Polskie Górnictwo Naftowe i Gazownictwo S.A.

INTERIM REPORT
for the three months
ended March 31st 2020

Financial highlights

Key data from the interim condensed consolidated financial statements	PLN million		EUR million	
	3 months ended March 31st 2020	3 months ended March 31st 2019	3 months ended March 31st 2020	3 months ended March 31st 2019
Revenue	13,756	14,340	3,129	3,337
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	2,078	2,218	473	516
Operating profit (EBIT)	1,207	1,429	275	332
Profit before tax	946	1,447	215	337
Net profit attributable to owners of the parent	779	1,101	177	256
Net profit	779	1,100	177	256
Total comprehensive income attributable to owners of the parent	706	1,383	161	322
Total comprehensive income	706	1,381	161	321
Net cash from operating activities	4,596	2,847	1,045	662
Net cash from investing activities	(1,546)	(1,231)	(352)	(286)
Net cash from financing activities	(3,107)	(2,483)	(707)	(578)
Net cash flows	(57)	(867)	(13)	(202)
Basic and diluted earnings per share (PLN/EUR)	0.13	0.19	0.03	0.04
	As at March 31st 2020	As at December 31st 2019	As at March 31st 2020	As at December 31st 2019
Total assets	57,333	59,185	12,594	13,898
Total liabilities	18,323	21,078	4,025	4,950
Total non-current liabilities	10,290	10,378	2,260	2,437
Total current liabilities	8,033	10,700	1,765	2,513
Total equity	39,010	38,107	8,569	8,948
Share capital	5,778	5,778	1,269	1,357
Weighted average number of ordinary shares (million)	5,778	5,778	5,778	5,778
Book value per share and diluted book value per share (PLN/EUR)	6.75	6.60	1.48	1.55
Dividend per share paid (PLN/EUR)	-	0.11	-	0.03

Key data from the interim condensed separate financial statements	PLN million		EUR million	
	3 months ended March 31st 2020	3 months ended March 31st 2019	3 months ended March 31st 2020	3 months ended March 31st 2019
Revenue	7,417	7,828	1,687	1,821
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	541	908	123	211
Operating profit (EBIT)	333	701	76	163
Profit before tax	325	751	74	175
Net profit	272	601	62	140
Total comprehensive income	226	860	51	200
Net cash from operating activities	2,800	1,512	637	352
Net cash from investing activities	(710)	(1,116)	(161)	(260)
Net cash from financing activities	(3,032)	(2,325)	(690)	(541)
Net cash flows	(942)	(1,929)	(214)	(449)
Earnings and diluted earnings per share attributable to holders of ordinary shares (PLN/EUR)	0.05	0.10	0.01	0.02
	As at March 31st 2020	As at December 31st 2019	As at March 31st 2020	As at December 31st 2019
Total assets	38,469	41,044	8,451	9,638
Total liabilities	7,451	10,426	1,637	2,448
Total non-current liabilities	3,403	3,315	748	778
Total current liabilities	4,048	7,111	889	1,670
Equity	31,018	30,618	6,814	7,190
Share capital and share premium	7,518	7,518	1,651	1,765
Weighted average number of shares (million) in the period	5,778	5,778	5,778	5,778
Book value per share and diluted book value per share (PLN/EUR)	5.37	5.30	1.18	1.24
Dividend per share paid (PLN/EUR)	-	0.11	-	0.03

Average EUR/PLN exchange rates quoted by the NBP	March 31st 2020	March 31st 2019	December 31st 2019
Average exchange rate for period	4.3963	4.2978	4.3018
Exchange rate at end of period	4.5523	4.3013	4.2585

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

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Interim condensed consolidated financial statements

Consolidated statement of profit or loss	3 months ended March 31st 2020	3 months ended March 31st 2019	
	unaudited	unaudited	
Revenue from sale of gas	10,431	11,074	*Note 3.4.1.*
Other revenue	3,325	3,266	*Note 3.4.1.*
Revenue	**13,756**	**14,340**	
Cost of gas	(8,694)	(9,931)	*Note 3.5*
Other raw materials and consumables used	(878)	(799)	*Note 3.5*
Employee benefits	(800)	(713)	*Note 3.5*
Transmission services	(259)	(261)	
Other services	(419)	(408)	*Note 3.5*
Taxes and charges	(574)	(500)	
Other income and expenses	445	248	*Note 3.6*
Work performed by the entity and capitalised	275	237	
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	(774)	5	*Note 3.5*
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	**2,078**	**2,218**	
Depreciation and amortisation expense	(871)	(789)	
Operating profit (EBIT)	**1,207**	**1,429**	
Net finance costs	(270)	6	*Note 3.7*
Profit/(loss) from equity-accounted investees	9	12	
Profit before tax	**946**	**1,447**	
Income tax	(167)	(347)	*Note 3.8*
Net profit	**779**	**1,100**	
Net profit attributable to:			
Owners of the parent	779	1,101	
Non-controlling interests	-	(1)	
Weighted average number of ordinary shares (million)	5,778	5,778	
Basic and diluted earnings per share (PLN)	0.13	0.19	

Consolidated statement of comprehensive income	3 months ended March 31st 2020	3 months ended March 31st 2019
	unaudited	unaudited
Net profit	**779**	**1,100**
Exchange differences on translating foreign operations	(27)	22
Hedge accounting	(57)	320
Deferred tax	11	(61)
Other comprehensive income subject to reclassification to profit or loss	**(73)**	**281**
Other comprehensive income, net	**(73)**	**281**
Total comprehensive income	**706**	**1,381**
Total comprehensive income attributable to:		
Owners of the parent	706	1,383
Non-controlling interests	-	(2)

(all amounts in PLN million, unless stated otherwise)

Consolidated statement of cash flows	3 months ended March 31st 2020	3 months ended March 31st 2019
	unaudited	unaudited
Cash flows from operating activities		
Net profit	779	1,100
Depreciation and amortisation	871	789
Current tax expense	167	347
Net gain/(loss) on investing activities	779	(16)
Other non-monetary adjustments	402	(213)
Income tax paid	(308)	(181)
Movements in working capital	1,906	1,021
Net cash from operating activities	**4,596**	**2,847**
Cash flows from investing activities		
Payments for purchase of tangible exploration and evaluation assets under construction	(231)	(221)
Payments for other property, plant and equipment and intangible assets	(1,286)	(1,112)
Other items, net	(29)	102
Net cash from investing activities	**(1,546)**	**(1,231)**
Cash flows from financing activities		
Increase in debt	162	70
Decrease in debt	(3,281)	(2,553)
Other items, net	12	-
Net cash from financing activities	**(3,107)**	**(2,483)**
Net cash flows	**(57)**	**(867)**
Cash and cash equivalents at beginning of the period	3,041	3,928
Foreign exchange differences on cash and cash equivalents	25	6
Cash and cash equivalents at end of the period	**2,984**	**3,061**

(all amounts in PLN million, unless stated otherwise)

Consolidated statement of financial position	As at March 31st 2020	As at December 31st 2019	
	unaudited	audited	
ASSETS			
Property, plant and equipment	39,595	40,002	*Note 3.9*
Intangible assets	533	729	
Deferred tax assets	20	32	
Equity-accounted investees	1,573	1,564	
Derivative financial instruments	769	237	
Other assets	1,363	1,375	
Non-current assets	**43,853**	**43,939**	
Inventories	2,227	4,042	
Receivables	4,962	5,504	
Derivative financial instruments	2,556	2,390	*Note 3.10*
Other assets	717	259	
Cash and cash equivalents	3,004	3,037	
Assets held for sale	14	14	
Current assets	**13,480**	**15,246**	
TOTAL ASSETS	**57,333**	**59,185**	
EQUITY AND LIABILITIES			
Share capital and share premium	7,518	7,518	
Hedging reserve	867	739	
Accumulated other comprehensive income	(273)	(246)	
Retained earnings	30,899	30,097	
Equity attributable to owners of the parent	39,011	38,108	
Equity attributable to non-controlling interests	(1)	(1)	
TOTAL EQUITY	**39,010**	**38,107**	
Financing liabilities	3,586	3,507	
Derivative financial instruments	109	20	
Employee benefit obligations	890	890	
Provision for well decommissioning costs	2,320	2,355	*Note 3.3*
Other provisions	276	279	*Note 3.3*
Grants	699	705	
Deferred tax liabilities	2,180	2,383	
Other liabilities	230	239	
Non-current liabilities	**10,290**	**10,378**	
Financing liabilities	399	3,245	
Derivative financial instruments	1,638	1,277	*Note 3.10*
Trade and tax payables*	3,106	3,487	
Employee benefit obligations	434	398	
Provision for well decommissioning costs	34	34	*Note 3.3*
Other provisions	904	728	*Note 3.3*
Other liabilities	1,518	1,531	
Current liabilities	**8,033**	**10,700**	
TOTAL LIABILITIES	**18,323**	**21,078**	
TOTAL EQUITY AND LIABILITIES	**57,333**	**59,185**	

*Including income tax of PLN 105m (2019: PLN 132m)

(all amounts in PLN million, unless stated otherwise)

Consolidated statement of changes in equity

	Equity attributable to owners of the parent										
	Share capital and share premium, including:		Hedging reserve	Accumulated other comprehensive income:			Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
	Share capital	Share premium		Translation reserve	Actuarial gains/(losses) on employee benefits	Share of other comprehensive income of equity-accounted investees				
As at January 1st 2019 (audited)	**5,778**	**1,740**	**73**	**(112)**	**(91)**	**-**	**29,246**	**36,634**	**(2)**	**36,632**
Impact of IFRS 16	-	-	-	-	-	-	125	**125**	-	125
Net profit	-	-	-	-	-	-	1,101	**1,101**	(1)	**1,100**
Other comprehensive income, net	-	-	259	22	-	-	-	**281**	-	**281**
Total comprehensive income	**-**	**-**	**259**	**22**	**-**	**-**	**1,101**	**1,382**	**(1)**	**1,381**
Change in equity recognised in inventories	-	-	(76)	-	-	-	-	**(76)**	-	**(76)**
As at March 31st 2019 (unaudited)	**5,778**	**1,740**	**256**	**(90)**	**(91)**	**-**	**30,472**	**38,065**	**(3)**	**38,062**
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	-	-	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**

(all amounts in PLN million, unless stated otherwise)

1. General information

1.1. Basic information about the Group

Parent's name	Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna
Registered office	ul. Marcina Kasprzaka 25, 01-224 Warsaw, Poland
Court of registration	District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register
NATIONAL COURT REGISTER (KRS) NO.	0000059492
Industry Identification Number (REGON)	012216736
Tax Identification Number (NIP)	525-000-80-28
Description of business	The Company's principal business activity is exploration for and production of crude oil and natural gas; import, storage and sale of gas and liquid fuels; and trade in electricity.

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

As at the date of issue of this interim report for Q1 2020, the State Treasury, represented by the minister competent for energy matters, was the only shareholder holding 5% or more of total voting rights in the Company.

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

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

*As at December 31st 2019.
**As at March 31st 2020.

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

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

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

These interim condensed consolidated financial statements and interim condensed separate financial statements for Q1 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) as endorsed by the European Union and the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (consolidated text: Dz.U. of 2018, item 757).

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

The Polish złoty (PLN) is the functional currency of PGNiG S.A. and the presentation currency of these consolidated financial statements. The method of translation of items denominated in foreign currencies is presented in the full-year consolidated financial statements for the year ended December 31st 2019, issued on March 12th 2020.

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

The issue date of this interim report for Q1 2020 is June 4th 2020.

1.3. Applied accounting policies

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

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

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

1.5. Presentation changes in the financial statements

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

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

The tables below present the effect of the adjustment on the consolidated financial statements of the PGNiG Group for Q1 2019.

Consolidated statement of profit or loss	Period ended March 31st 2019 before restatement	Period ended March 31st 2019 after restatement	Change
Revenue	**14,340**	**14,340**	**-**
Operating expenses	**(12,175)**	**(12,122)**	**53**
including:			
Taxes and charges	(553)	(500)	53
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	**2,165**	**2,218**	**53**
Depreciation and amortisation expense	(782)	(789)	(7)
Operating profit (EBIT)	**1,383**	**1,429**	**46**
Net finance costs	15	6	(9)
Profit before tax	**1,410**	**1,447**	**37**
Net profit	**1,063**	**1,100**	**37**

(all amounts in PLN million, unless stated otherwise)

Consolidated statement of cash flows	Period ended March 31st 2019 before restatement	Period ended March 31st 2019 after restatement	Change
Net cash from operating activities	**2,792**	**2,847**	**55**
Net cash from investing activities	**(1,231)**	**(1,231)**	**-**
Net cash from financing activities, including:	**(2,428)**	**(2,483)**	**(55)**
Decrease in debt	(2,498)	(2,553)	(55)
Net cash flows	**(867)**	**(867)**	**-**
Cash and cash equivalents at beginning of the period	3,928	3,928	-
Cash and cash equivalents at end of the period	**3,061**	**3,061**	**-**

Distribution	Period ended March 31st 2019 before restatement	Period ended March 31st 2019 after restatement	Change
Sales to external customers	1,378	1,378	-
Inter-segment sales	10	10	-
Total revenue	1,388	1,388	-
EBITDA	580	633	53
Depreciation and amortisation	(235)	(242)	(7)
Operating profit (EBIT)	345	391	46

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.

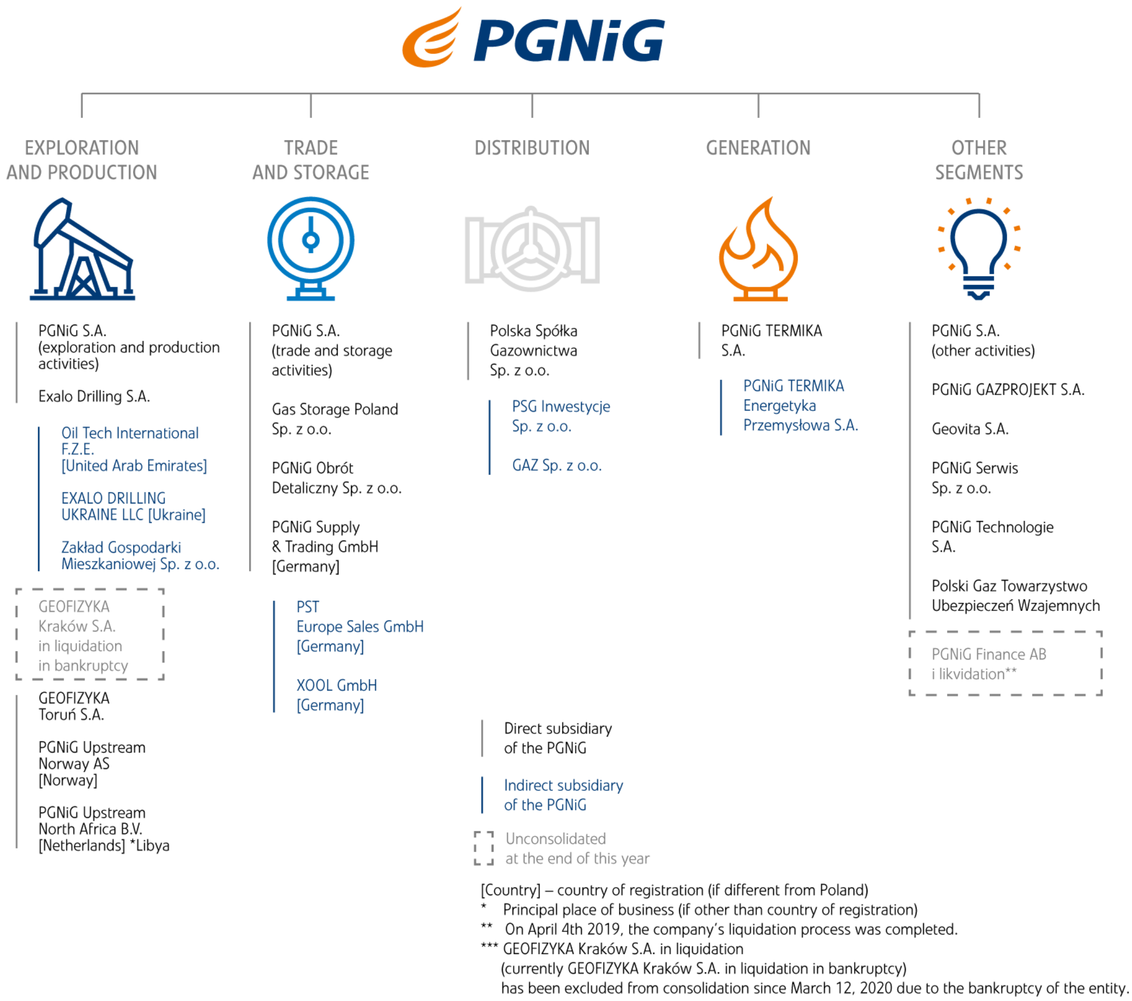

Figure 1 ***Group structure by reportable segments*** *(as at March 31st 2020)*

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

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

(all amounts in PLN million, unless stated otherwise)

2.1. Changes in the Group structure

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

2.2. Equity-accounted investees

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

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

Equity-accounted investees as at March 31st 2020

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

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

(all amounts in PLN million, unless stated otherwise)

2.3. Key data on the reportable segments

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	(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.

3 months ended March 31st 2019	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Total	Reconciliation with consolidated data*	Total
Sales to external customers	807	11,538	1,378	593	24	**14,340**		
Inter-segment sales	905	155	10	359	67	**1,496**		
Total revenue	1,712	11,693	1,388	952	91	**15,836**	(1,496)	**14,340**
EBITDA	1,297	(71)	633	401	(49)	**2,211**	7	**2,218**
Depreciation and amortisation	(278)	(50)	(242)	(204)	(15)	**(789)**	-	**(789)**
Operating profit (EBIT)	1,019	(121)	391	197	(64)	**1,422**	7	**1,429**
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	4	-	1	-	-	**5**	-	**5**
Profit/(loss) from equity-accounted investees	9	-	-	-	3	**12**	-	**12**
Purchase of property, plant and equipment and intangible assets	(322)	(21)	(476)	(307)	(46)	**(1,172)**	(161)	**(1,333)**
Property, plant and equipment	13,530	3,287	14,553	4,640	846	**36,856**	(225)	**36,631**
Employment**	6,758	3,078	11,711	1,839	1,594	**24,980**		

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

(all amounts in PLN million, unless stated otherwise)

2.4. Revenue by segment

3 months ended March 31st 2020	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Reconciliation with consolidated data*	Total
Revenue from sale of gas, including:	**732**	**10,244**	**-**	**-**	**-**	**(545)**	**10,431**
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**
Propane-butane gas	16	-	-	-	-	-	**16**
Adjustment to gas sales due to hedging transactions	-	819	-	-	-	-	**819**
Other revenue, including:	**539**	**798**	**1,399**	**973**	**111**	**(495)**	**3,325**
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	78	13	4	46	8	(18)	**131**
Total revenue	**1,271**	**11,042**	**1,399**	**973**	**111**	**(1,040)**	**13,756**

*Inter-company eliminations and consolidation adjustments

3 months ended March 31st 2019	Exploration and Production	Trade and Storage	Distribution	Generation	Other Segments	Reconciliation with consolidated data*	Total
Revenue from sale of gas, including:	**1,130**	**10,973**	**-**	**-**	**-**	**(1,029)**	**11,074**
High-methane gas	674	10,456	-	-	-	(763)	**10,367**
Nitrogen-rich gas	429	311	-	-	-	(263)	**477**
LNG	10	19	-	-	-	(3)	**26**
CNG	-	9	-	-	-	-	**9**
Propane-butane gas	17	-	-	-	-	-	**17**
Adjustment to gas sales due to hedging transactions	-	178	-	-	-	-	**178**
Other revenue, including:	**582**	**720**	**1,388**	**952**	**91**	**(467)**	**3,266**
Gas and heat distribution	-	-	1,342	25	-	(7)	**1,360**
Crude oil and natural gasoline	452	-	-	-	-	-	**452**
Sales of NGL	26	-	-	-	-	-	**26**
Sales of heat	-	-	-	521	-	-	**521**
Sales of electricity	-	667	-	369	-	(371)	**665**
Revenue from rendering of services:							
- drilling and oilfield services	29	-	-	-	-	-	**29**
- geophysical and geological services	16	-	-	-	-	-	**16**
- construction and assembly services	10	-	-	-	21	(14)	**17**
- connection charge	-	-	37	-	-	-	**37**
- other	5	43	5	4	64	(60)	**61**
Other	44	10	4	33	6	(15)	**82**
Total revenue	**1,712**	**11,693**	**1,388**	**952**	**91**	**(1,496)**	**14,340**

*Inter-company eliminations and consolidation adjustments

2.5. Segments' financial results

In Q1 2020, the PGNiG Group generated revenue of PLN 13,756m, a decrease of PLN 584m (4%) year on year. The PLN 1,237m (12%) year-on-year decrease in the cost of gas sold attributable to lower volumes and prices of crude oil and natural gas, as well as recognition of a PLN -774m impairment loss on assets (PLN +5m reversal of impairment loss in the corresponding period of the previous year) were the main the main drivers of a PLN 222m year-on-year decrease in the consolidated operating profit (EBIT) which came in at PLN 1,207m.

Operating data	3 months ended March 31st 2020	3 months ended March 31st 2019
Production of natural gas by the PGNiG Group (mcm)*		
High-methane gas (E)	444	477
Nitrogen-rich gas (Ls/Lw as E equivalent)	719	704
Total (as E equivalent)	1,163	1,181
Sales of natural gas by the PGNiG Group (mcm)*		
High-methane gas (E)	10,119	9,431
Nitrogen-rich gas (Ls/Lw as E equivalent)	482	465
Total (as E equivalent)	10,601	9,896
Volume of distributed gas (mcm)**		
high-methane gas, nitrogen-rich gas, propane-butane, coke gas	3,961	3,881
Crude oil, condensate and NGL ('000 tonnes)		
Production	325	324
Sale	277	288
Heat and electricity (from own generation sources)		
Heat sales outside the PGNiG Group (TJ)	16,048	16,970
Sales of electricity from own generation sources (TWh)	1,382	1,513

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

Exploration and Production

In Q1 2020, the segment's operating profit was PLN -204m, i.e. PLN 1,223m (120%) less than in the same period of the year before. The key contributing factors included:

- PLN 441m (26%) year-on-year decrease in revenue, led mainly by:
  - PLN 396m (35%) decrease in revenue from gas sales, attributable to lower prices of domestically produced gas at which gas was transferred from the Exploration and Production segment to the Trade and Storage segment. The lower prices were a direct effect of the average year-on-year drop in prices quoted on the POLPX (down 40% in Q1 2020), by reference to which the transfer price in transactions between the segments is set;
  - PLN 103m (22%) decrease in revenue from crude oil and NGL sales, mainly due to a 17% year-on-year decline in the average price of Brent crude (in PLN terms) in the three months, with a 4% year-on-year decline in the volume of crude oil sold in Q1 2020;
- PLN 782m (113%) year-on-year increase in operating expenses, mainly driven by the sharp decline in hydrocarbon prices. The Group measured the value of property, plant and equipment and property, plant and equipment under construction related to hydrocarbon production taking into account current long-term oil and gas price forecasts; as a result, the Group recognised impairment losses on non-current assets of PLN 758m (Q1 2019: reversal of PLN 18m impairment losses);

Trade and Storage

In Q1 2020, the segment's operating profit was PLN 856m, having increased by PLN 977m year on year (Q1 2019: PLN -121m operating loss). The segment's total revenue was PLN 11,042m, having decreased by PLN 651m (6%) year on year. The segment's operating expenses were PLN 10,186m, i.e. PLN 1,627m (14%) less year on year.

The key contributing factors included:

- 7% year-on-year increase in the volume of high-methane and nitrogen-rich gas sold outside the PGNiG Group, to 10.3 bcm and a 7% year-on-year decrease in revenue from gas sales outside the Group;
- lower cost of gas procurement by the segment due to lower prices of crude oil and natural gas;
- lower gas prices on the POLPX, reflected in the value of domestically produced gas transferred from the Exploration and Production segment to the Trade and Storage segment;
- President of URE's decision of December 17th 2019 to approve Retail Tariff for the period from January 1st 2020 to June 30th 2020, which led to a 2.9% decrease in the average price of gas fuel;
- reversal of a PLN 255m inventory write-down (PLN 37m in Q1 2019);
- PLN 819m net gain on realised hedging instruments designated for hedge accounting in Q1 2020 (Q1 2019: PLN 179m).

Distribution

In Q1 2020, the segment's operating profit was PLN 511m, having increased by PLN 120m (31%) year on year. This directly translated into an increase in EBITDA, which was PLN 771m at the end of Q1 2020, PLN 138m more year on year.

The segment's revenue was almost unchanged (PLN 1,399m vs PLN 1,388m in Q1 2019). The higher distribution volumes allowed the segment to maintain its revenue stable despite a 5% decrease in the average distribution fees since February 15th 2019.

The significant decrease in the segment's operating expenses (PLN 888m vs PLN 997m in Q1 2019) was mainly attributable to the balance of income and expenses from system balancing services, which amounted to PLN 16m in Q1 2020, compared with a negative balance of PLN -131m in the corresponding period of the previous year.

Generation

In Q1 2020, the segment's operating profit was PLN 148m, having decreased by 25% (PLN 49m) year on year. EBITDA came in at PLN 416m, an increase of 4% on Q1 2019.

The segment's results were affected by the higher depreciation and amortisation expense of PLN 268m, an increase of 32% year on year driven by a PLN 65m (55%) year-on-year increase the cost of redemption of CO_2 allowances.

Despite the higher average temperature over the period (up 1.2^{O}C year on year), revenue from heat sales increased PLN 9m (2%) year on year. Although the volume of heat sales declined year on year, the higher revenue was attributable to higher heat and energy prices provided for in the new tariff introduced in September 2019. Despite lower volumes of electricity sales, with the higher prices the revenue declined by only PLN 2m (1%).

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

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

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

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

(all amounts in PLN million, unless stated otherwise)

3. Notes to the interim condensed consolidated financial statements

3.1. Deferred tax

	Deferred tax assets	Deferred tax liabilities	Set-off of assets and liabilities	Assets after set-off	Liabilities after set-off	Net effect of changes in the period
As at January 1st 2019	**930**	**2,902**	**(836)**	**94**	**2,066**	
Impact of IFRS 16	(5)	24	-	-	-	**(29)**
Increase	174	502	-	-	-	**(328)**
Decrease	(24)	-	-	-	-	**(24)**
Currency translation differences	-	(1)	-	-	-	**1**
Other changes	-	(1)	-	-	-	**1**
As at December 31st 2019	**1,075**	**3,426**	**(1,043)**	**32**	**2,383**	**(379)**
As at January 1st 2020	**1,075**	**3,426**	**(1,043)**	**32**	**2,383**	
Increase	131	126	-	-	-	5
Decrease	(44)	(124)	-	-	-	**80**
Currency translation differences	-	(104)	-	-	-	**104**
Other changes	-	(2)	-	-	-	**2**
As at March 31st 2020	**1,162**	**3,322**	**(1,142)**	**20**	**2,180**	**191**

3.2. Impairment losses/write-downs

	Property, plant and equipment	Intangible assets	Assets held for sale	Equity-accounted investees	Other (non-current) assets	Inventories	Receivables	Other (current) assets	Total
As at January 1st 2019	**3,798**	**84**	**5**	**893**	**62**	**200**	**910**	**1**	**5,953**
Impact of IFRS 16	24	(21)	-	-	-	-	-	-	**3**
Increase taken to profit or loss	1,121	13	1	171	1	385	220	-	**1,912**
Decrease taken to profit or loss	(734)	(1)	-	-	(1)	(127)	(262)	(1)	**(1,126)**
Used	(65)	-	(1)	-	-	(2)	(42)	-	**(110)**
Transfers	-	-	-	-	1	-	(1)	-	**-**
Other changes	-	-	-	-	(1)	-	3	-	**2**
As at March 31st 2019	**4,144**	**75**	**5**	**1,064**	**62**	**456**	**828**	**-**	**6,634**
As at January 1st 2020	**4,144**	**75**	**5**	**1,064**	**62**	**456**	**828**	**-**	**6,634**
Increase taken to profit or loss	760	12	-	15	1	123	37	-	**948**
Decrease taken to profit or loss	(15)	-	-	(25)	-	(376)	(52)	-	**(468)**
Used	(4)	-	-	-	-	-	(7)	-	**(11)**
Changes in the Group	-	-	-	-	60	(2)	(1)	39	**96**
Other changes	23	3	-	-	-	-	21	-	**47**
As at March 31st 2020	**4,908**	**90**	**5**	**1,054**	**123**	**201**	**826**	**39**	**7,246**

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

Impairment of non-financial assets

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

As at March 31st 2020, the Group measured the value of property, plant and equipment, property, plant and equipment under construction and right-of-use assets related to hydrocarbon production taking into account current long-term oil and gas price forecasts As a result of the valuation review, a PLN 561.6m impairment loss was recognised on domestic non-current hydrocarbon assets and a PLN 203.4m impairment loss on non-current hydrocarbon assets located outside of Poland.

Trade receivables

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

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

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

Based on the analyses, as at March 31st 2020 the estimated effect of COVID-19 on impairment losses on trade receivables was PLN 15m.

(all amounts in PLN million, unless stated otherwise)

3.3. Provisions

	Provision for well decommissioning costs	Provision for certificates of origin and energy efficiency certificates	Provision for liabilities associated with exploration work abroad	Provisions for environmental liabilities	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Other provisions	Total	
As at January 1st 2019	**2,008**	**151**	**175**	**115**	**-**	**23**	**408**	**2,880**	
Impact of IFRS 16	-	-	-	(19)	-	-	-	**(19)**	
Recognised provision capitalised in cost of property, plant and equipment	441	-	-	-	-	-	-	**441**	
Increase taken to profit or loss	60	265	-	49	6	2	183	**565**	
Decrease taken to profit or loss	(86)	(59)	-	(28)	-	(4)	(155)	**(332)**	
Used	(35)	(123)	-	-	-	-	(10)	**(168)**	
Other changes	1	(18)	2	5	-	-	39	**29**	
As at December 31st 2019	**2,389**	**216**	**177**	**122**	**6**	**21**	**465**	**3,396**	
As at January 1st 2020	**2,389**	**216**	**177**	**122**	**6**	**21**	**465**	**3,396**	
Recognised provision capitalised in cost of property, plant and equipment	4	-	-	-	-	-	-	**4**	
Increase taken to profit or loss	17	87	-	1	-	-	105	**210**	*Note 3.6*
Decrease taken to profit or loss	(12)	-	-	(1)	-	(3)	(26)	**(42)**	*Note 3.6*
Used	(8)	-	-	-	-	-	(2)	**(10)**	
Changes in the Group	-	-	-	-	-	-	(1)	**(1)**	
Other changes	(36)	-	16	-	-	-	(3)	**(23)**	
As at March 31st 2020	**2,354**	**303**	**193**	**122**	**6**	**18**	**538**	**3,534**	

(all amounts in PLN million, unless stated otherwise)

3.4. Revenue by product

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

The Group's business includes services, such as distribution and 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 2020	3 months ended March 31st 2019
Revenue from sale of gas, including:	**10,431**	**11,074**
High-methane gas	9,121	10,367
Nitrogen-rich gas	441	477
LNG	22	26
CNG	12	9
Propane-butane gas	16	17
Adjustment to gas sales due to hedging transactions	819	178
Other revenue, including:	**3,325**	**3,266**
Gas and heat distribution	1,342	1,360
Crude oil and natural gasoline	354	452
NGL	21	26
Sales of heat	530	521
Sales of electricity	748	665
Revenue from rendering of services:		
- drilling and oilfield services	32	29
- geophysical and geological services	34	16
- construction and assembly services	16	17
- connection charge	51	37
- other	66	61
Other	131	82
Total revenue	**13,756**	**14,340**

3.5. Operating expenses (selected items)

	3 months ended March 31st 2020	3 months ended March 31st 2019
Cost of gas sold	**(8,694)**	**(9,931)**
Gas fuel	(8,694)	(9,932)
Cost of transactions hedging gas prices	-	1
Other raw materials and consumables used	**(878)**	**(799)**
Fuels for electricity and heat generation	(360)	(383)
Electricity for trading purposes	(389)	(294)
Other raw materials and consumables used	(129)	(122)
Employee benefits	**(800)**	**(713)**
Salaries and wages	(552)	(504)
Social security contributions	(129)	(112)
Long-term employee benefits	(24)	(23)
Other employee benefits	(95)	(74)
Other services	**(419)**	**(408)**
Regasification services	(98)	(93)
Repair and construction services	(41)	(38)
Mineral resources production services	(50)	(60)
Rental services	(28)	(12)
Other services	(202)	(205)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	**(774)**	**5**
Cost of exploration and evaluation assets written-off	(17)	(13)
Impairment losses on property, plant and equipment	(745)	18
Impairment losses on intangible assets	(12)	-
Total	**(11,565)**	**(11,846)**

(all amounts in PLN million, unless stated otherwise)

3.6. Other income and expenses

	3 months ended March 31st 2020	3 months ended March 31st 2019
Compensation, penalties, and fines received	8	9
Exchange differences related to operating activities	(162)	18
Measurement and exercise of derivative financial instruments	206	15
Change in inventory write-downs	253	19
Change in impairment losses on trade and other receivables	15	(15)
Change in provision for well decommissioning costs	(5)	3
Change in provision for certificates of origin and energy efficiency certificates	(87)	(82)
Provision for CO_2 emission allowances	(5)	-
Change in other provisions	(46)	(37)
Change in products	299	312
Change in underlift/ overlift	72	64
Cost of merchandise and materials sold	(31)	(28)
Other income and expenses	(72)	(30)
Total other income and expenses	**445**	**248**

3.7. Net finance income/(costs)

	3 months ended March 31st 2020	3 months ended March 31st 2019
Interest on debt (including fees)	(4)	(20)
Interest on lease liabilities	(18)	(9)
Foreign exchange differences	(236)	14
Measurement and exercise of derivative financial instruments not designated for hedge accounting	(4)	(1)
Fair value measurement of financial assets	(7)	2
Other net finance costs (income)	(1)	20
Total net finance costs	**(270)**	**6**

(all amounts in PLN million, unless stated otherwise)

3.8. Income tax

Reconciliation of effective tax rate	3 months ended March 31st 2020	3 months ended March 31st 2019
Profit before tax	946	1,447
Corporate income tax at the 19% statutory rate applicable in Poland	(180)	(275)
Deductible temporary differences with respect to which no deferred tax was recognised	13	(72)
Income tax expense disclosed in the statement of profit or loss	**(167)**	**(347)**
Including:		
Current tax expense	(283)	(267)
Deferred tax expense	116	(80)
Effective tax rate	18%	24%

Tax group

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

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

The PGNiG Tax Group comprises: PGNiG S.A., PGNiG Obrót Detaliczny Sp. z o.o., Polska Spółka Gazownictwa Sp. z o.o., PGNiG Termika S.A., Gas Storage Poland Sp. z o.o., PGNiG Ventures Sp. z o.o. (until December 30th 2019 as PGNiG SPV 5 Sp. z o.o.), PGNiG SPV 6 Sp. z o.o., PGNiG SPV 7 Sp. z o.o., Geofizyka Toruń S.A., PGNiG Technologie S.A. and PGNiG Serwis Sp. z o.o.

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

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

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

(all amounts in PLN million, unless stated otherwise)

3.9. Property, plant and equipment

	As at March 31st 2020	As at December 31st 2019
Land	130	130
Buildings and structures	19,615	19,805
Plant and equipment	8,089	8,198
Vehicles and other	1,264	1,272
Total own tangible assets	**29,098**	**29,405**
Right-of-use asset – land	2,341	2,245
Right-of-use asset – buildings and structures	274	278
Right-of-use asset – machinery and equipment	158	162
Right-of-use asset – vehicles	43	35
Total right-of-use assets	**2,816**	**2,720**
Tangible exploration and evaluation assets under construction	2,602	2,561
Other tangible assets under construction	5,079	5,316
Total property, plant and equipment	**39,595**	**40,002**

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

In the reporting period, the Group did not execute any individually material transactions to purchase or sell items of property, plant and equipment. The Group's most significant investment was the capital expenditure on the development of deposits in the Norwegian Sea and the North Sea (the total amount spent in the period was approximately PLN 370m).

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.

(all amounts in PLN million, unless stated otherwise)

3.10. Derivative financial instruments

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

In the case of the Parent, all eligible transactions in the period January 1st–March 31st 2020 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 aggregate amount of hedging transactions does not exceed the amount of the hedged items.

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

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

Income and expenses related to assets and liabilities under derivative financial instruments			**3 months ended March 31st 2020**		**3 months ended March 31st 2019**	
Item of statement of profit or loss and statement of comprehensive income	**Item referenced in Note / additional explanations**	**Notes**	**Derivative financial instruments not designated for hedge accounting**	**Derivative financial instruments designated for cash flow hedge accounting**	**Derivative financial instruments not designated for hedge accounting**	**Derivative financial instruments designated for cash flow hedge accounting**
Effect on statement of profit or loss						
Net finance costs	Measurement and exercise of derivative financial instruments not designated for hedge accounting	*Note 3.7*	(4)	-	(1)	-
Other income and expenses	Measurement and exercise of derivative financial instruments not designated for hedge accounting	*Note 3.6*	206	-	15	-
Revenue	Reclassification from other comprehensive income	*Note 3.4.1.*	-	819	-	178
Cost of gas sold	Reclassification from other comprehensive income	*Note 3.5*	-	-	-	1
			202	**819**	**14**	**179**
Effect on other comprehensive income						
Gains/(losses) on measurement of derivative instruments designated for cash flow hedge accounting [effective portion]				762		499
Reclassification of derivative instruments measurement to profit or loss upon exercise (cash flow hedges)				(819)		(179)
				(57)		**320**
Effect on comprehensive income			**202**	**762**	**14**	**499**
Change in equity recognised in inventories				**174**		**(76)**

The tables below present the Group companies' derivative transactions as at March 31st 2020.

Derivative instruments designated for hedge accounting	As at March 31st 2020					As at December 31st 2019		
Type of derivative instrument	Notional amount (million)	Period when cash flow will occur and affect the financial result	Exercise price (exercise price range)	Weighted average exercise price	Fair value of instruments for which cash flow hedge accounting is applied	Notional amount (million)	Period when cash flow will occur and affect the financial result	Fair value of instruments for which cash flow hedge accounting is applied
Derivative instruments used to hedge currency risk in gas purchase and sale contracts								
Forwards								
USD	761 USD	up to 3 years	3.58-3.99	3.81	257	371 USD	up to 3 years	54
USD	-	-	-	-	-	601 USD	up to 3 years	(39)
EUR	-	-	-	-	-	970 EUR	up to 3 years	120
EUR/USD	67 EUR	1–3 years	1.12-1.18	1.15	10	42 EUR	up to 3 years	2
Currency swap								
EUR	904 EUR	up to 3 years	4.41-4.57	4.46	(125)	-	-	-
					142			**137**
Derivative instruments used to hedge gas purchase and selling prices								
TTF swap DA	42 MWh	up to 3 years	7.61-20.74	15.90	775	41 MWh	up to 3 years	807
TTF swap MA	4 MWh	Up to 12 months	8.87-10.44	9.60	(36)	2 MWh	1–3 months	(1)
TTF swap DA	12 MWh	up to 3 years	7.61-14.03	10.69	(68)	12 MWh	Up to 12 months	(254)
BRENT Swap	1 Bbl	1–3 years	39.95-43.87	42.11	2	-	-	-
BRENT Swap	2 Bbl	up to 3 years	39.95-43.87	42.74	(7)	-	-	-
GASPOOL swap DA	2 MWh	Up to 12 months	15.97-21.98	18.69	98	4 MWh	up to 3 years	105
HH NYMEX	7 MMBTU	1–3 years	2.245-2.29	2.27	2	-	-	-
HH NYMEX	8 MMBTU	1–3 years	2.245-2.42	2.39	(2)	15 MMBTU	up to 3 years	(12)
					764			**645**
				Total	**906**		**Total**	**782**
			Including:	Assets	1,145	Including:	Assets	1,088
				Liabilities	239		Liabilities	306

TTF – Natural Gas at the Title Transfer Facility
IRS – Interest Rate Swap
MA – month-ahead; DA – day-ahead
MMBTU - a million of international British Thermal Units

Derivative instruments not designated for hedge accounting	As at March 31st 2020		As at December 31st 2019	
Type of derivative instrument	Notional amount (million)	Fair value of instruments not designated for hedge accounting	Notional amount (million)	Fair value of instruments not designated for hedge accounting
Derivative instruments hedging interest rate risk and currency risk				
CCIRS				
NOK	3,818 NOK	116	2,318 NOK	90
Forwards				
EUR	68 EUR	14	608 EUR	89
EUR	1 EUR	-	1 EUR	-
EUR	3 EUR	-	610 EUR	(49)
USD	25 USD	(4)	-	-
Currency swap				
EUR	395 EUR	36	-	-
EUR	211 EUR	(22)	-	-
		140		**130**
Derivative instruments used as economic hedges of electricity purchase prices				
Forwards				
electricity – PPX	15 MWh	123	12 MWh	18
electricity – PPX	2 MWh	(70)	1 MWh	(5)
electricity – OTC	1 MWh	84	1 MWh	34
electricity – OTC	0.45 MWh	(28)	1 MWh	(22)
Futures				
electricity – EEX AG	2 MWh	126	2 MWh	69
electricity – EEX AG	2 MWh	(182)	3 MWh	(81)
		53		**13**
Derivative instruments used to hedge gas purchase and selling prices				
Forwards				
gas – OTC	14 MWh	475	16 MWh	393
gas – OTC	10 MWh	(321)	13 MWh	(310)
Futures				
gas - PPX	0.26 MWh	1	-	-
gas - PPX	3 MWh	(85)	2 MWh	(54)
gas – ICE ENDEX B.V.	3 MWh	97	4 MWh	91
gas – ICE ENDEX B.V.	4 MWh	(103)	4 MWh	(92)
gas – POWERNEXT SA	1 MWh	49	2 MWh	40
gas – POWERNEXT SA	3 MWh	(99)	3 MWh	(72)
GASPOOL DA	8 MWh	401	9 MWh	235
GASPOOL DA	9 MWh	(206)	7 MWh	(99)
HH NYMEX	3 MMBTU	3	-	-
HH NYMEX	14 MMBTU	(27)	-	-
TTF swap DA	19 MWh	635	21 MWh	473
TTF swap DA	14 MWh	(322)	9 MWh	(159)
TTF swap MA	4 MWh	(21)	9 MWh	(44)
		477		**402**
Derivative instruments used to hedge purchase prices of CO_2 emission allowances				
Forwards	-	-	24 EUR	(1)
Forwards	1 t	18	-	-
Forwards	0.13 t	(1)	-	-
Futures	7 EUR	(16)	-	-
Futures	-	-	3 t	(1)
		1		**(2)**

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(all amounts in PLN million, unless stated otherwise)

Derivative instruments used to hedge share purchase prices				
Options	9.125 million shares	1	9.125 million shares	5
	Total	**672**	**Total**	**548**
	Including:		Including:	
	Assets	2,180	Assets	1,539
	Liabilities	1,508	Liabilities	991

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

3.11. Contingent assets and liabilities

Contingent asset	As at March 31st 2020	As at December 31st 2019
	Estimated amount	
Grants awarded*	180	187
Other contingent assets	6,675	14
Total	**6,855**	**201**

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

Contingent liabilities	As at March 31st 2020	As at December 31st 2019
	Estimated amount	
Guarantees and sureties	4,335	3,808
Promissory notes	523	552
Other	384	11
Total	**5,242**	**4,371**

The slight decrease in contingent assets due to the received co-financing was attributable to a partial settlement in the reporting period of the relevant agreements executed by Polska Spółka Gazownictwa Sp. z o.o.

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 632m (as translated at the exchange rate quoted by the NBP for March 31st 2020).

Following the change in the price terms of natural gas supplies delivered to PGNiG in November 1st 2014 − February 29th 2020 under the contract for the purchase and sale of natural gas to the Republic of Poland of September 25th 1996 between PGNiG S.A. and PAO Gazprom / OOO Gazprom Export (the "Yamal Contract"), and pursuant to the final judgment in the arbitration proceedings brought by PGNiG S.A. against PAO Gazprom and OOO Gazprom Export, as at March 31st 2020, contingent items were recognised for this purpose, the aggregate effect of which was PLN 6,288m (net amount of the contingent assets); for more information, see Note **4.6.3**.

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 2020		As at December 31st 2019	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Derivative instruments	1,128	2,197	714	1,913
	1,128	**2,197**	**714**	**1,913**
Financial liabilities				
Derivative instruments	963	784	634	663
	963	**784**	**634**	**663**

3.13. Classification of financial assets

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

(all amounts in PLN million, unless stated otherwise)

4. Supplementary information to the report

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

Date	Company	Event
January 9th 2020	PGNiG S.A.	On January 9th 2020, the Supervisory Board appointed new members of the PGNiG Management Board for the 6th joint term of office to begin on January 10th 2020. For detailed information, see the Directors' Report on the operations of PGNiG S.A. and the PGNiG Group in 2019.
January 9th 2020	PGNiG Upstream Norway AS	On January 9th 2020, the condition precedent of the agreement for PGNiG Upstream Norway AS to purchase shares in the Duva field from Pandion Energy was fulfilled (PUN obtained the required administrative approvals in Norway). On November 7th 2019, PGNiG Upstream Norway AS, a subsidiary, executed an agreement to purchase an additional 10% interest in the PL636 and PL636B licences, including the Duva field, from Pondion Energy. As a result, PUN's interest in those licences increased from 20% to 30%. The Agreement provides for conditions precedent, including obtaining the administrative approvals in Norway.
February 27th 2020	PGNiG S.A.	The Supervisory Board decided to appoint Ms Magdalena Zegarska as Vice President of the Management Board for a joint term of office, with effect from February 27th 2020 (following the election of PGNiG employees).
March 18th 2020	Polska Spółka Gazownictwa sp. z o.o.	On March 18th 2020, the President of the Energy Regulatory Office (the "President of URE") approved new Tariff No. 8 for gas fuel distribution and liquefied natural gas regasification services provided by Polska Spółka Gazownictwa Sp. z o.o. (the "Distribution Tariff"). The prices and rates of network fees and charges applied in settlements with customers were increased by 3.5% on average in relation to the previous distribution tariff of Polska Spółka Gazownictwa sp. o.o. for all tariff groups with the exception of coke gas. Pursuant to the Energy Law, the Distribution Tariff should take effect no earlier than 14 days and no later than 45 days after its publication by the President of URE. The new Tariff will expire on December 31st 2020. For detailed information on the approved Distribution Tariff, see www.ure.gov.pl and *Biuletyn Branżowy URE – Paliwa gazowe* (the URE official gazette – Gas fuels).

4.2. Shares held by management and supervisory personnel

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

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

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

4.3. Dividend paid (declared)

On May 26th 2020, the PGNiG Management Board resolved to recommend that the General Meeting of PGNiG S.A. allocate PLN 520m from the 2019 net profit to dividend payment (PLN 0.09 per share). The Management Board also proposed that the dividend record date be July 20th 2020 and the dividend payment date be August 3rd 2020.

No decision concerning payment of 2019 dividend had been made by the date of this report.

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

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

4.4. Issue, redemption, and repayment of debt securities

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

4.5. Seasonality

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

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

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

4.6. Material court, arbitration and administrative proceedings

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

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

4.6.1. Proceedings before the President of UOKiK instigated on April 3rd 2013

On April 3rd 2013, the President of the Office for Competition and Consumer Protection ("President of UOKiK") instigated antitrust proceedings concerning an alleged abuse by PGNiG of its dominant position on the domestic wholesale and retail natural gas market, which consisted in impeding the development of market conditions necessary for the emergence or development of competition by:

- Limiting the ability of business customers to reduce the contracted volumes of gas fuel and capacity,
- Limiting the ability of business customers to resell gas fuel,
- Requiring that business customers define the maximum volume of gas fuel purchased for resale in the contract,
- Refusing to grant wholesale customers the right to a partial change of supplier.

On September 20th 2018, PGNiG filed a cassation complaint in connection with its appeal before the Regional Court and then by the Appellate Court concerning a fine of PLN 10.4m imposed on the Company by the President of UOKiK and the costs of proceedings awarded to the President of UOKiK of PLN 360. On January 22nd 2020, the Supreme Court dismissed the Company's cassation complaint.

4.6.2. Proceedings before the President of the Energy Regulatory Office ("URE") regarding failure to meet the obligation to sell gas on the exchange market in 2013

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

(all amounts in PLN million, unless stated otherwise)

4.6.3. Renegotiation of price terms under the contract with OOO Gazprom Export

On March 30th 2020, the Arbitration Court in Stockholm (the Arbitration Court) issued an final award in the arbitration proceedings instigated by PGNiG against PAO Gazprom and OOO Gazprom Export (Gazprom) to reduce the contract price for the gas supplied by Gazprom under a contract for the sale of natural gas to the Republic of Poland, dated September 25th 1996 (the Yamal Contract), as previously reported by the Company in its financial and current reports.

Pursuant to the final ruling, the Arbitration Court changed the pricing formula for the gas supplied by Gazprom under the Yamal Contract, including through its significant and direct linking to the prices of natural gas on the European energy market. The amended pricing formula will help PGNiG to significantly improve its trading position through greater consistency between the indexation of prices affecting the cost of imported gas and the arm's length pricing policy. Pursuant to the Yamal Contract and the final judgment, the new contract price determined by the Arbitration Court is applicable to gas supplies made since November 1st 2014, i.e. the date PGNiG requested that the contract price be renegotiated.

The event was recognised as off-balance-sheet items – for more information, see Note **3.11. Contingent assets and liabilities**.

On April 24th and 29th 2020, the Company published current reports concerning the invoices issued by Gazprom for the gas supplied in March 2020 and in the first half of April 2020 (for more information, see **Note 4.12)**.

4.7. Settlements related to court proceedings

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

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

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

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

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

4.10. Related-party transactions

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

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

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

4.12. Events subsequent to the reporting date

April 24th, April 29th 2020	PGNiG S.A.	In connection with the invoices received from PAO Gazprom and OOO Gazprom Export (“Gazprom”) for the gas delivered in March 2020 and the first half of April 2020 (“Invoices”), issued without regard to the new price terms of the Yamal Contract, as set out in the final judgment of the Stockholm Arbitration Court of March 30th 2020 (“ Judgement") (for more information, see **Note 4.6.3.**), PGNiG demanded that Gazprom immediately (but not later than April 23rd 2020) corrects the Invoices under pain of PGNiG considering Gazprom’s actions as deliberate non-compliance with the provisions of the Judgment. As PGNiG did not receive any response to its demand, nor did it receive any corrected invoices from Gazprom within the deadline set by PGNiG, the Company assessed Gazprom's position as devoid of any legal basis, as the Judgment is final and binding on the parties, constituting a gross breach of the Yamal Contract and contrary to Gazprom's declarations as regards respect for judgments of international arbitration institutions. In view of the above, PGNiG paid the Invoices, within the contractual deadlines, in the amount resulting from the new price terms of the Yamal Contract as set forth in the Judgment. PGNiG had previously notified Gazprom of its intention to pay the Invoices in such a way in a separate written correspondence.

(all amounts in PLN million, unless stated otherwise)

		At present, PGNiG does not have any arrears towards Gazprom, and it discharges all its payment obligations towards Gazprom in a timely manner, pursuant to the new price terms of the Yamal Contract, as set forth in the Judgement. On April 29th 2020, the Company announced that it had received from Gazprom a declaration that it would observe the new price terms of the Yamal Contract set forth in the Judgement and correct the issued invoices. PGNiG indicated that the contract price for gas supplied by Gazprom could be changed in the future, effectively as of November 1st 2017, as a result of the Company's request for renegotiation of the contract price announced by PGNiG in Current Report No. 91/2017 of November 1st 2017. The Company also indicated the possibility of changing the contract price in the future as a result of a request for renegotiation submitted by Gazprom, as announced by the Company in Current Report No. 96/2017 of December 8th 2017.
May 22nd, May 29th 2020	PGNiG S.A.	On May 22nd 2020, Polskie LNG S.A. (Polskie LNG), the operator of the LNG terminal in Świnoujście, allocated as part of the Open Season procedure the base and transitional capacities to provide regasification service and technical services, including LNG tanker loading, LNG bunkering, and LNG transshipment between vessels. Following the Open Season procedure and once PGNiG concludes a regasification agreement with Polskie LNG (Regasification Agreement), the LNG regasification capacity reserved by PGNiG will increase from the current 5bcm to ca. 6.2bcm of gas in 2022 (when the temporary regas service is launched) and then to ca. 8.3bcm in 2024 (when the base regas service is launched). The reservation of increased regasification capacity at the LNG terminal will enable the Company to achieve its strategic objectives to diversify gas supply sources and to increase the national energy security. The Regasification Agreement will be concluded for a period of 17 years. The services will be paid at tariff rates applicable during the term of the Agreement and approved by the President of URE. On May 29th 2020, PGNiG S.A. and Polskie LNG S.A. executed a Regasification Agreement as part of an Open Season procedure to make the LNG Terminal available in Świnoujście 2020, in accordance with the conditions described above. The increase in regasification capacity at the LNG Terminal is consistent with the PGNiG Group Strategy for 2017-2022, with an outlook until 2026, as announced in Current Report No. 19/2017 of March 13th 2017.
May 26th 2020	PGNiG S.A.	The PGNiG Management Board resolved to recommend that the General Meeting of PGNiG S.A. allocate PLN 520,048,337.13 from the 2019 net profit to dividend payment (PLN 0.09 per share). The Management Board also proposed that the dividend record date be July 20th 2020 and the dividend payment date be August 3rd 2020.

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 2020	3 months ended March 31st 2019
Revenue from sale of gas	6,252	6,699
Other revenue	1,165	1,129
Revenue	**7,417**	**7,828**
Cost of gas sold	(5,129)	(5,722)
Other raw materials and consumables used	(661)	(542)
Employee benefits	(186)	(157)
Transmission, distribution and storage services	(226)	(230)
Other services	(204)	(206)
Depreciation and amortisation expense	(208)	(207)
Taxes and charges	(168)	(127)
Other income and expenses	285	67
Work performed by the entity and capitalised	2	3
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	(627)	17
Finance income	134	27
Interest income calculated using the effective interest rate	72	56
Finance costs	(180)	(40)
Gain/(loss) on derecognition of financial assets measured at amortised cost	-	10
Revaluation of financial assets	4	(26)
Total	**(7,092)**	**(7,077)**
Profit before tax	**325**	**751**
Income tax	(53)	(150)
Net profit	**272**	**601**
Weighted average number of ordinary shares (million)	5,778	5,778
Basic and diluted earnings per share (PLN)	0.05	0.10

Separate statement of comprehensive income	3 months ended March 31st 2020	3 months ended March 31st 2019
Net profit	**272**	**601**
Hedge accounting	(57)	320
Deferred tax	11	(61)
Other comprehensive income subject to reclassification to profit or loss	**(46)**	**259**
Other comprehensive income, net	**(46)**	**259**
Total comprehensive income	**226**	**860**

(all amounts in PLN million, unless stated otherwise)

Separate statement of cash flows	3 months ended March 31st 2020	3 months ended March 31st 2019
Cash flows from operating activities		
Net profit	272	601
Depreciation and amortisation	208	207
Interest and dividends	(44)	(32)
Net gain/(loss) on investing activities	654	(15)
Other non-monetary adjustments	(32)	(45)
Income tax paid	(104)	(116)
Income tax expense recognised in profit or loss for the period	53	150
Movements in working capital	1,793	762
Net cash from operating activities	**2,800**	**1,512**
Cash flows from investing activities		
Payments for tangible exploration and evaluation assets	(258)	(207)
Payments for other property, plant and equipment and intangible assets	(65)	(87)
Loans	(792)	(978)
Payments for derivative financial instruments	(37)	(34)
Other cash used in investing activities	(7)	(6)
Repayments of loans	206	121
Proceeds from derivative financial instruments	143	11
Interest received	42	48
Proceeds from sale of property, plant and equipment and intangible assets	58	-
Other cash generated by financing activities	-	16
Net cash from investing activities	**(710)**	**(1,116)**
Cash flows from financing activities		
Other cash generated by financing activities	1	-
Repayment of borrowings	(3,000)	-
Redemption of debt securities	-	(2,295)
Interest paid	(21)	(18)
Payment of lease liabilities	(12)	(12)
Net cash from financing activities	**(3,032)**	**(2,325)**
Net cash flows	**(942)**	**(1,929)**
Cash and cash equivalents at beginning of the period	4,525	4,844
Cash and cash equivalents at end of the period	**3,583**	**2,915**

As at March 31st 2020, the Group was a party to two cash pooling agreements:

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

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

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

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

(all amounts in PLN million, unless stated otherwise)

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 2020	3 months ended March 31st 2019
Cash and cash equivalents at end of the period in the statement of cash flows	**3,583**	**2,915**
Opening balance of net exchange differences	(4)	(3)
Opening balance of inflows/outflows of cash under cash pooling arrangement	(2,406)	(1,697)
Net exchange differences in the period	25	6
Changes in impairment losses on cash	(1)	-
Inflows/(outflows) of cash under cash pooling arrangement in the period	1,074	780
Cash at end of the period in the statement of financial position	**2,271**	**2,001**

(all amounts in PLN million, unless stated otherwise)

Separate statement of financial position	As at March 31st 2020	As at December 31st 2019
Assets		
Property, plant and equipment	11,860	12,423
Licences, mining rights and rights to geological information	135	149
Shares	10,285	10,285
Derivative financial instruments	792	234
Loans advanced	5,766	5,363
Other assets	394	431
Non-current assets	**29,232**	**28,885**
Inventories	1,516	3,230
Receivables	1,296	1,886
Cash pooling receivables	1,498	2,501
Derivative financial instruments	1,932	1,834
Loans advanced	597	563
Other assets	127	30
Cash and cash equivalents	2,271	2,115
Current assets	**9,237**	**12,159**
TOTAL ASSETS	**38,469**	**41,044**
Equity and liabilities		
Share capital and share premium	7,518	7,518
Capital reserve	1,867	1,867
Hedging reserve	865	737
Retained earnings	20,768	20,496
Total equity	**31,018**	**30,618**
Financing liabilities	305	305
Derivative financial instruments	133	20
Employee benefit obligations	297	297
Provision for well decommissioning costs	1,915	1,923
Other provisions	17	17
Grants	475	484
Deferred tax liabilities	199	202
Other liabilities	62	67
Non-current liabilities	**3,403**	**3,315**
Financing liabilities	14	3,015
Derivative financial instruments	1,017	718
Trade and tax payables	2,294	2,802
Cash pooling liabilities	181	119
Employee benefit obligations	122	107
Provision for well decommissioning costs	34	34
Other provisions	339	266
Other liabilities	47	50
Current liabilities	**4,048**	**7,111**
TOTAL LIABILITIES	**7,451**	**10,426**
TOTAL EQUITY AND LIABILITIES	**38,469**	**41,044**

(all amounts in PLN million, unless stated otherwise)

Statement of changes in equity

	Share capital and share premium	Capital reserve	Hedging reserve	Accumulated other comprehensive income	Retained earnings (deficit)	Total equity
As at January 1st 2019	**7,518**	**867**	**72**	**13**	**20,363**	**28,833**
Effect of IFRS 16	-	-	-	-	20	20
As at January 1st 2019 (restated)	**7,518**	**867**	**72**	**13**	**20,383**	**28,853**
Net profit	-	-	-	-	601	601
Other comprehensive income, net	-	-	259	-	-	259
Total comprehensive income	**-**	**-**	**259**	**-**	**601**	**860**
Change in equity recognised in inventories	-	-	(76)	-	-	(76)
As at March 31st 2019	**7,518**	**867**	**255**	**13**	**20,985**	**29,638**
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**

* On June 27th 2019, the Annual General Meeting of PGNIG S.A. passed a resolution to allocate PLN 1,000m to capital reserve to expand and modernise the Polish gas distribution network, resulting in a total balance of PLN 1,867m of the capital reserve as at March 31st 2020.

(all amounts in PLN million, unless stated otherwise)

5.2. Notes to the interim condensed separate financial statements

Deferred tax

			Credited/Charged			Credited/Charged		
	As at January 1st 2019	Effect of implementation of IFRS 16 as at January 1st 2019	Net profit / (loss)	Other compre-hensive income	As at December 31st 2019	Net profit / (loss)	Other compre-hensive income	As at March 31st 2020
Deferred tax assets								
Employee benefit obligations	55	-	6	3	64	(1)	-	63
Provision for well decommissioning costs	181	-	21	-	202	14	-	216
Other provisions	35	(5)	(5)	-	25	17	-	42
Measurement of derivatives	93	-	31	-	124	48	-	172
Useful lives of property, plant and equipment	98	-	(4)	-	94	24	-	118
Unused tax losses of the Pakistan Branch	50	-	(17)	-	33	-	-	33
Other	36	-	54	-	90	(43)	-	47
Total	**548**	**(5)**	**86**	**3**	**632**	**59**	**-**	**691**
Deferred tax liabilities								
Difference between depreciation rates for property, plant and equipment	378	-	32	-	410	(58)	-	352
Measurement of derivatives	107	-	128	156	391	78	30	499
Other	18	-	15	-	33	6	-	39
Total	**503**	**-**	**175**	**156**	**834**	**26**	**30**	**890**
Set-off of assets and liabilities	(503)	-	-	-	(632)	-	-	(691)
After set-off								
Assets	45	-	-	-	-	-	-	-
Liabilities	-	-	-	-	202	-	-	199
Net effect of changes in the period		**(5)**	**(89)**	**(153)**		**33**	**(30)**	

In the period ended March 31st 2019, the Company recognised the effect of IFRS 16 on deferred tax assets of PLN 5m. As deferred tax is presented in the statement of financial position on a net basis, the balance of deferred tax liabilities was adjusted by the identified amount of assets.

(all amounts in PLN million, unless stated otherwise)

Impairment losses/write-downs

	Property, plant and equipment, licences, mining rights and rights to geological information	Right-of-use assets	Other assets	Loans advanced	Shares	Inventories	Receivables	Cash pooling receivables	Current financial assets	Total
As at January 1st 2019	**3,248**	**-**	**5**	**78**	**2,760**	**130**	**486**	**10**	**39**	**6,756**
Increase taken to profit or loss	1,082	47	1	32	7	381	234	13	-	1,797
Transfers	-	-	(1)	-	-	-	1	-	-	-
Decrease taken to profit or loss	(711)	-	-	(17)	(2)	(110)	(321)	(9)	-	(1,170)
Other changes	(66)	-	-	-	-	-	-	-	-	(66)
As at December 31st 2019	**3,553**	**47**	**5**	**93**	**2,765**	**401**	**400**	**14**	**39**	**7,317**
Increase taken to profit or loss	632	8	-	41	-	122	20	3	-	826
Decrease taken to profit or loss	(14)	-	-	(4)	-	(376)	(47)	(4)	-	(445)
Other changes	(5)	-	-	-	-	-	6	(4)	-	(3)
As at March 31st 2020	**4,166**	**55**	**5**	**130**	**2,765**	**147**	**379**	**9**	**39**	**7,695**

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

Impairment of non-financial assets

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

As at March 31st 2020, the Company measured the value of property, plant and equipment, property, plant and equipment under construction and right-of-use assets related to hydrocarbon production taking into account current long-term oil and gas price forecasts As a result of the valuation review, a PLN 561.6m impairment loss was recognised on domestic non-current hydrocarbon assets and a PLN 72.9m impairment loss on non-current hydrocarbon assets located outside of Poland.

Trade receivables

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

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

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

The expected credit loss on trade receivables was estimated at PLN 379m, including on non-impaired receivables of PLN 6m, of which PLN 5m is the estimated effect of COVID-19 on the collectability of trade receivables and the related expected future credit loss.

(all amounts in PLN million, unless stated otherwise)

Loans and other financial instruments

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

The expected credit loss on loans advanced and financial assets other than trade receivables was estimated at PLN 126m, including PLN 120m on financial instruments for which the credit loss is estimated for a 12-month horizon, of which PLN 55m reflects the estimated effect of COVID-19 on the probability of the counterparties' insolvency in the future.

Provisions

	Provision for well decommissioning costs	Provision for certificates of origin and energy efficiency certificates	Provision for liabilities associated with exploration work abroad	Provisions for environmental liabilities	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Provision for financial guarantees	Other provisions	Total
As at January 1st 2019	**1,660**	**70**	**175**	**26**	**-**	**4**	**15**	**25**	**1,975**
Effect of IFRS 16	-	-	-	(19)	-	-	-	-	(19)
As at January 1st 2019 (restated)	**1,660**	**70**	**175**	**7**	**-**	**4**	**15**	**25**	**1,956**
Recognised provision capitalised in cost of property, plant and equipment	361	-	-	-	-	-	-	-	361
Recognised provision taken to profit or loss	58	47	2	5	6	-	4	1	123
Used	(36)	(48)	-	-	-	-	-	-	(84)
Provision reversal taken to profit or loss	(86)	(21)	-	-	-	-	(5)	(4)	(116)
As at December 31st 2019	**1,957**	**48**	**177**	**12**	**6**	**4**	**14**	**22**	**2,240**
Recognised provision capitalised in cost of property, plant and equipment	4	-	-	-	-	-	-	-	4
Recognised provision taken to profit or loss	7	12	16	-	-	-	26	19	80
Used	(8)	-	-	-	-	-	-	-	(8)
Provision reversal taken to profit or loss	(12)	-	-	-	-	-	-	(1)	(13)
Other changes	1	-	-	-	-	-	1	-	2
As at March 31st 2020	**1,949**	**60**	**193**	**12**	**6**	**4**	**41**	**40**	**2,305**

(all amounts in PLN million, unless stated otherwise)

Revenue

	Total		Domestic sales		Export sales	
	3 months ended March 31st 2020	3 months ended March 31st 2019	3 months ended March 31st 2020	3 months ended March 31st 2019	3 months ended March 31st 2020	3 months ended March 31st 2019
Revenue from sale of gas, including:	**6,252**	**6,699**	**5,730**	**6,402**	**522**	**297**
Revenue from contracts with customers IFRS 15	5,433	6,521	4,911	6,224	522	297
High-methane gas	4,915	5,944	4,512	5,712	403	232
Nitrogen-rich gas	401	489	351	457	50	32
Propane-butane gas	16	17	16	17	-	-
LNG	26	31	26	31	-	-
Helium	75	40	6	7	69	33
Excluded from the scope of IFRS 15	819	178	819	178	-	-
Adjustment to gas sales due to hedging transactions - IFRS 9	819	178	819	178	-	-
Other revenue, including:	**1,165**	**1,129**	**1,068**	**1,007**	**97**	**122**
Revenue from contracts with customers IFRS 15	1,017	980	920	858	97	122
Crude oil and natural gasoline	298	369	214	269	84	100
Sales of electricity	643	529	643	527	-	2
CO_2 emission allowances	13	-	13	-	-	-
Other	63	82	50	62	13	20
Excluded from the scope of IFRS 15	148	149	148	149	-	-
Right to use storage facilities - IFRS 16	144	145	144	145	-	-
Other income from operating leases - IFRS 16	4	4	4	4	-	-
Total revenue	**7,417**	**7,828**	**6,798**	**7,409**	**619**	**419**

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

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

The Company did not report any material effect of COVID-19 on its revenue in Q1 2020.

(all amounts in PLN million, unless stated otherwise)

Operating expenses (selected items)

	3 months ended March 31st 2020	3 months ended March 31st 2019
Cost of gas sold	**(5,129)**	**(5,722)**
Gas fuel	(5,129)	(5,723)
Net gain/(loss) on gas price hedges	-	1
Other raw materials and consumables used	**(661)**	**(542)**
Electricity for trading	(627)	(513)
Other raw materials and consumables used	(34)	(29)
Employee benefits	**(186)**	**(157)**
Salaries and wages	(114)	(97)
Social security contributions	(28)	(23)
Other employee benefits	(37)	(30)
Provisions for employee benefits	(7)	(7)
Transmission, distribution and storage services	**(226)**	**(230)**
Other services	**(204)**	**(206)**
Regasification services	(98)	(93)
Cost of dry wells written off	(17)	(13)
Repair and construction services	(4)	(7)
Geological and exploration services	(5)	(7)
Mineral resources production services	(4)	(6)
Well abandonment services	(6)	(5)
IT services	(28)	(30)
Other services	(42)	(45)
Depreciation and amortisation expense	**(208)**	**(207)**
Depreciation of non-leased assets	(204)	(203)
Depreciation of the right of use	(4)	(4)
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	**(627)**	**17**
Impairment losses on property, plant and equipment and rights-of-use assets	(615)	17
Impairment losses on intangible assets	(12)	-
Total	**(7,241)**	**(7,047)**

The increase in impairment losses on property, plant and equipment, intangible assets, rights to use assets and their reversal results from the valuation by the Company as at March 31st 2020 of property, plant and equipment under construction and rights to use assets related to hydrocarbon production in Poland and abroad (for a detailed description, see **Note 5.2** to the impairment table).

Other income and expenses

	3 months ended March 31st 2020	3 months ended March 31st 2019
Measurement and exercise of derivative financial instruments	68	28
Change in inventory write-downs	254	20
Change in provision for well decommissioning costs	5	2
Change in provision for certificates of origin and energy efficiency certificates	(12)	(11)
Cost of merchandise and materials sold	(13)	(10)
- including the amount of value of CO_2 emission allowances sold	(13)	(9)
Change in other provisions	(18)	(11)
Other	1	49
Total other income and expenses	**285**	**67**

(all amounts in PLN million, unless stated otherwise)

Finance income and costs

	3 months ended March 31st 2020	3 months ended March 31st 2019
Finance income		
Gain on measurement and exercise of forward contracts	132	-
Foreign exchange gains	-	24
Other finance income	2	3
Total finance income	**134**	**27**
Finance costs		
Loss on measurement and exercise of forward contracts	-	(24)
Debt-related interest and fees	(20)	(14)
- including interest on lease liabilities	(2)	(3)
Foreign exchange losses	(133)	-
Other	(27)	(2)
Total finance costs	**(180)**	**(40)**

Income tax

Reconciliation of effective tax rate	3 months ended March 31st 2020	3 months ended March 31st 2019
Profit before tax	**325**	**751**
Corporate income tax at the applicable 19% statutory rate	(62)	(143)
Non-taxable income/(Non-deductible expenses)	9	(7)
Corporate income tax at the effective tax rate	**(53)**	**(150)**
Current tax expense	(86)	(111)
Deferred tax expense	33	(39)
Effective tax rate	**16%**	**20%**

Property, plant and equipment

	As at March 31st 2020	As at December 31st 2019
Land	18	20
Buildings and structures	6,630	7,158
Plant and equipment	2,035	2,145
Vehicles and other	84	96
Total tangible	**8,767**	**9,419**
Tangible exploration and evaluation assets under construction	2,277	2,225
Other tangible assets under construction	490	454
Total tangible assets under construction	**2,767**	**2,679**
Perpetual usufruct rights to land	246	249
Right-of-use asset – land	45	49
Right-of-use asset – buildings and structures	9	10
Right-of-use asset – machinery and equipment	3	3
Right-of-use asset – vehicles	23	14
Total right-of-use assets	**326**	**325**
Total property, plant and equipment	**11,860**	**12,423**

(all amounts in PLN million, unless stated otherwise)

Hedge accounting

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

Type of hedging instrument	Notional amount	Carrying amount as at March 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 given period	Hedging gains or losses for reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss	Amount reclassified from cash flow hedging reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
		Assets	Liabilities						
CASH FLOW HEDGES									
CURRENCY RISK									
Forward contracts for currency purchase (USD/PLN)	3,157	257	-	up to 3 years	340	325	-	Not applicable	Not applicable
Forward contracts to purchase USD for EUR (EUR/USD)	303	10	-	up to 3 years	10	8	-	-	Revenue from sale of gas
Average rate forwards (EUR/PLN)	4,114	-	126	up to 3 years	(523)	(194)	(560)	(44)	Revenue from sale of gas
COMMODITY PRICE RISK									
Basis swap contracts for gas price indices	56	16	4	1–3 months	93	18	41	(41)	Revenue from sale of gas
Swap contracts for gas price indices	1,817	857	100	up to 3 years	4,664	619	2,348	(734)	Revenue from sale of gas
Swap contracts for HH price indices	101	2	2	1–3 years	(73)	(10)	(29)	Not applicable	Not applicable
Swap contracts for petroleum product price indices	241	2	7	up to 3 years	(5)	(5)	-	Not applicable	Not applicable
Total	**9,789**	**1,144**	**239**		**4,506**	**761**	**1,800**	**(819)**	

(all amounts in PLN million, unless stated otherwise)

Type of hedging instrument	Notional amount	Carrying amount as at December 31st 2019		Period when cash flow will occur and affect the financial result	Change in fair value of hedging instrument used as basis for recognising hedge ineffectiveness in given period	Hedging gains or losses for reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss	Amount reclassified from cash flow hedging reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
		Assets	Liabilities						
CASH FLOW HEDGES									
CURRENCY RISK									
Forward contracts for currency purchase (USD/PLN)	3,688	54	39	up to 3 years	287	72	-	Not applicable	Not applicable
Forward contracts to purchase USD for EUR (EUR/USD)	186	2	-	up to 3 years	2	2	-	-	Revenue from sale of gas
Average rate forwards (EUR/PLN)	4,133	120	-	up to 3 years	444	129	288	(25)	Revenue from sale of gas
COMMODITY PRICE RISK									
Basis swap contracts for gas price indices	88	1	1	up to 3 years	396	286	85	(276)	Revenue from sale of gas
Swap contracts for gas price indices	2,899	911	254	up to 3 years	1,547	1,013	713	(270)	Revenue from sale of gas
Swap contracts for HH price indices	128	-	11	up to 3 years	(18)	(11)	(6)	Not applicable	Not applicable
Total	**11,122**	**1,088**	**305**		**2,658**	**1,491**	**1,080**	**(571)**	

(all amounts in PLN million, unless stated otherwise)

Cash flow hedges

Items hedged as at March 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)	(340)	257	-
Natural gas (EUR/USD)	(10)	10	-
Natural gas (EUR/PLN)	63	(141)	34
COMMODITY PRICE RISK			
Gas contracts indexed to European gas price indices (daily or monthly)	(1,506)	753	181
Gas contracts indexed to monthly Henry Hub price indices	27	(9)	(12)
Gas contracts indexed to monthly petroleum product indices	5	(5)	-
TOTAL	**(1,761)**	**865**	**203**

Items hedged as at December 31st 2019	Change in value of hedged item used as basis for recognising hedge ineffectiveness in given period	Balance of cash flow hedging reserve for continuing hedges	Balance remaining in cash flow hedging reserve in respect of all hedging relationships for which hedge accounting is no longer applied
CURRENCY RISK			
Natural gas (USD/PLN)	(287)	16	-
Natural gas (EUR/USD)	(2)	2	-
Natural gas (EUR/PLN)	(156)	93	38
COMMODITY PRICE RISK			
Gas contracts indexed to monthly gas price indices	(310)	33	1
Gas contracts indexed to daily gas price indices	(846)	606	133
Gas contracts indexed to monthly petroleum product indices	15	(11)	-
TOTAL	**(1,586)**	**739**	**172**

(all amounts in PLN million, unless stated otherwise)

Reconciliation of hedging reserve

	2020	2019
Gross amount at beginning of the period	911	89
Net amount at beginning of the period	738	72
CURRENCY RISK		
Hedging gains or losses recognised in other comprehensive income during reporting period	139	202
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	(44)	(25)
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	(83)	(270)
Gross hedging reserve	**12**	**(93)**
Deferred tax on settlement and measurement of hedging instruments	(2)	18
Net hedging reserve	**10**	**(75)**
COMMODITY PRICE RISK		
Hedging gains or losses recognised in other comprehensive income during reporting period	622	1,288
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	(774)	(546)
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	298	174
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment for those hedging relationships to which hedge accounting is no longer applied	-	(1)
Gross hedging reserve	**146**	**915**
Deferred tax on settlement and measurement of hedging instruments	(28)	(174)
Net hedging reserve	**118**	**741**
Gross amount at end of the period	**1,069**	**911**
Net amount at end of the period	**866**	**738**

PGNiG S.A. Management Board:

President of the Management Board	Jerzy Kwieciński	------------------------------
Vice President of the Management Board	Robert Perkowski	------------------------------
Vice President of the Management Board	Arkadiusz Sekściński	------------------------------
Vice President of the Management Board	Przemysław Wacławski	------------------------------
Vice President of the Management Board	Jarosław Wróbel	------------------------------
Vice President of the Management Board	Magdalena Zegarska	------------------------------

Warszawa, June 2nd 2020

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In case of any discrepancies between the Polish and English version, the Polish version shall prevail.