revenue from sales of gas
Average rate forwards (EUR/PLN)	3,477	39	89	up to 2 years	(72)	25	-	18	Revenue from sales of gas
					COMMODITY PRICE RISK				
Basis swap contracts for gas price indices	998	113	347	1–3 months	(62)	(389)	-	(172)	Revenue from sales of gas
Swap contracts for gas price indices	39,237	2,730	17,602	up to 3 years	(17,513)	(10,625)	-	1,265	Revenue from sales of gas
Swap contracts for HH price indices	4,867	1,596	6	up to 3 years	1,726	1,275	3	Not applicable**	Not applicable
Swap contracts for petroleum product price indices	357	206	-	up to 1 year	407	200	-	Not applicable**	Not applicable
Total	**53,531**	**5,224**	**18,044**		**(14,827)**	**(9,157)**	**5**	**1,112**	

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

(in PLN million unless stated otherwise)

Type of hedging instrument	Notional amount*	Carrying amount at Dec 31 2021		Period when cash flow will occur and affect the financial result	Change in fair value of hedging instrument used as basis for recognising hedge ineffectiveness in a given period	Hedging gains or losses for reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss (since the inception of the hedging relationship)	Amount reclassified from cash flow hedging reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
		Assets	Liabilities						
					CASH FLOW HEDGES				
					CURRENCY RISK				
Forward contracts for currency purchase (USD/PLN)	2,507	149	2	Up to 12 months	221	247	-	Not applicable**	Not applicable
Forward contracts to purchase USD for EUR (EUR/USD)	3,690	181	1	up to 3 years	174	216	-	(1)	Revenue from sales of gas
Average rate forwards (EUR/PLN)	3,507	2	90	up to 3 years	(133)	(41)	-	36	Revenue from sales of gas
					COMMODITY PRICE RISK				
Basis swap contracts for gas price indices	445	327	-	1–3 months	(258)	(231)	-	584	Revenue from sales of gas
Swap contracts for gas price indices	21,497	541	5,540	up to 4 years	(5,070)	(5,116)	1	78	Revenue from sales of gas
Swap contracts for HH price indices	3,035	484	36	up to 3 years	465	460	2	Not applicable**	Not applicable
Swap contracts for petroleum product price indices	507	207	-	Up to 12 months	421	304	-	Not applicable**	Not applicable
Total	**35,188**	**1,891**	**5,669**		**(4,180)**	**(4,161)**	**3**	**697**	

** Not all instruments were fully designated for hedge accounting.*
*** For these relationships, the relevant amounts are not reclassified to profit or loss but adjust the initial value of inventories (for more information, see the 'Reconciliation of hedging reserve' table).*

(in PLN million unless stated otherwise)

Cash flow hedges

Items hedged as at Jun 30 2022	Change in value of hedged item used as basis for recognising hedge ineffectiveness in given period	Balance of cash flow hedging reserve for continuing hedges	Balance remaining in cash flow hedging reserve in respect of all hedging relationships for which hedge accounting is no longer applied
CURRENCY RISK			
Natural gas (USD/PLN)	(224)	88	-
Natural gas (EUR/USD)	(461)	445	8
Natural gas (EUR/PLN)	72	(47)	(8)
COMMODITY PRICE RISK			
Gas contracts indexed to European gas price indices (daily or monthly)	17,575	(15,092)	(1,416)
Gas contracts indexed to monthly HH price indices	(1,722)	1,599	11
Gas contracts indexed to monthly petroleum product indices	(407)	206	-
TOTAL	**14,833**	**(12,801)**	**(1,405)**

Hedged items as at Dec 31 2021	Change in value of hedged item used as basis for recognising hedge ineffectiveness in given period	Balance of cash flow hedging reserve for continuing hedges	Balance remaining in cash flow hedging reserve in respect of all hedging relationships for which hedge accounting is no longer applied
CURRENCY RISK			
Natural gas (USD/PLN)	(221)	147	-
Natural gas (EUR/USD)	(174)	180	-
Natural gas (EUR/PLN)	133	(75)	(22)
COMMODITY PRICE RISK			
Gas contracts indexed to European gas price indices (daily or monthly)	5,330	(4,644)	(1,916)
Gas contracts indexed to monthly HH price indices	(462)	448	(1)
Gas contracts indexed to monthly petroleum product indices	(421)	207	-
TOTAL	**4,185**	**(3,737)**	**(1,939)**

Reconciliation of hedging reserve

	2022	2021
Gross amount at beginning of the period	(5,676)	(21)
Net amount at beginning of the period	(4,598)	(17)
CURRENCY RISK		
Hedging gains or losses recognised in other comprehensive income during reporting period	382	422
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	19	35
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	(144)	(66)
Gross hedging reserve	**257**	**391**
Deferred tax on settlement and measurement of hedging instruments	(49)	(74)
Net hedging reserve	**208**	**317**
COMMODITY PRICE RISK		
Hedging gains or losses recognised in other comprehensive income during reporting period	(9,539)	(4,584)
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	1,093	662
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	(339)	(2,124)
Gross hedging reserve	**(8,785)**	**(6,046)**
Deferred tax on settlement and measurement of hedging instruments	1,669	1,149
Net hedging reserve	**(7,116)**	**(4,897)**
Gross amount at end of the period	**(14,204)**	**(5,676)**
Net amount at end of the period	**(11,506)**	**(4,598)**

Representation by the Management Board

The Management Board of PGNiG S.A. represents that, to the best of its knowledge, the interim condensed consolidated financial statements of the PGNiG Group and the interim condensed separate financial statements of PGNiG S.A. for the six months to June 30th 2022 as well as the comparative data have been prepared in compliance with the applicable accounting policies, and give a true, clear and fair view of the assets, financial position and financial results of the PGNiG Group and PGNiG S.A.

President of the Management Board	Iwona Waksmundzka–Olejniczak	--
Vice President of the Management Board	Artur Cieślik	--
Vice President of the Management Board	Robert Perkowski	--
Vice President of the Management Board	Arkadiusz Sekściński	--
Vice President of the Management Board	Przemysław Wacławski	--
Vice President of the Management Board	Magdalena Zegarska	--

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.

Warsaw, August 17th 2022