



INTERIM REPORT

for the three months ended
March 31st 2021

2021



Financial highlights

Key data from the interim condensed consolidated financial statements

	PLNm		EURm	
	3 months ended March 31st 2021	3 months ended March 31st 2020	3 months ended March 31st 2021	3 months ended March 31st 2020
Revenue	14,553	13,756	3,183	3,129
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	3,393	2,078	742	473
Operating profit (EBIT)	2,437	1,207	533	275
Profit before tax	2,380	946	521	215
Net profit attributable to owners of the parent	1,747	779	382	177
Net profit	1,747	779	382	177
Total comprehensive income attributable to owners of the parent	2,057	706	450	161
Total comprehensive income	2,057	706	450	161
Net cash from operating activities	3,728	4,596	815	1,045
Net cash from investing activities	(1,580)	(1,546)	(346)	(352)
Net cash from financing activities	(550)	(3,107)	(120)	(707)
Net cash flows	1,598	(57)	350	(13)
Basic and diluted earnings per share (in PLN and EUR, respectively)	0.30	0.13	0.07	0.03

	As at March 31st 2021	As at December 31st 2020	As at March 31st 2021	As at December 31st 2020
	Total assets	66,070	62,871	14,177
Total liabilities	20,027	18,746	4,297	4,062
Total non-current liabilities	12,119	11,666	2,600	2,528
Total current liabilities	7,908	7,080	1,697	1,534
Total equity	46,043	44,125	9,880	9,562
Share capital	5,778	5,778	1,240	1,252
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)	7.97	7.64	1.71	1.65
Dividend per share paid (PLN/EUR)	-	0.09	-	0.02

Key data from the interim condensed separate financial statements

	PLNm		EURm	
	3 months ended March 31st 2021	3 months ended March 31st 2020	3 months ended March 31st 2021	3 months ended March 31st 2020
Revenue	7,210	7,417	1,577	1,687
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	1,210	541	265	123
Operating profit (EBIT)	1,007	333	220	76
Profit before tax	949	325	208	74
Net profit	730	272	160	62
Total comprehensive income	963	226	211	51
Net cash from operating activities	1,370	2,800	300	637
Net cash from investing activities	163	(710)	36	(161)
Net cash from financing activities	(22)	(3,032)	(5)	(690)
Net cash flows	1,511	(942)	331	(214)
Earnings and diluted earnings per share attributable to holders of ordinary shares (PLN/EUR)	0.13	0.05	0.03	0.01

	As at March 31st 2021	As at December 31st 2020	As at March 31st 2021	As at December 31st 2020
	Total assets	45,016	43,746	9,660
Total liabilities	7,963	7,516	1,709	1,629
Total non-current liabilities	4,050	3,871	869	839
Total current liabilities	3,913	3,645	840	790
Equity	37,053	36,230	7,951	7,851
Share capital and share premium	7,518	7,518	1,613	1,629
Weighted average number of shares (million) in the period	5,778	5,778	5,778	5,778
Book value per share and diluted book value per share (PLN/EUR)	6.41	6.27	1.38	1.36
Dividend per share paid (PLN/EUR)	-	0.09	-	0.02

Average EUR/PLN exchange rates quoted by the NBP

	March 31st 2021	March 31st 2020	December 31st 2020
Average exchange rate for period	4.5721	4.3963	4.4742
Exchange rate at end of period	4.6603	4.5523	4.6148

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.

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Interim condensed consolidated financial statements

Consolidated statement of profit or loss	Note	3 months	3 months
		ended March 31st 2021	ended March 31st 2020
		unaudited	unaudited
Revenue from sales of gas*	Note 3.4.1.	10,605	10,415
Other revenue*	Note 3.4.1.	3,948	3,341
Revenue		14,553	13,756
Cost of gas	Note 3.5	(8,543)	(8,694)
Other raw materials and consumables used	Note 3.5	(1,090)	(878)
Employee benefits expense	Note 3.5	(837)	(800)
Transmission services		(269)	(259)
Other services	Note 3.5	(404)	(419)
Taxes and charges		(633)	(574)
Other income and expenses	Note 3.6	316	445
Work performed by the entity and capitalised		284	275
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	Note 3.5	16	(774)
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)		3,393	2,078
Depreciation and amortisation expense		(956)	(871)
Operating profit (EBIT)		2,437	1,207
Net finance costs	Note 3.7	(57)	(270)
Profit/(loss) from equity-accounted investees		-	9
Profit before tax		2,380	946
Income tax	Note 3.8	(633)	(167)
Net profit		1,747	779
Net profit attributable to:			
Owners of the parent		1,747	779
Non-controlling interests		-	-
Weighted average number of ordinary shares (million)		5,778	5,778
Basic and diluted earnings per share (PLN)		0.30	0.13
Consolidated statement of comprehensive income	Note	3 months	3 months
		ended March	ended March
		31st 2021	31st 2020
		unaudited	unaudited
Net profit		1,747	779
Exchange differences on translating foreign operations		77	(27)
Hedge accounting		288	(57)
Deferred tax		(55)	11
Other comprehensive income subject to reclassification to profit or loss		310	(73)
Other comprehensive income, net		310	(73)
Total comprehensive income		2,057	706
Total comprehensive income attributable to:			
Owners of the parent		2,057	706
Non-controlling interests		-	-

* Starting from the consolidated financial statements for 2020 the Group changed the presentation of revenue from sales of propane butane, therefore the comparative data has been restated; for more information, see Note 2.4.

Consolidated statement of cash flows	Note	3 months ended March 31st 2021 unaudited	3 months ended March 31st 2020 unaudited
Cash flows from operating activities			
Net profit		1,747	779
Depreciation and amortisation expense		956	871
Current tax expense		633	167
Net gain/(loss) on investing activities		(184)	779
Other non-cash adjustments		(16)	402
Income tax paid		(395)	(308)
Movements in working capital		987	1,906
Net cash from operating activities		3,728	4,596
Cash flows from investing activities			
Payments for acquisition of tangible exploration and evaluation assets under construction		(151)	(231)
Payments for other property, plant and equipment and intangible assets		(1,411)	(1,286)
Payments for shares in related entities		(7)	-
Payments for acquisition of short-term securities		-	(53)
Proceeds from sale of short-term securities		-	47
Other items, net		(11)	(23)
Net cash from investing activities		(1,580)	(1,546)
Cash flows from financing activities			
Increase in debt		6	162
Decrease in debt		(566)	(3,281)
Other items, net		10	12
Net cash from financing activities		(550)	(3,107)
Net cash flows		1,598	(57)
Cash and cash equivalents at beginning of the period		7,098	3,037
Foreign exchange differences on cash and cash equivalents		334	25
Impairment losses on cash and cash equivalents		(2)	(1)
Cash and cash equivalents at end of the period		9,028	3,004

Consolidated statement of financial position	Note	As at March 31st 2021 unaudited	As at December 31st 2020 audited
ASSETS			
Property, plant and equipment	Note 3.9	43,383	42,565
Intangible assets		510	693
Deferred tax assets		223	42
Equity-accounted investees		966	966
Derivative financial instruments		253	143
Other assets		1,787	1,834
Non-current assets		47,122	46,243
Inventories		1,899	2,684
Receivables		5,730	5,288
Derivative financial instruments	Note 3.10	1,442	1,310
Other assets		841	217
Cash and cash equivalents		9,028	7,098
Assets held for sale		8	31
Current assets		18,948	16,628
TOTAL ASSETS		66,070	62,871
EQUITY AND LIABILITIES			
Share capital and share premium		7,518	7,518
Hedging reserve		78	(16)
Accumulated other comprehensive income		(238)	(315)
Retained earnings		38,686	36,939
Equity attributable to owners of the parent		46,044	44,126
Equity attributable to non-controlling interests		(1)	(1)
TOTAL EQUITY		46,043	44,125
Financing liabilities		3,600	3,859
Derivative financial instruments		480	285
Employee benefit obligations		1,045	1,046
Provision for decommissioning, restoration and environmental remediation costs	Note 3.3.1.	3,280	3,241
Other provisions	Note 3.3.2.	136	135
Grants		690	695
Deferred tax liabilities		2,727	2,228
Other liabilities		161	177
Non-current liabilities		12,119	11,666
Financing liabilities		266	325
Derivative financial instruments	Note 3.10	1,168	1,113
Trade and tax payables*		3,639	3,297
Employee benefit obligations		496	468
Provision for decommissioning, restoration and environmental remediation costs	Note 3.3.1.	69	70
Other provisions	Note 3.3.2.	955	789
Grants		43	49
Other liabilities		1,272	969
Current liabilities		7,908	7,080
TOTAL LIABILITIES		20,027	18,746
TOTAL EQUITY AND LIABILITIES		66,070	62,871

*Including income tax: PLN 145m (2020: PLN 168m)

Consolidated statement of changes in equity

	Equity attributable to owners of the parent										
	Share capital and share premium, including:			Accumulated other comprehensive income:				Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
	Share capital	Share premium	Hedging reserve	Translation reserve	Actuarial gains/(losses) on employee benefits	Share of other comprehensive income of equity-accounted investees					
As at January 1st 2020 (audited)	5,778	1,740	739	(122)	(117)	(7)	30,097	38,108	(1)	38,107	
Net profit	-	-	-	-	-	-	779	779	-	779	
Other comprehensive income, net	-	-	(46)	(27)	-	-	-	(73)	-	(73)	
Total comprehensive income	-	-	(46)	(27)	-	-	779	706	-	706	
Change in equity recognised in inventories, net	-	-	174	-	-	-	-	174	-	174	
Changes in the Group	-	-	-	-	-	-	23	23	-	23	
As at March 31st 2020 (unaudited)	5,778	1,740	867	(149)	(117)	(7)	30,899	39,011	(1)	39,010	
As at January 1st 2021 (audited)	5,778	1,740	(16)	(132)	(173)	(10)	36,939	44,126	(1)	44,125	
Net profit	-	-	-	-	-	-	1,747	1,747	-	1,747	
Other comprehensive income, net	-	-	233	77	-	-	-	310	-	310	
Total comprehensive income	-	-	233	77	-	-	1,747	2,057	-	2,057	
Change in equity recognised in inventories, net	-	-	(139)	-	-	-	-	(139)	-	(139)	
As at March 31st 2021 (unaudited)	5,778	1,740	78	(55)	(173)	(10)	38,686	46,044	(1)	46,043	

1. General information

1.1 The Group

Company 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
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 date of issue of this interim report for the first quarter of 2021, 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.

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

Shareholder	Number of shares at the date of issue of the previous interim report*	% share in total voting rights at the date of issue of the previous interim report*	% change in the period	% share in total voting rights at the date of issue of this report**	Number of shares at the date of issue of this report**
State Treasury	4,153,706,157	72.00%	0.00%	72.00%	4,153,706,157
Other shareholders	1,624,608,700	28.00%	0.00%	28.00%	1,624,608,700
Total	5,778,314,857	100.00%	0.00%	100.00%	5,778,314,857

*As at December 31st 2020.

**As at March 31st 2021.

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 (mainly from Russia and Germany), 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 reportable 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 quarter of 2021 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. In view of the stable financial results and good liquidity position, 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.

The Polish zloty (PLN) is the functional currency of PGNiG S.A. and the presentation currency of these consolidated financial statements. The method of translation of items denominated in foreign currencies is presented in the full-year consolidated financial statements for the year ended December 31st 2020, issued on March 25th 2021.

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 quarter of 2021 is May 20th 2021.

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 2020.

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 March 31st 2021)



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 	<p>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.</p>	<p>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.</p> <p>The key aggregation criteria were similarity of products and services sold; similar characteristics of the production process and of the customer base; and economic similarities (exposure to the same market risks, as reflected in the correlation of results (margins) generated by the aggregated operating segments).</p>
Trade and Storage 	<p>The segment's principal business activities are sale of natural gas (imported, produced or purchased on gas exchanges), operation of underground gas storage facilities for trading purposes (Mogilno, Wierzchowice, Kosakowo, Husów, Brzeźnica, Strachocina, Swarzów and the storage system in Ukraine), and electricity trading.</p>	<p>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.</p> <p>The segment operates underground gas storage facilities in Poland to ensure Poland's energy security and to build a gas portfolio that meets the market demand which is subject to seasonal fluctuations.</p> <p>The key aggregation criteria were similarity of products and services sold, similarity of the customer base, and similar economic characteristics.</p>
Distribution 	<p>The segment's principal business activity consists in distribution of natural gas via distribution networks to retail, industrial and wholesale customers, as well as operation, maintenance (repairs) and expansion of gas distribution networks.</p>	<p>This operating segment overlaps with the reportable segment Distribution, and comprises Polska Spółka Gazownictwa Sp. z o.o. and its subsidiaries specified in Figure 1.</p>
Generation 	<p>The segment's principal business activities consist in generation and sale of electricity and heat.</p>	<p>This reportable segment comprises the following operating segments: PGNiG TERMIKA S.A. and its subsidiaries.</p> <p>The key aggregation criteria were similarity of products and services sold, similarity of the customer base, and similar economic characteristics.</p>
Other segments 	<p>This segment comprises operations which cannot be classified into any of the segments listed above, i.e. the functions performed by the PGNiG Corporate Centre, engineering design and construction of structures, machinery and equipment for the extraction and energy sectors, as well as catering and hospitality and insurance services.</p>	<p>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.</p>

2.1 Changes in the Group structure

Date	Company	Event
January 8th 2021	PST Verwaltungs GmbH * (subsidiary of PGNiG Supply & Trading GmbH)	On September 17th 2020, as part of the sale of PST Europe Sales GmbH's and XOOOL GmbH's customer portfolio to Lekker Energie GmbH, PST Europe Sales GmbH acquired 100% of shares in PST Verwaltungs GmbH free of charge. On December 23rd 2020, a merger agreement was signed between PST Verwaltungs GmbH and PST Europe Sales GmbH. As a result of the merger, there were no changes in PST Europe Sales GmbH's share capital. Upon registration of the merger on January 8th 2021, PST Verwaltungs GmbH ceased to exist.
February 19th 2021	CIFL Sp. z o.o. w likwidacji (in liquidation)*	On February 19th 2021, CIFL sp. z o.o. w likwidacji (in liquidation) was removed from the National Court Register.
March 2nd 2021	PGNiG TERMIKA Energetyka Przemysł Sp. z o.o. * (subsidiary of PGNiG TERMIKA S.A.)	On December 4th 2020, PGNiG TERMIKA Energetyka Przemysł Sp. z o.o. was established. All shares (100%) in the share capital of the new company, with a total par value of PLN 5,000.00, were acquired by PGNiG TERMIKA S.A. On March 2nd 2021, the company was recorded in the National Court Register.
April 1st 2021	PGNiG TERMIKA Energetyka Przemysłowa - Technika Sp. z o.o.* (subsidiary of PGNiG TERMIKA Energetyka Przemysłowa S.A.)	On April 1st 2021, SEJ-SERWIS Sp. z o.o. was renamed as PGNiG TERMIKA Energetyka Przemysłowa - Technika Sp. z o.o.

* Not consolidated due to immateriality.

2.2 Equity-accounted investees

In its consolidated financial statements, the Group as a partner in a joint venture or a major investor in a company recognises its interest in 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 March 31st 2021

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

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

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

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

2.3 Key data on the reportable segments

3 months ended March 31st 2021	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Total	Reconciliation with consolidated data*	Total
Sales to external customers	760	11,339	1,646	795	13	14,553		
Inter-segment sales	1,026	149	23	302	99	1,599		
Total revenue	1,786	11,488	1,669	1,097	112	16,152	(1,599)	14,553
EBITDA	1,348	492	1,011	463	100	3,414	(21)	3,393
Depreciation and amortisation expense	(302)	(54)	(295)	(289)	(16)	(956)	-	(956)
Operating profit (EBIT)	1,046	438	716	174	84	2,458	(21)	2,437
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	10	-	1	-	5	16	-	16
Profit/(loss) from equity-accounted investees	-	-	-	-	-	-	-	-
Purchase of property, plant and equipment and intangible assets	(345)	(3)	(895)	(283)	(23)	(1,549)	(13)	(1,562)
Property, plant and equipment	15,425	3,098	18,955	5,525	689	43,692	(309)	43,383
Employment**	6,696	3,016	11,521	1,831	1,709	24,773		

3 months ended March 31st 2020	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Total	Reconciliation with consolidated data*	Total
Sales to external customers	742	10,980	1,378	630	26	13,756		
Inter-segment sales	529	62	21	343	85	1,040		
Total revenue	1,271	11,042	1,399	973	111	14,796	(1,040)	13,756
EBITDA	71	909	771	416	(66)	2,101	(23)	2,078
Depreciation and amortisation expense	(275)	(53)	(260)	(268)	(15)	(871)	-	(871)
Operating profit (EBIT)	(204)	856	511	148	(81)	1,230	(23)	1,207
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	(776)	-	2	-	-	(774)	-	(774)
Profit/(loss) from equity-accounted investees	-	-	-	-	9	9	-	9
Purchase of property, plant and equipment and intangible assets	(684)	(14)	(738)	(107)	(36)	(1,579)	62	(1,517)
Property, plant and equipment	13,769	3,272	16,914	5,205	692	39,852	(257)	39,595
Employment**	6,721	3,046	11,516	1,831	1,692	24,806		

*Inter-company eliminations and consolidation adjustments

**Excluding employees of equity-accounted investees.

2.4 Revenue by segment

3 months ended March 31st 2021	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Reconciliation with consolidated data*	Total
Revenue from sales of gas**, including:	1,222	10,497	-	-	-	(1,114)	10,605
High-methane gas	745	10,280	-	-	-	(821)	10,204
Nitrogen-rich gas	468	334	-	-	-	(290)	512
LNG	9	42	-	-	-	(3)	48
CNG	-	16	-	-	-	-	16
Adjustment to gas sales due to hedging transactions	-	(175)	-	-	-	-	(175)
Other revenue**, including:	564	991	1,669	1,097	112	(485)	3,948
Gas and heat distribution	-	-	1,607	31	-	(21)	1,617
Crude oil and natural gasoline	373	-	-	-	-	-	373
NGL	39	-	-	-	-	-	39
Sales of heat	-	-	-	650	-	-	650
Sales of electricity	-	864	-	324	-	(329)	859
Revenue from rendering of services:							
- drilling and oilfield services	14	-	-	-	-	-	14
- geophysical and geological services	52	-	-	-	-	-	52
- construction and assembly services	7	-	-	-	25	(24)	8
- connection charge	-	-	50	-	-	-	50
- other	6	87	9	46	83	(87)	144
Other**	73	40	3	46	4	(24)	142
Total revenue	1,786	11,488	1,669	1,097	112	(1,599)	14,553

3 months ended March 31st 2020	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Reconciliation with consolidated data*	Total
Revenue from sales of gas**, including:	716	10,244	-	-	-	(545)	10,415
High-methane gas	393	9,126	-	-	-	(398)	9,121
Nitrogen-rich gas	317	269	-	-	-	(145)	441
LNG	6	19	-	-	-	(3)	22
CNG	-	11	-	-	-	1	12
Adjustment to gas sales due to hedging transactions	-	819	-	-	-	-	819
Other revenue**, including:	555	798	1,399	973	111	(495)	3,341
Gas and heat distribution	-	-	1,335	26	-	(19)	1,342
Crude oil and natural gasoline	354	-	-	-	-	-	354
NGL	21	-	-	-	-	-	21
Sales of heat	-	-	-	530	-	-	530
Sales of electricity	-	749	-	367	-	(368)	748
Revenue from rendering of services:							
- drilling and oilfield services	32	-	-	-	-	-	32
- geophysical and geological services	34	-	-	-	-	-	34
- construction and assembly services	10	-	-	-	15	(9)	16
- connection charge	-	-	51	-	-	-	51
- other	10	36	9	4	88	(81)	66
Other**	94	13	4	46	8	(18)	147
Total revenue	1,271	11,042	1,399	973	111	(1,040)	13,756

*Inter-company eliminations and consolidation adjustments

** Starting from the consolidated financial statements for 2020, the Group changed the presentation of revenue from sales of propane-butane in the Exploration and Production segment: sales of propane-butane were transferred from 'Revenue from sales of natural gas' (previously: 'Revenue from sales of gas') to 'Other revenue'. Therefore, the comparative data was restated by PLN 16m.

2.5 Segments' financial results

In the first quarter of 2021, the PGNiG Group's revenue was PLN 14,553m, up by PLN 797m (6%) year on year, while operating expenses fell by PLN 433m.

EBITDA for the first quarter of 2021 was PLN 1,315m higher than in the first quarter of 2020, and amounted to PLN 3,393m. EBIT for the first quarter of 2021 was PLN 2,437m, up by PLN 1,230m year on year.

Operating data	3 months ended March 31st 2021	3 months ended March 31st 2020
Volume of natural gas produced by the PGNiG Group (bcm)*		
High-methane gas (E)	0.54	0.44
Nitrogen-rich gas (Ls/Lw as E equivalent)	0.70	0.72
Total (measured as E equivalent)	1.24	1.16
Volume of natural gas sales outside the PGNiG Group (bcm)*		
High-methane gas (E)	10.75	10.12
Nitrogen-rich gas (Ls/Lw as E equivalent)	0.53	0.48
Total (measured as E equivalent)	11.28	10.60
Distribution volume (bcm in natural gas)		
high-methane gas, nitrogen-rich gas, propane-butane, coke gas	4.55	3.96
Crude oil, condensate and NGL ('000 tonnes)**		
Production volume	328.5	324.6
Sales volume	250.6	276.9
Heat and electricity (from own generation sources)		
Heat sales outside the PGNiG Group (PJ)	17.00	16.05
Sales of electricity from own generation sources (TWh)	1.22	1.38

* Converted to gas with a calorific value of 39.5 MJ/m³.

** Aggregate data for crude oil, NGL and condensate

Exploration and Production

The Exploration and Production segment's operating profit for the first quarter of 2021 was PLN 1,046m, up by PLN 1,250m on the same quarter of 2020, when the segment posted a loss of PLN -204m. EBITDA for the first quarter of 2021 was PLN 1,348m (PLN 71m in the first quarter of 2020). The key contributing factors included:

- PLN 515m (41%) year-on-year increase in revenue, led mainly by:
 - PLN 506m (71%) increase in revenue from sales of the segment's natural gas, attributable to higher gas prices. The higher prices of gas transferred from the Exploration and Production segment to the Trade and Storage segment were a direct effect of the rise in average monthly prices quoted on the PPX (Polish Power Exchange)(up 78% year on year), by reference to which the transfer price in transactions between the segments is set;
 - PLN 37m (10%) increase in revenue from crude oil and NGL sales, mainly due to a 15% year-on-year rise in the average price of Brent crude (in PLN) in the three months, with a 9% concurrent year-on-year decline in the volume of crude oil and NGL sold in the first quarter of 2021;
- PLN 735m (50%) year-on-year decrease in operating expenses, caused mainly by:
 - increase in the cost of wells written off up to PLN 260m (compared with PLN 17m in the corresponding period of the previous year), with a concurrent reversal of impairment losses on property, plant and equipment under construction of PLN 269m (compared with impairment losses of PLN 758m recognised in the corresponding period of the previous year).

Trade and Storage

In the first quarter of 2021, the segment's operating profit was PLN 438m, having decreased by PLN 418m year on year, from PLN 856m recorded in the first quarter of 2020. A similar decline (46%, PLN 417m) occurred in EBITDA, which stood at PLN 492m. The segment's total revenue was PLN 11,488m, having increased by PLN 446m (4%) year on year. The segment's operating expenses were PLN 11,050m, that is PLN 864m (8%) more year on year.

The significant decline in the segment's operating result was attributable to a twofold increase in gas prices across European markets and higher Brent crude prices, with no change in the average contract price on POLPX and a 4.5% decrease in the average price of gas fuel in the retail tariff as of January 1st 2021. A 20% year-on-year increase in the volume of gas sold to households was a result of lower temperatures recorded in the first quarter of 2021.

Among the factors that drove the segment's result in the reporting period were also:

- PLN +9m reversal of a gas inventory write-down; in the first quarter of 2020, the write-down reversal was PLN +255m;
- a surge in spot prices of gas on the POLPX (82%), reflected in the value of domestically produced gas transferred from the Exploration and Production segment to the Trade and Storage segment;
- net loss of PLN -175m on settlement of hedging instruments designated for hedge accounting and recognised in profit or loss (vs PLN +819m in the first quarter of 2020); the result recognised in gas inventory as reduction in gas costs was PLN +172m (PLN -215m in the first quarter of 2020);
- settlement of current gas supplies under the Yamal Contract in accordance with the new pricing formula, in accordance with the Arbitration Court's ruling and the annex to the Yamal Contract of June 5th 2020. In the comparative period, gas supplies were accounted for in accordance with the amended pricing formula as of March 2020. The effect of the retrospective change in the overall pricing formula of PLN 5,689m was accounted for in the second quarter of 2020 (approximately PLN 774m was related to costs of gas in January and February 2020). For more information on the renegotiation of price terms, see the Directors' Report on the operations of PGNiG S.A. and the PGNiG Group for 2020.

Distribution

In the first quarter of 2021, the Distribution segment's operating profit was PLN 716m, up PLN 205m (40%) year on year. This directly translated into an increase in EBITDA, which was PLN 1,011m at the end of the first quarter of 2021, PLN 240m more year on year.

In the reporting period, the segment's revenue rose considerably – by 19% (to PLN 1,669m from PLN 1,399m in the corresponding period of the previous year), as a result of:

- a 3.6% average increase in the tariff for gas distribution services (effective from February 1st 2021);
- a 15%, or approximately 589 mcm, year-on-year increase in the distribution volume, mainly due to a 2.8°C decrease in the average temperature in the first quarter of 2021 compared with the first quarter of 2020.

Generation

In the first quarter of 2021, the segment's operating profit was PLN 174m, up 18% (PLN 26m) year on year. EBITDA came in at PLN 463m, an increase of 11% on the result reported as at the end of the first quarter of 2020.

The segment's revenue in the reporting period was PLN 1,097m, up by PLN 124m (13%) year on year. The factors driving revenue included:

- a PLN 120m (23%) increase in revenue from sales of heat, with lower average temperature in the period (-2.8°C) compared with the corresponding period of 2020;
- a PLN 43m (-12%) decrease in revenue from sales of electricity, mainly a consequence of lower sales volumes.

The segment's operating expenses in the reporting period amounted to PLN 923m, up by PLN 98m (12%). The segment's expenses rose mainly as a result of an increase in the cost of electricity for trading, which rose on the back of higher revenue, and depreciation and amortisation, which amounted to PLN 289m and was higher by PLN 21m (8%) relative to the first quarter of 2020 due to a PLN 22m (12%) increase in the costs of redemption of CO₂ allowances.

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

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

- Conditions prevailing on the currency markets, commodity markets (prices of crude oil and petroleum products), energy markets (prices of electricity and gas), as well as fluctuations in the market prices of certificates of origin and CO₂ emission allowances;
- Negative economic effects of the COVID-19 pandemic (for a more detailed description of the factor see [Note 3.2 Impairment losses/write-downs](#));
- Regulations governing support programmes for electricity from high-efficiency co-generation and renewable sources;
- Position of the President of URE on gas fuel sale and distribution tariffs and heat sale tariffs;
- weather conditions.

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

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 January 1st 2020	1,075	3,426	(1,043)	32	2,383	
Increase	254	245	-	-	-	9
Decrease	(86)	(278)	-	-	-	192
Currency translation differences	-	36	-	-	-	(36)
As at December 31st 2020	1,243	3,429	(1,201)	42	2,228	165
As at January 1st 2021	1,243	3,429	(1,201)	42	2,228	
Increase	79	284	-	-	-	(205)
Decrease	(56)	(35)	-	-	-	(21)
Currency translation differences	-	92	-	-	-	(92)
As at March 31st 2021	1,266	3,770	(1,043)	223	2,727	(318)

3.2 Impairment losses/write-downs

	Property, plant and equipment	Intangible assets	Assets held for sale	Equity-accounted investees	Other (non-current) assets	Inventories	Receivables	Other (current) assets	Total
As at January 1st 2020	4,144	75	5	1,064	62	456	828	1	6,635
Increase taken to profit or loss	2,068	18	-	291	1	28	200	4	2,610
Decrease taken to profit or loss	(491)	(7)	-	-	(1)	(378)	(140)	(2)	(1,019)
Used	(39)	-	-	-	-	-	(113)	-	(152)
Changes in the Group	-	-	-	-	64	(2)	(1)	38	99
Transfers	4	-	(4)	-	58	-	(58)	-	-
Other changes	18	-	-	-	(8)	(4)	95	-	101
As at March 31st 2020	5,704	86	1	1,355	176	100	811	41	8,274
As at January 1st 2021	5,704	86	1	1,355	176	100	811	41	8,274
Increase taken to profit or loss	5	-	-	57	1	14	58	2	137
Decrease taken to profit or loss	(281)	-	-	(266)	-	(18)	(69)	-	(634)
Used	(35)	-	-	-	-	-	(3)	-	(38)
Transfers	-	-	-	-	(4)	-	4	-	-
Other changes	44	2	-	-	-	2	107	-	155
As at March 31st 2021	5,437	88	1	1,146	173	98	908	43	7,894

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

Impairment of non-financial assets

Impairment losses on non-current assets are the result of an assessment of the recoverable amount of assets based on an analysis of future cash flows, in particular based on current and projected paths of hydrocarbon prices on international markets. The COVID-19 epidemic is one of the factors that have significantly contributed to a sharp decline in hydrocarbon prices, which is also reflected in long-term forecasts of gas and oil prices. The strongest impact of COVID-19 was recorded in the first half of 2020, when the Group recognised its first impairment losses to account for the impact of COVID-19 on hydrocarbon prices. The effect of COVID-19 on the balance of impairment losses on non-financial assets remained unchanged, at PLN 685m as at the end of the first quarter of 2021 for domestic non-current assets related to hydrocarbon production and PLN 484m for those located abroad (the difference between the figures as at the end of 2020 and for the first quarter of 2021 for assets outside Poland was the effect of exchange rate movements).

Trade and other receivables

The economic effects of COVID-19 are expected to affect the quality of the Group's portfolio of financial assets and collectability of trade and other receivables. The projected 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 higher than at the end of the fourth quarter of 2020. At the same time, the trading partners' creditworthiness assessments were revised, which also affected the expected probability of default. As a result, the (upward) adjustment to the expected credit loss due to COVID-19 was changed relative to the adjustment recognised at the end of the fourth quarter of 2020.

Based on the analyses, as at March 31st 2021 the estimated effect of COVID-19 on impairment losses on the PGNiG Group's trade receivables was PLN 8m (increase).

3.3 Provisions

	Provision for well decommissioning costs	Provisions for environmental liabilities	Provision for landfill reclamation	Total
As at January 1st 2020	2,389	122	60	2,571
Recognised provision capitalised in cost of property, plant and equipment	706	-	-	706
Recognised write-downs taken to profit or loss	83	10	6	99
Other increases – Extraction Facilities Decommissioning Fund	1	-	-	1
Used	(28)	-	-	(28)
Write-down reversal taken to profit or loss	(45)	(16)	-	(61)
Exchange differences on translating foreign operations	23	-	-	23
As at December 31st 2020	3,129	116	66	3,311
As at January 1st 2021	3,129	116	66	3,311
Recognised provision capitalised in cost of property, plant and equipment	4	-	-	4
Recognised write-downs taken to profit or loss	4	-	-	4
Used	(4)	-	-	(4)
Write-down reversal taken to profit or loss	(5)	(1)	-	(6)
Exchange differences on translating foreign operations	40	-	-	40
As at March 31st 2021	3,168	115	66	3,349

	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 January 1st 2020	216	177	6	21	405	825
Increase taken to profit or loss	243	-	-	2	460	705
Decrease taken to profit or loss	(11)	-	-	(6)	(358)	(375)
Used	(179)	-	-	-	(12)	(191)
Changes in the Group	-	-	-	-	(1)	(1)
Other changes	6	(2)	-	1	(44)	(39)
As at December 31st 2020	275	175	6	18	450	924
As at January 1st 2021	275	175	6	18	450	924
Increase taken to profit or loss	98	-	-	1	94	193
Decrease taken to profit or loss	(1)	-	-	(1)	(35)	(37)
Used	-	-	-	-	(1)	(1)
Other changes	1	10	-	-	1	12
As at March 31st 2021	373	185	6	18	509	1,091

3.4 Revenue by product

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

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

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

	3 months ended March 31st 2021	3 months ended March 31st 2020
Revenue from sales of gas, including:	10,605	10,415
High-methane gas	10,204	9,121
Nitrogen-rich gas	512	441
LNG	48	22
CNG	16	12
Adjustment to gas sales due to hedging transactions	(175)	819
Other revenue, including:	3,948	3,341
Gas and heat distribution	1,617	1,342
Crude oil and natural gasoline	373	354
NGL	39	21
Sales of heat	650	530
Sales of electricity	859	748
Revenue from rendering of services:		
- drilling and oilfield services	14	32
- geophysical and geological services	52	34
- construction and assembly services	8	16
- connection charge	50	51
- other	144	66
Other	142	147
Total revenue	14,553	13,756

3.5 Operating expenses (selected items)

	3 months ended March 31st 2021	3 months ended March 31st 2020
Cost of gas	(8,543)	(8,694)
Gas fuel	(8,543)	(8,694)
Other raw materials and consumables used	(1,090)	(878)
Fuels for electricity and heat generation	(376)	(360)
Electricity for trading purposes	(589)	(389)
Other raw materials and consumables used	(125)	(129)
Employee benefits expense	(837)	(800)
Salaries and wages	(576)	(552)
Social security contributions	(105)	(129)
Long-term employee benefits	(17)	(24)
Other employee benefits expense	(139)	(95)
Other services	(404)	(419)
Regasification services	(85)	(98)
Repair and construction services	(43)	(41)
Mineral resources production services	(67)	(50)
Rental services	(20)	(28)
Other services	(189)	(202)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	16	(774)
Cost of exploration and evaluation assets written-off	(260)	(17)
Impairment losses on property, plant and equipment	276	(745)
Impairment losses on intangible assets	-	(12)
Total	(10,858)	(11,565)

3.6 Other income and expenses

	3 months ended March 31st 2021	3 months ended March 31st 2020
Compensation, penalties, and fines received	9	8
Exchange differences related to operating activities	186	(162)
Measurement and exercise of derivative financial instruments	(167)	206
Change in inventory write-downs	4	253
Change in impairment losses on trade and other receivables	11	15
Provision for decommissioning, restoration and environmental remediation costs	2	(5)
Change in provision for certificates of origin and energy efficiency certificates	(97)	(87)
Provision for CO ₂ emission allowances	(13)	(5)
Change in other provisions	(42)	(46)
Change in products	383	299
Change in underlift/ overlift	144	72
Cost of merchandise and materials sold	(65)	(31)
Other income and expenses	(39)	(72)
Total other income and expenses	316	445

3.7 Net finance income/(costs)

	3 months ended March 31st 2021	3 months ended March 31st 2020
Interest on debt (including fees)	(4)	(4)
Interest on lease liabilities	(19)	(18)
Foreign exchange differences	36	(236)
Measurement and exercise of derivative financial instruments not designated for hedge accounting	9	(4)
Fair value measurement of financial assets	4	(7)
Other net finance costs (income)	(83)	(1)
Total net finance costs	(57)	(270)

3.8 Income tax

Reconciliation of effective tax rate	3 months ended March 31st 2021	3 months ended March 31st 2020
Profit before tax	2,380	946
Corporate income tax at the 19% statutory rate applicable in Poland	(452)	(180)
Deductible temporary differences with respect to which no deferred tax was recognised	(181)	13
Income tax expense disclosed in the statement of profit or loss	(633)	(167)
Including:		
Current tax expense	(428)	(283)
Deferred tax expense	(205)	116
Effective tax rate	27%	18%

Tax group

December 31st 2020 marked the termination of a tax group at the PGNiG Group.

PGNiG S.A. represented the PGNiG Tax Group, established for the period from January 1st 2017 to December 31st 2020 under an agreement of September 19th 2016. On July 14th 2020, the Management Board of the Company decided to not establish another tax group.

3.9 Property, plant and equipment

	As at March 31st 2021	As at December 31st 2020
Land	129	131
Buildings and structures	21,379	20,985
Plant and equipment	8,785	8,670
Vehicles and other	1,309	1,305
Total own tangible assets	31,602	31,091
Right-of-use asset – land	2,546	2,424
Right-of-use asset – buildings and structures	276	280
Right-of-use asset – plant and equipment	181	178
Right-of-use asset – vehicles and others	28	29
Total right-of-use assets	3,031	2,911
Tangible exploration and evaluation assets under construction	2,908	2,708
Other tangible assets under construction	5,842	5,855
Total property, plant and equipment	43,383	42,565

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

On March 25th 2021, PGNiG Upstream Norway AS (PGNiG UN) entered into a conditional agreement to acquire INEOS E&P Norge AS (IEPN) from the INEOS Group (for more information, see [Note 4.1.](#)). The IEPN purchase price as provided for in the agreement is USD 615m (PLN 2.3bn), with January 1st 2021 being the effective transaction date. The condition precedent to the agreement is obtaining corporate approvals within the PGNiG Group, and the precondition to acquiring control in obtaining administrative approvals in Norway. As at the date of this report, no approvals were obtained.

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.

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–March 31st 2021 were accounted for using cash flow or fair value hedge accounting. The Company was party to CCIRS transactions, which are not designated for hedge accounting, As the valuation of both the hedged item and the hedge (the derivative transaction) is recognised in profit or loss, which produces the same effect as if hedge accounting was applied.

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

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

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

Income and expenses related to assets and liabilities under derivative financial instruments			3 months ended March 31st 2021		3 months ended March 31st 2020	
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	<i>Note 3.7</i>	9	-	(4)	-
Other income and expenses	Measurement and exercise of derivative financial instruments not designated for hedge accounting	<i>Note 3.6</i>	(167)	-	206	-
	Reclassification from other comprehensive income	<i>Note 3.6</i>	-	-	-	-
Revenue	Reclassification from other comprehensive income	<i>Note 3.4.1.</i>	-	(175)	-	819
Cost of gas sold	Reclassification from other comprehensive income	<i>Note 3.5</i>	-	-	-	-
			(158)	(175)	202	819
Effect on other comprehensive income						
	Gains/(losses) on measurement of derivative instruments designated for cash flow hedge accounting (effective portion)			113		762
	Reclassification of derivative instruments measurement to profit or loss upon exercise (cash flow hedges)			175		(819)
				288		(57)
	Effect on comprehensive income		(158)	113	202	762
	Change in equity recognised in inventories, gross			(172)		215

The tables below present the Group companies' derivative transactions as at March 31st 2021.

Derivative instruments designated for hedge accounting	As at March 31st 2021					As at December 31st 2020			
	Type of derivative instrument	Notional amount (million)	Period when cash flow will occur and affect the financial result	Exercise price (exercise price range)	Weighted average exercise price	Fair value of instruments for which cash flow hedge accounting is applied	Notional amount (million)	Period when cash flow will occur and affect the financial result	Fair value of instruments for which cash flow hedge accounting is applied
Derivative instruments used to hedge currency risk in gas purchase and sale contracts									
Forwards									
USD	USD 453	up to 3 years	3.66–3.97	3.80	75	USD 263	up to 3 years	11	
USD	USD 21	3–12 months	3.97–4.00	3.98	-	USD 340	up to 3 years	(38)	
EUR/USD	EUR 304	up to 4 years	1.20–1.26	1.22	28	EUR 32	up to 3 years	-	
EUR/USD	EUR 52	up to 3 years	1.12–1.18	1.15	(6)	EUR 229	up to 4 years	(41)	
Currency swap									
EUR	-	-	-	-	-	EUR 38	up to 3 years	-	
EUR	EUR 667	up to 3 years	4.44–4.68	4.55	(98)	EUR 528	up to 3 years	(73)	
					(1)			(141)	
Derivative instruments used to hedge gas purchase and selling prices									
TTF swap DA	13 MWh	up to 3 years	15.50–19.00	17.47	55	24 MWh	up to 3 years	286	
TTF swap DA	24 MWh	up to 3 years	12.52–17.05	15.44	(282)	29 MWh	up to 4 years	(446)	
TTF swap MA	4 MWh	1–3 months	15.80	15.80	35	5 MWh	1–3 months	11	
TTF swap MA	4 MWh	1–3 months	19.02	19.02	-	-	-	-	
BRENT Swap	3 Bbl	up to 3 years	39.05–43.87	42.28	216	4 Bbl	up to 3 years	117	
HH NYMEX	43 MMBTU	up to 4 years	2.25–2.61	2.46	40	31 MMBTU	up to 4 years	24	
HH NYMEX	44 MMBTU	up to 4 years	2.47–2.61	2.53	(18)	33 MMBTU	up to 4 years	(20)	
					46			(28)	
					45			(169)	
			Including:	Total	450	Including:	Total	449	
				Assets	405		Assets	618	
				Liabilities			Liabilities		

TTF – Natural Gas at the Title Transfer Facility

MA – month-ahead DA – day-ahead

MMBTU – a million of international British Thermal Units

Bbl - a barrel of crude oil

(in PLN million, unless stated otherwise)

Derivative instruments not designated for hedge accounting	As at March 31st 2021		As at December 31st 2020	
	Notional amount (million)	Fair value of instruments not designated for hedge accounting	Notional amount (million)	Fair value of instruments not designated for hedge accounting
Derivative instruments hedging interest rate risk and currency risk				
CCIRS				
NOK	NOK 3,818	(159)	NOK 3,818	(45)
Forwards				
EUR	EUR 106	8	77 EUR	10
EUR	EUR 3	-	EUR 2	-
USD	USD 16	1	USD 16	5
Currency swap				
EUR	EUR 157	24	EUR 558	78
EUR	EUR 216	(34)	EUR 534	(78)
		(160)		(30)
Derivative instruments used as economic hedges of electricity purchase prices				
Forwards				
electricity – PPX	2 MWh	116	2 MWh	44
electricity – PPX	12 MWh	(91)	15 MWh	5
electricity – OTC	0.29 MWh	13	1 MWh	14
electricity – OTC	0.95 MWh	(44)	1 MWh	(23)
Futures				
electricity – EEX AG	1 MWh	48	1 MWh	26
electricity – EEX AG	0.36 MWh	(16)	1 MWh	(17)
		26		49
Derivative instruments used to hedge gas purchase and selling prices				
Forwards				
Gas	0.02 MWh	(1)	0.04 MWh	(1)
gas – OTC	21 MWh	286	20 MWh	204
gas – OTC	20 MWh	(353)	19 MWh	(239)
Futures				
gas - PPX	2 MWh	62	3 MWh	50
gas – ICE ENDEX B.V.	1 MWh	21	3 MWh	59
gas – ICE ENDEX B.V.	1 MWh	(20)	3 MWh	(61)
gas – POWERNEXT SA	2 MWh	22	1 MWh	12
gas – POWERNEXT SA	2 MWh	(15)	2 MWh	(19)
Swap				
GASPOOL DA	-	-	1 MWh	17
GASPOOL DA	-	-	1 MWh	(5)
BRENT	0.3 Bbl	(12)	0.3 Bbl	(2)
TTF swap DA	35 MWh	538	28 MWh	431
TTF swap DA	25 MWh	(346)	19 MWh	(248)
TTF swap MA	1 MWh	5	-	-
TTF swap MA	5 MWh	(72)	3 MWh	(4)
		115		194
Derivative instruments used to hedge purchase prices of CO₂ emission allowances				
Forwards	1 t	(80)	1 t	(43)
Forwards	0.02 t	-	-	-
Futures	4 t	76	2 t	38
		(4)		(5)
Derivative instruments used to hedge share purchase prices				
Options	6.938 million shares	25	6.938 million shares	16
	Total	2	Total	224
	Including:		Including:	
	Assets	1,245	Assets	1,004
	Liabilities	1,243	Liabilities	780

CCIRS – Cross Currency Interest Rate Swap

PPX – Towarowa Gielda Energii S.A. (Polish Power Exchange)

OTC – non-regulated over-the-counter market

EEX AG – European Energy Exchange AG

ICE ENDEX B.V. and POWERNEXT SA – leading energy exchanges in Europe

3.11 Contingent assets and liabilities

Contingent asset	As at March 31st 2021	As at December 31st 2020
	Estimated amount	
Grants awarded*	179	182
Other contingent assets	13	13
Total	192	195

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

Contingent liabilities	As at March 31st 2021	As at December 31st 2020
	Estimated amount	
Guarantees and sureties	5,404	4,830
Promissory notes	558	554
Other	14	9
Total	5,976	5,393

The slight decrease in contingent assets – grants awarded was attributable to a 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 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 as security for gas supplies, totalling PLN 627m (as translated at the exchange rate quoted by the NBP for March 31st 2021).

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 March 31st 2021		As at December 31st 2020	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Derivative instruments	662	1,033	449	1,004
	662	1,033	449	1,004
Financial liabilities				
Derivative instruments	699	949	434	964
	699	949	434	964

3.13 Classification of financial assets

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

4. Supplementary information to the report

4.1 Key events related to the issuer in the reporting period

Date	Company	Event
January 13th 2021	Polska Spółka Gazownictwa Sp. z o.o.	<p>On January 13th 2021, the President of the Energy Regulatory Office (the "President of URE") approved new Gas Fuel Distribution Tariff No. 9 of Polska Spółka Gazownictwa Sp. z o.o. (the "Distribution Tariff").</p> <p>The rates of network fees and charges applied in settlements with customers in the Distribution Tariff were increased by approximately 3.6% on average in relation to the previous distribution tariff of Polska Spółka Gazownictwa Sp. o.o. for all tariff groups (rates applicable to coke gas did not change).</p> <p>The new Distribution Tariff is valid from February 1st to December 31st 2021.</p> <p>For detailed information on the approved Distribution Tariff, see www.ure.gov.pl, and Biuletyn Branżowy URE – Paliwa gazowe (the URE official gazette).</p>
January 31st 2021	PGNiG S.A.	<p>January 31st 2021 saw the expiry of the exclusive negotiation right relating to the offer submitted to TAURON Polska Energia S.A. (TAURON) concerning the acquisition by PGNiG S.A. of 100% of shares in Tauron Ciepło Sp. z o.o. As the negotiations brought no consensus, PGNiG announced that it did not intend to continue the negotiations aimed at concluding the transaction.</p>
February 10th 2021	PGNiG S.A.	<p>On February 10th 2021, PGNiG S.A. gave notice of withdrawal from participation in the transaction and cooperation with PGE Polska Grupa Energetyczna S.A. concerning the non-binding offer submitted by ČEZ a.s. (ČEZ) to sell the ČEZ Group's Polish assets.</p>
February 17th 2021	PGNiG S.A.	<p>On February 17th 2021, Mr Jarosław Wróbel tendered his resignation as Vice President of the PGNiG Management Board, effective as of March 1st 2021, following his appointment as Vice President of the Management Board of Grupa LOTOS S.A.</p>
March 2nd 2021	PGNiG S.A.	<p>On March 2nd 2021, the Supervisory Board of PGNiG S.A. decided to appoint Mr Artur Cieślak as Vice President of the PGNiG Management Board, effective March 16th 2021, for the duration of the sixth term of office of the PGNiG Management Board, which expires on January 10th 2023.</p>
March 25th 2021	PGNiG Upstream Norway AS	<p>On March 25th 2021, PGNiG Upstream Norway AS (PGNiG UN) entered into a conditional agreement to acquire INEOS E&P Norge AS (IEPN) from the INEOS Group.</p> <p>IEPN holds interests in 22 licences on the Norwegian Continental Shelf covering, among others, three production fields (Alve, Marulk and Ormen Lange) and owns the Nyhamna gas terminal. The estimated volume of hydrocarbon resources attributable to IEPN's licence interests is approximately 117 million barrels of oil equivalent (as at January 1st 2021), of which over 94% are natural gas resources. Following the transaction, PGNiG's estimated average gas output in Norway may increase by some 1.5 bcm per annum over the next five years. In addition, PGNiG UN will acquire a portfolio of exploration licences in which IEPN is the operator under six licences.</p> <p>The purchase price for IEPN as provided for in the agreement is 615 million US dollars, with January 1st 2021 being the effective transaction date. The final purchase price will be reduced by revenue earned by IEPN in the period from the effective transaction date, i.e. January 1st 2021, to the date on which PGNiG UN acquires operational control of IEPN. The condition precedent to the agreement is obtaining corporate approvals within the PGNiG Group. The acquisition of control is conditional upon obtaining administrative approvals in Norway.</p> <p>Acquisition of IEPN is in line with the PGNiG Group Strategy for 2017–2022 (with an outlook until 2026), as regards increasing proven hydrocarbon reserves and</p>

production. As a result of the acquisition of IEPN, PGNiG UN's gas production volumes in Norway may reach a peak level of 4 bcm per annum in 2027.

4.2 Shares held by management and supervisory personnel

The holdings of PGNiG shares by the management and supervisory personnel have not changed since the date of issue of the consolidated full-year report for 2020.

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

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

4.3 Dividend paid (declared)

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

No decision concerning payment of 2020 dividend had been made by the date of this report.

4.4 Issue, redemption, and repayment of debt securities

PGNiG S.A. has entered into an agreement on a debt securities programme (up to PLN 5bn). The agreement was not performed in the reporting period. For detailed information, see the full-year consolidated financial statements for the period ended December 31st 2020.

4.5 Seasonality

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

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

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

4.6 Material court, arbitration and administrative proceedings

For a detailed description of all material court, arbitration, or administrative proceedings, see the Directors' Report on the operations of PGNiG S.A. and the PGNiG Group in 2020.

The following are the proceedings whose status changed in the reporting period.

Subject of the dispute and parties to the proceedings	Description
<p>Proceedings with respect to the obligation to sell natural gas through commodity exchange in 2014</p> <p>Parties to the proceedings: PGNiG, President of URE</p>	<p>On October 28th 2015, the President of URE instigated proceedings to impose a financial penalty on PGNiG S.A. for its failure to meet the exchange sale requirement in 2014. On April 20th 2016, PGNiG S.A. filed a request under Art. 56.6a of the Energy Law for refraining from imposing the penalty. By decision of May 9th 2016, the President of URE imposed a fine of PLN 15m on the Company. The Company appealed against the decision. On October 10th 2018, the Competition and Consumer Protection Court granted PGNiG S.A.'s appeal in part and reduced the administrative fine for failure to meet the exchange sale requirement in 2014 from PLN 15m to PLN 5m, and also cancelled the legal fees for the first instance proceedings between the parties. On December 11th 2018, the Company appealed against this judgment. By its judgment of November 12th 2020, the Court of Appeals in Warsaw dismissed PGNiG S.A.'s appeal. The ruling is final. On April 9th 2021, the Company filed a cassation complaint and awaits its consideration.</p>
<p>NS2 AG derogation proceedings</p> <p>Parties to the proceedings: PGNiG, PST, NS2 AG, BNetzA, Higher Regional Court in Düsseldorf</p>	<p>On January 10th 2020, Nord Stream 2 AG applied to the German energy market regulator (BNetzA, Bundesnetzagentur) for derogation (exemption) from the provisions of the Gas Directive (2009/73/EC), as amended in 2019. The German company invoked Article 49a of the Directive despite failing to meet one of the conditions under the law regarding the need for the pipeline to be completed on May 23rd 2019 (the date of the amendment's entry into force). On February 19th 2020, PGNiG S.A. and PST filed a request to be permitted to join the proceedings conducted by BNetzA. On March 18th 2020, the German regulator granted the request. On May 15th 2020, the regulator announced that it had rejected Nord Stream 2 AG's application. Consistent with the position presented by PGNiG S.A. and PST, BNetzA concluded that the pipeline was not completed on May 23rd 2019. On June 15th 2020, Nord Stream 2 AG appealed BNetzA's decision to the Higher Regional Court in Düsseldorf and filed a statement of reasons for the appeal on September 14th 2020.</p> <p>On July 30th 2020, PGNiG S.A. and PST filed a letter of accession to the case as active participants. On January 14th 2021, they filed a pleading stating their position on the case.</p> <p>On March 24th 2021, Nord Stream 2 AG submitted a response to BNetzA's reply, in which it responded to the arguments put forward by the German regulator, PGNiG S.A. and PST. The hearing has been scheduled by the Higher Regional Court of Düsseldorf for June 30th 2021.</p>
<p>Proceedings concerning the OPAL pipeline</p> <p>Parties to the proceedings: PGNiG, General Court of the European Union, PST</p>	<p>The complaint and the request for injunctive relief have been filed with the General Court of the European Union against the European Commission's decision of October 28th 2016 whereby the Commission allowed a revision to the exemption of the OPAL pipeline from the common gas market regulations (especially with respect to the Third Party Access (TPA) principle), in accordance with the text of the administrative decision issued by the Bundesnetzagentur, subject to modifications referred to in the Commission's decision.</p> <p>On December 4th 2019, the Court of Justice of the European Union (TSUE) dismissed the appeals lodged by PST and PGNiG, upholding the decision of the General Court of the EU and referring only to formal issues and not to the substantive analysis of the case. On December 4th 2019, the TSUE also dismissed the appeal lodged by the Republic of Poland in the PST case, indicating that the decision of the General Court of the EU is irrelevant to the case initiated based on the Republic of Poland's complaint under Case No. T-883/16.</p> <p>The complaint and the request for injunctive relief filed with the Higher Regional Court of Düsseldorf (Oberlandesgericht Düsseldorf) are primarily against the administrative settlement between the German regulator, OPAL Gastransport GmbH & Co. KG, OAO Gazprom and OOO Gazprom Export, specifying the revised conditions for exemption of the OPAL pipeline from the common gas market regulations (in particular the TPA principle).</p> <p>On January 9th 2019, the Bundesnetzagentur resumed proceedings concerning a previous decision issued in 2009 on the terms of the regulatory exemption of the Opal gas pipeline, and at the same time it suspended the proceedings. On January 28th 2019, PGNiG and PST filed a request to join in the proceedings. In its reply of February 25th 2019, the German regulatory authority stated that the request would be examined after the pending court proceedings had been closed. On September 13th 2019, the Bundesnetzagentur obliged the transmission system operator Opal Gastransport GmbH's to reduce gas flows in the Opal pipeline, thus responding to the judgment of the TSUE of September 10th 2019 in Case No. T-883/16 initiated by the</p>

complaint of the Republic of Poland, declaring invalidity of the European Commission's decision of October 28th 2016 on the rules for using the Opal pipeline.

An appeal against the judgment was brought by the German government and the case is currently pending before the Court of Justice with a panel of 15 judges (Grand Board). On January 13th 2021, an appeal hearing was held with the participation of the parties (the Republic of Poland and the Federal Republic of Germany), European Commission and interveners (Lithuania and Latvia). On March 18th 2021, an opinion was delivered by the Advocate General, who was in favour of the Court of Justice maintaining the judgment given in the first instance.

4.7 Settlements related to court proceedings

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

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

In the reporting period there were no changes in the economic environment or trading conditions which would have a material effect on the fair value of financial assets and liabilities. For more information on the effect of COVID-19 on the Group's financial assets, see [Note 3.2. Impairment losses/write-downs](#).

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

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

4.10 Related-party transactions

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

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

The PGNiG Management Board has not published any forecasts of the PGNiG Group's financial results for 2021.

4.12 Events subsequent to the reporting date

Date	Company	Event
April 14th 2021	PGNiG S.A.	<p>On April 14th 2021, PGNiG S.A. received clearance from the President of UOKiK in respect to concentration consisting in the establishment by Polski Koncern Naftowy ORLEN S.A., Energa S.A. and PGNiG S.A. of a joint venture, i.e. CCGT Ostrołęka Sp. z o.o., set up to construct a CCGT power generation unit.</p> <p>PGNiG S.A. will join the new company upon fulfilment of the conditions set out in the investment agreement on the rules of cooperation in the construction of a CCGT power generation unit at Ostrołęka C power plant, including obtaining relevant corporate approvals from PGNiG.</p>
April 15th 2021	PGNiG Obrót Detaliczny Sp. z o.o.	<p>On April 15th 2021, the President of the Energy Regulatory Office ("URE") approved amendment of Gas Fuel Trading Tariff No. 10 of PGNiG Obrót Detaliczny Sp. z o.o. (the "amended Retail Tariff").</p> <p>The amended Retail Tariff provides for a 5.6% increase in gas fuel prices for all tariff groups relative to the current Tariff of PGNiG Obrót Detaliczny Sp. z o.o. The subscription fees remained unchanged. The amended Retail Tariff applies to household customers for gas fuels.</p> <p>The amended Retail Tariff will be effective from May 1st to December 31st 2021.</p> <p>For detailed information on the approved tariffs, see www.ure.gov.pl and Biuletyn Branżowy URE – Paliwa gazowe (the URE official gazette – Gas fuels).</p>
May 5th 2021	PGNiG S.A.	<p>On May 5th 2021, PGNiG S.A. signed a letter of intent with ORLEN Południe S.A. (subsidiary of PKN ORLEN) concerning the possibility of carrying out a joint investment project to develop biomethane production.</p> <p>The project will be a joint venture established by both parties in the form of a special purpose vehicle (SPV) in which ORLEN Południe S.A. and PGNiG S.A. will respectively acquire 51% and 49% of the share capital. The parties' intention is that the SPV's business consists in particular in acquiring and building biomethane facilities, developing technologies used to produce biomethane, and producing, trading and using biomethane in various areas of the Parties' operations.</p> <p>PGNiG S.A. and ORLEN Południe S.A. will negotiate with a view to defining, among others, the terms of establishment and financing of the SPV, drawing up the shareholders' agreement, and setting out the rules of cooperation and project schedule. The establishment of the SPV will be possible after obtaining clearance from antitrust authorities.</p>
May 12th 2021	PGNiG S.A.	<p>On May 12th 2021, a cooperation agreement was concluded between PKN ORLEN S.A. (PKN ORLEN), Grupa LOTOS S.A. (Grupa LOTOS), PGNiG S.A. and the State Treasury – Minister of State Assets (the "Cooperation Agreement").</p> <p>In the Cooperation Agreement, the parties confirm that as at the date of signing the Cooperation Agreement the scenario adopted for PKN ORLEN's acquisition of control over Grupa LOTOS and PGNiG provides for merging PKN ORLEN, Grupa LOTOS and PGNiG through acquisition under Art. 492.1.1 of the Commercial Companies Code, with all assets of Grupa LOTOS and PGNiG (the acquirees) to be transferred to PKN ORLEN (the acquirer) for shares which PKN ORLEN would grant to the shareholders of Grupa LOTOS and PGNiG, as part of one or two separate merger processes.</p> <p>Under this merger scenario, in exchange for the shares held in Grupa LOTOS and PGNiG the shareholders of Grupa LOTOS and PGNiG will subscribe for new shares in the increased share capital of PKN ORLEN and will become PKN ORLEN shareholders as of the merger date.</p> <p>The parties will endeavour to ensure proper implementation of the merger process and agree to cooperate, <i>inter alia</i>, in preparing a merger plan, notifying shareholders of the</p>

stages of the merger process, obtaining the required corporate approvals and carrying out further analyses necessary for the proper conduct of the merger process.

As at the date of the Cooperation Agreement, proceedings were pending before the President of the Office of Competition and Consumer Protection concerning concentration in connection with PKN ORLEN's planned acquisition of control over PGNiG.

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

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

5. Quarterly financial data of PGNiG S.A.

5.1 Interim condensed separate financial statements

Separate statement of profit or loss	3 months ended March 31st 2021	3 months ended March 31st 2020
Revenue from sales of gas*	5,821	6,161
Other revenue*	1,389	1,256
Revenue	7,210	7,417
Cost of gas sold	(4,437)	(5,129)
Other raw materials and consumables used	(781)	(661)
Employee benefits expense	(205)	(186)
Transmission, distribution and storage services	(231)	(226)
Other services	(426)	(204)
Depreciation and amortisation expense	(203)	(208)
Taxes and charges	(185)	(168)
Other income and expenses	(15)	285
Work performed by the entity and capitalised	2	2
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	275	(627)
Finance income	119	134
Interest income calculated using the effective interest rate	51	72
Finance costs	(127)	(180)
Revaluation of financial assets	(98)	4
Profit before tax	949	325
Income tax	(219)	(53)
Net profit	730	272
Weighted average number of ordinary shares (million)	5,778	5,778
Basic and diluted earnings per share (PLN)	0.13	0.05

* In the separate financial statements for 2020, the Company changed the presentation of 'Revenue', whereby it has been classified as either 'Revenue from sales of natural gas' or 'Other revenue'. As a result, sales of propane butane and helium were transferred from 'Revenue from sales of natural gas' (previously: 'Revenue from sales of gas') to 'Other revenue'. The comparative data for the period ended March 31st 2020 was adjusted for PLN 71m.

Separate statement of comprehensive income	3 months ended March 31st 2021	3 months ended March 31st 2020
Net profit	730	272
Hedge accounting	288	(57)
Deferred tax	(55)	11
Other comprehensive income subject to reclassification to profit or loss	233	(46)
Other comprehensive income, net	233	(46)
Total comprehensive income	963	226

Separate statement of cash flows

	3 months ended March 31st 2021	3 months ended March 31st 2020
Cash flows from operating activities		
Net profit	730	272
Depreciation and amortisation expense	203	208
Interest and dividends	(43)	(44)
Net gain/(loss) on investing activities	(175)	654
Other non-cash adjustments	(66)	(32)
Income tax paid	(307)	(104)
Income tax expense recognised in profit or loss for the period	219	53
Movements in working capital	809	1,793
Net cash from operating activities	1,370	2,800
Cash flows from investing activities		
Payments for tangible exploration and evaluation assets	(131)	(258)
Payments for other property, plant and equipment and intangible assets	(119)	(65)
Loans	(68)	(792)
Payments for derivative financial instruments	(11)	(37)
Payments for shares in related entities	(7)	-
Other cash used in investing activities	(4)	(7)
Repayments of loans	454	206
Proceeds from derivative financial instruments	10	143
Interest received	36	42
Proceeds from sale of property, plant and equipment and intangible assets	3	58
Net cash from investing activities	163	(710)
Cash flows from financing activities		
Other cash generated by financing activities	1	1
Repayment of borrowings	-	(3,000)
Interest paid	(17)	(28)
Repayment of lease liabilities	(6)	(5)
Net cash from financing activities	(22)	(3,032)
Net cash flows	1,511	(942)
Cash and cash equivalents at beginning of the period	7,534	4,525
Cash and cash equivalents at end of the period	9,045	3,583

As at March 31st 2021, 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.

	3 months ended March 31st 2021	3 months ended March 31st 2020
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		
Cash and cash equivalents at end of the period in the statement of cash flows	9,045	3,583
Opening balance of net exchange differences on cash	(152)	(4)
Opening balance of inflows/outflows of cash under cash pooling arrangement	(1,051)	(2,406)
Opening balance of cash write-downs	(2)	-
Net exchange differences in the period	333	25
Change in cash write-downs	(1)	(1)
Inflows/(outflows) of cash under cash pooling arrangement in the period	21	1,074
Cash at end of the period in the statement of financial position	8,193	2,271

Separate statement of financial position

	As at March 31st 2021	As at December 31st 2020
Assets		
Property, plant and equipment	11,799	11,766
Licences, mining rights and rights to geological information	118	123
Deferred tax assets	85	155
Shares	10,294	10,288
Derivative financial instruments	231	127
Loans	7,092	7,496
Purchased debt instruments	396	394
Other assets	408	388
Non-current assets	30,423	30,737
Inventories	1,387	2,070
Receivables	1,870	1,778
Cash pooling receivables	1,255	1,248
Current income tax	18	-
Derivative financial instruments	1,157	1,014
Loans	578	531
Purchased debt instruments	8	8
Other assets	127	31
Cash and cash equivalents	8,193	6,329
Current assets	14,593	13,009
TOTAL ASSETS	45,016	43,746
Equity and liabilities		
Share capital and share premium	7,518	7,518
Capital reserve	1,867	1,867
Hedging reserve	76	(17)
Accumulated other comprehensive income	(23)	(23)
Retained earnings	27,615	26,885
Total equity	37,053	36,230
Financing liabilities	300	310
Derivative financial instruments	482	285
Employee benefit obligations	356	356
Provision for well decommissioning costs and other environmental liabilities	2,413	2,414
Other provisions	5	4
Grants	445	450
Other liabilities	49	52
Non-current liabilities	4,050	3,871
Financing liabilities	12	10
Derivative financial instruments	900	822
Trade and tax payables	2,222	2,120
Cash pooling liabilities	231	203
Employee benefit obligations	135	119
Provision for well decommissioning costs and other environmental liabilities	35	35
Other provisions	323	275
Other liabilities	55	61
Current liabilities	3,913	3,645
TOTAL LIABILITIES	7,963	7,516
TOTAL EQUITY AND LIABILITIES	45,016	43,746

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 January 1st 2020	7,518	1,867	737	-	20,496	30,618
Net profit	-	-	-	-	272	272
Other comprehensive income, net	-	-	(46)	-	-	(46)
Total comprehensive income	-	-	(46)	-	272	226
Change in equity recognised in inventories	-	-	174	-	-	174
As at March 31st 2020	7,518	1,867	865	-	20,768	31,018
As at January 1st 2021	7,518	1,867	(17)	(23)	26,885	36,230
Net profit	-	-	-	-	730	730
Other comprehensive income, net	-	-	233	-	-	233
Total comprehensive income	-	-	233	-	730	963
Change in equity recognised in inventories	-	-	(140)	-	-	(140)
As at March 31st 2021	7,518	1,867	76	(23)	27,615	37,053

5.2 Notes to the interim condensed separate financial statements

Deferred tax

	As at January 1st 2020	Credited/Charged		As at December 31st 2020	Credited/Charged		As at March 31st 2021
		Net profit/(loss)	Other comprehensive income		Net profit/(loss)	Other comprehensive income	
Deferred tax assets							
Employee benefit obligations	64	8	5	77	(1)	-	76
Provision for well decommissioning costs	202	52	-	254	2	-	256
Other provisions	25	4	-	29	17	-	46
Measurement of derivatives	124	62	-	186	11	-	197
Useful lives of property, plant and equipment	94	64	-	158	(51)	-	107
Unused tax losses of the Pakistan Branch	33	(13)	-	20	-	-	20
Inventories	76	(67)	-	9	(2)	-	7
Other	14	-	-	14	-	-	14
Total	632	110	5	747	(24)	-	723
Deferred tax liabilities							
Difference between depreciation rates for property, plant and equipment	410	(53)	-	357	16	-	373
Measurement of derivatives	391	(14)	(178)	199	2	23	224
Other	33	3	-	36	5	-	41
Total	834	(64)	(178)	592	23	23	638
Set-off of assets and liabilities	(632)	-	-	(592)	-	-	(638)
After set-off							
Assets	(202)	-	-	155	-	-	85
Net effect of changes in the period		174	183	-	(47)	(23)	

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 January 1st 2020	3,553	47	5	93	2,765	401	400	14	39	7,317
Increase taken to profit or loss	1,697	13	2	92	6	21	184	4	-	2,019
Transfers	-	-	52	-	-	-	(52)	-	-	-
Decrease taken to profit or loss	(486)	(3)	-	(53)	-	(376)	(188)	(12)	-	(1,118)
Other changes	(38)	-	-	-	-	-	-	(5)	-	(43)
As at December 31st 2020	4,726	57	59	132	2,771	46	344	1	39	8,175
Increase taken to profit or loss	5	-	-	112	-	12	56	2	-	187
Transfers	-	-	(3)	-	-	-	3	-	-	-
Decrease taken to profit or loss	(279)	-	-	(11)	-	(18)	(55)	-	-	(363)
Other changes	(35)	-	-	-	-	-	-	-	-	(35)
As at March 31st 2021	4,417	57	56	233	2,771	40	348	3	39	7,964

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

Impairment of non-financial assets

Impairment losses on non-current assets are the result of an assessment of the recoverable amount of assets based on an analysis of future cash flows, in particular based on current and projected paths of hydrocarbon prices on international markets. The COVID-19 epidemic is one of the factors that have significantly contributed to a sharp decline in hydrocarbon prices, which is also reflected in long-term forecasts of gas and oil prices. The impairment loss related to the effect of COVID-19 as at March 31st 2021 was PLN 685m for domestic non-current hydrocarbon assets and PLN 97m for non-current hydrocarbon assets located outside Poland, and was recorded in the accounting books in the same amount as that recorded as at December 31st 2020.

Trade and other receivables

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

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

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

As at reporting date, the prices of CDS, based on which the Company adjusts the probability of default, were higher than at the end of the fourth quarter of 2020. At the same time, the trading partners' creditworthiness assessments were revised, which also affected the expected probability of default. As a result, the (upward) adjustment to the expected credit loss due to COVID-19 was changed relative to the adjustment recognised at the end of the fourth quarter of 2020.

The expected credit loss on current and non-current trade and other receivables was estimated at PLN 398m, including PLN 8m on non-impaired receivables. The amount of PLN 2m reflects the estimated effect of COVID-19 on the recoverability of trade and other receivables at the reporting date and the related expected credit loss in future periods. The expected credit loss is PLN 1m higher than the expected credit loss on trade and other receivables estimated at the end of 2020.

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 233m, of which PLN 20m reflects the estimated effect, as at the reporting date, of COVID-19 on the probability of future default by the counterparties. As at March 31st 2021, the expected credit loss on loans, calculated for a 12-month period, was PLN 84m. The total expected credit loss for loans is higher by PLN 101m compared to the expected credit loss for loans as at December 31st 2020.

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 January 1st 2020	1,970	48	177	6	4	14	21	2,240
Recognised provision capitalised in cost of property, plant and equipment	498	-	-	-	-	-	-	498
Recognised provision taken to profit or loss	54	27	-	-	1	1	4	87
Used	(29)	(7)	-	-	-	-	-	(36)
Provision reversal taken to profit or loss	(45)	(2)	(2)	-	-	(8)	(5)	(62)
Other changes	1	-	-	-	-	-	-	1
As at December 31st 2020	2,449	66	175	6	5	7	20	2,728
Recognised provision capitalised in cost of property, plant and equipment	4	-	-	-	-	-	-	4
Recognised provision taken to profit or loss	4	6	11	-	-	5	34	60
Used	(4)	-	-	-	-	-	-	(4)
Provision reversal taken to profit or loss	(5)	-	-	-	-	(1)	(6)	(12)
As at March 31st 2021	2,448	72	186	6	5	11	48	2,776

Revenue

	Total		Domestic sales		Export sales	
	3 months ended March 31st 2021	3 months ended March 31st 2020	3 months ended March 31st 2021	3 months ended March 31st 2020	3 months ended March 31st 2021	3 months ended March 31st 2020
Revenue from sales of gas, including:	5,821	6,161	5,574	5,708	247	453
Revenue from contracts with customers IFRS 15	5,996	5,342	5,749	4,889	247	453
High-methane gas	5,511	4,915	5,316	4,512	195	403
Nitrogen-rich gas	428	401	377	351	51	50
LNG	57	26	56	26	1	-
Excluded from the scope of IFRS 15	(175)	819	(175)	819	-	-
Adjustment to gas sales due to hedging transactions – IFRS 9	(175)	819	(175)	819	-	-
Other revenue, including:	1,389	1,256	1,226	1,090	163	166
Revenue from contracts with customers IFRS 15	1,242	1,108	1,079	942	163	166
Crude oil and natural gasoline	300	298	200	214	100	84
Sales of electricity	737	643	737	643	-	-
Propane-butane	20	16	20	16	-	-
Helium	51	75	4	6	47	69
CO ₂ emission allowances	40	13	40	13	-	-
Other	94	63	78	50	16	13
Excluded from the scope of IFRS 15	147	148	147	148	-	-
Right to use storage facilities - IFRS 16	143	144	143	144	-	-
Other income from operating leases – IFRS 16	4	4	4	4	-	-
Total revenue	7,210	7,417	6,800	6,798	410	619

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.

The impact of COVID-19 on the Polish gas market so far is seen by the Company as limited. The pandemic has only slightly impeded the growth potential of high-methane grid gas consumption in Poland, which in the period from January 1st to March 31st 2021 grew 13% by volume on the previous quarter. The above assessment is based on actual transmission data at high-methane gas grid exit points to end users and to the distribution network.

In the case of gas sales through the Polish Power Exchange, the volume of deliveries made by the Company in the period from January 1st 2021 to March 31st 2021 rose by 16.6% year on year.

Operating expenses (selected items)

	3 months ended March 31st 2021	3 months ended March 31st 2020
Cost of gas sold	(4,437)	(5,129)
Gas fuel	(4,437)	(5,129)
Other raw materials and consumables used	(781)	(661)
Electricity for trading	(743)	(627)
Other raw materials and consumables used	(38)	(34)
Employee benefits expense	(205)	(186)
Salaries and wages	(125)	(114)
Social security contributions*	(24)	(21)
Other employee benefits expense*	(48)	(44)
Provisions for employee benefits	(8)	(7)
Transmission, distribution and storage services	(231)	(226)
Other services	(426)	(204)
Regasification services	(85)	(98)
Cost of dry wells written off	(260)	(17)
Repair and construction services	(5)	(4)
Geological and exploration services	(10)	(5)
Mineral resources production services	(4)	(4)
Well abandonment services	(2)	(6)
IT services	(17)	(28)
Other services	(43)	(42)
Depreciation and amortisation expense	(203)	(208)
Depreciation of non-leased assets	(199)	(204)
Depreciation of the right-of-use assets	(4)	(4)
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	275	(627)
Impairment losses on property, plant and equipment and right-of-use assets	275	(615)
Impairment losses on intangible assets	-	(12)
Total	(6,008)	(7,241)

* In the separate financial statements for 2020, the Company changed the presentation of costs of the Occupational Pension Scheme, which were previously presented under 'Social security contributions'. The change consists in the transfer of the costs to 'Other employee benefits'. As a result, the comparative data for the period ended March 31st 2020 was adjusted for PLN 7m.

Other income and expenses (selected items)

	3 months ended March 31st 2021	3 months ended March 31st 2020
Measurement and exercise of derivative financial instruments	(64)	68
Change in inventory write-downs	6	254
Change in provision for well decommissioning costs and other provisions related to environmental protection	1	5
Change in provision for certificates of origin and energy efficiency certificates	(6)	(12)
Cost of merchandise and materials sold	(45)	(13)
- including the amount of value of CO ₂ emission allowances sold	(44)	(13)
Change in other provisions	(28)	(18)
Net exchange differences related to operating activities	68	(36)
Other	53	37
Total other income and expenses	(15)	285

Finance income and costs (selected items)

	3 months ended March 31st 2021	3 months ended March 31st 2020
Finance income		
Gain on measurement and exercise of forward contracts	-	132
Foreign exchange gains	116	-
Other finance income	3	2
Total finance income	119	134
Finance costs		
Loss on measurement and exercise of forward contracts	(115)	-
Debt-related interest and fees	(6)	(20)
- including interest on lease liabilities	(1)	(2)
Foreign exchange losses	-	(133)
Other	(6)	(27)
Total finance costs	(127)	(180)

Income tax

Reconciliation of effective tax rate	3 months ended March 31st 2021	3 months ended March 31st 2020
Profit before tax	949	325
Corporate income tax at the applicable 19% statutory rate	(180)	(62)
Non-taxable income/(Non-deductible expenses)	(39)	9
Corporate income tax at the effective tax rate	(219)	(53)
Current tax expense	(172)	(86)
Deferred tax expense	(47)	33
Effective tax rate	23%	16%

Tax group

PGNiG S.A. represented the PGNiG Tax Group, established for the period from January 1st 2017 to December 31st 2020 under an agreement of September 19th 2016. On December 31st 2020, the term of the PGNiG Tax Group agreement expired. On July 14th 2020, the Management Board of the Company decided to not establish another tax group.

Property, plant and equipment

	As at March 31st 2021	As at December 31st 2020
Land	19	19
Buildings and structures	6,696	6,814
Plant and equipment	1,915	1,935
Vehicles and other	74	75
Total tangible	8,704	8,843
Tangible exploration and evaluation assets under construction	2,252	2,139
Other tangible assets under construction	529	469
Total tangible assets under construction	2,781	2,608
Perpetual usufruct of land (PWUG)	243	243
Right-of-use asset – plots/land	44	44
Right-of-use asset – buildings and structures	9	9
Right-of-use asset – plant and equipment	1	2
Right-of-use asset – vehicles and other	17	17
Total right-of-use assets	314	315
Total property, plant and equipment	11,799	11,766

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 at March 31st 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)	1,882	75	-	up to 3 years	78	105	-	Not applicable**	Not applicable
Forward contracts to purchase USD for EUR (EUR/USD)	1,713	28	6	up to 4 years	22	63	-	-	Revenue from sales of gas
Average rate forwards (EUR/PLN)	3,107	-	98	up to 3 years	(126)	(34)	-	22	Revenue from sales of gas
COMMODITY PRICE RISK									
Basis swap contracts for gas price indices	779	37	66	1–3 months	(36)	(9)	-	7	Revenue from sales of gas
Swap contracts for gas price indices	2,464	53	218	up to 4 years	(114)	(159)	-	146	Revenue from sales of gas
Swap contracts for HH price indices	904	40	18	up to 4 years	22	19	-	Not applicable**	Not applicable
Swap contracts for petroleum product price indices	779	216	-	up to 3 years	245	128	-	Not applicable**	Not applicable
Total	11,628	449	406		91	113	-	175	

* 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).

Type of hedging instrument	Notional amount*	Carrying amount at December 31st 2020		Period when cash flow will occur and affect the financial result	Change in fair value of hedging instrument used as basis for recognising hedge ineffectiveness in a given period	Hedging gains or losses for reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss (since the inception of the hedging relationship)	Amount reclassified from cash flow hedging reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
		Assets	Liabilities						
CASH FLOW HEDGES									
CURRENCY RISK									
Forward contracts for currency purchase (USD/PLN)	2,268	11	38	up to 3 years	75	60	-	Not applicable**	Not applicable
Forward contracts to purchase USD for EUR (EUR/USD)	1,183	-	41	up to 4 years	(38)	(39)	-	2	Revenue from sales of gas
Average rate forwards (EUR/PLN)	2,611	-	73	up to 3 years	(41)	(172)	-	(51)	Revenue from sales of gas
COMMODITY PRICE RISK									
Basis swap contracts for gas price indices	403	11	37	1–3 months	(100)	(99)	-	38	Revenue from sales of gas
Swap contracts for gas price indices	4,274	286	410	up to 4 years	889	(49)	32	(1,051)	Revenue from sales of gas
Swap contracts for HH price indices	610	24	20	up to 4 years	(19)	(7)	-	Not applicable**	Not applicable
Swap contracts for petroleum product price indices	699	117	-	up to 3 years	151	151	-	Not applicable**	Not applicable
Total	12,048	449	619		917	(155)	32	(1,062)	

* 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).

Cash flow hedges

Hedged items as at March 31st 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)	(78)	75	-
Natural gas (EUR/USD)	(21)	22	-
Natural gas (EUR/PLN)	126	(94)	(10)
COMMODITY PRICE RISK			
Gas contracts indexed to European gas price indices (daily or monthly)	150	(194)	58
Gas contracts indexed to monthly Henry Hub price indices	(22)	22	-
Gas contracts indexed to monthly petroleum product indices	(246)	216	-
TOTAL	(91)	47	48

Hedged items as at December 31st 2020	Change in value of hedged item used as basis for recognising hedge ineffectiveness in given period	Balance of cash flow hedging reserve for continuing hedges	Balance remaining in cash flow hedging reserve in respect of all hedging relationships for which hedge accounting is no longer applied
CURRENCY RISK			
Natural gas (USD/PLN)	(75)	(26)	-
Natural gas (EUR/USD)	38	(41)	-
Natural gas (EUR/PLN)	41	(69)	(24)
COMMODITY PRICE RISK			
Gas contracts indexed to European gas price indices (daily or monthly)	(807)	(176)	195
Gas contracts indexed to monthly Henry Hub price indices	24	3	-
Gas contracts indexed to monthly petroleum product indices	(151)	117	-
TOTAL	(930)	(192)	171

Reconciliation of hedging reserve

	2021	2020
Gross amount at beginning of the period	(21)	911
Net amount at beginning of the period	(17)	738
CURRENCY RISK		
Hedging gains or losses recognised in other comprehensive income during reporting period	134	(152)
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	22	(49)
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	(3)	(107)
Gross hedging reserve	153	(308)
Deferred tax on settlement and measurement of hedging instruments	(29)	59
Net hedging reserve	124	(249)
COMMODITY PRICE RISK		
Hedging gains or losses recognised in other comprehensive income during reporting period	(21)	(4)
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	153	(1,013)
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	(169)	393
Gross hedging reserve	(37)	(624)
Deferred tax on settlement and measurement of hedging instruments	7	119
Net hedging reserve	(30)	(505)
Gross amount at end of the period	95	(21)
Net amount at end of the period	77	(17)

Management Board of PGNiG S.A.

President of the Management Board Paweł Majewski

Vice President of the Management Board Artur Cieślak

Vice President of the Management Board Robert Perkowski

Vice President of the Management Board Arkadiusz Sekściński

Vice President of the Management Board Przemysław Waclawski

Vice President of the Management Board Magdalena Zegarska

Warsaw, May 18th 2021

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.