Polskie Górnictwo Naftowe i Gazownictwo S.A.

INTERIM REPORT
for the third quarter
ended September 30th 2017

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

(in PLN million, unless stated otherwise)

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 3 / 2017

quarter / year

(pursuant to Par. 82.2 and Par. 83.1 of the Regulation of the Minister of Finance of February 19th 2009 – Dz. U. of 2014, item 133, as amended)

for issuers of securities in the manufacturing, construction, trade and services sectors

for the third quarter of the 2017 financial year, covering the period from January 1st to September 30th 2017, containing interim condensed consolidated financial statements prepared in accordance with International Financial Reporting Standards in the Polish zloty (PLN), and interim condensed separate financial statements prepared in accordance with International Financial Reporting Standards in the Polish zloty (PLN).

November 13th 2017

(filing date)

POLSKIE GÓRNICTWO NAFTOWE i GAZOWNICTWO SPÓŁKA AKCYJNA
(Full name of the issuer)

PGNIG	**Fuels (pal)**
(Abbreviated name of the issuer)	(industry according to WSE classification)
01-224	**Warsaw**
(postal code)	(city)
Marcina Kasprzaka	**25**
(street)	(number)
+48 22 589 45 55	**+48 22 691 82 73**
(phone)	(fax)
pr@pgnig.pl	**www.pgnig.pl**
(e-mail)	(www)
525−000−80−28	**012216736**
(NIP)	(REGON)

Financial highlights

Key data from the interim condensed consolidated financial statements	PLN million		EUR million	
	9 months ended Sep 30 2017	9 months ended Sep 30 2016	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Revenue	24,892	23,050	5,848	5,276
Operating profit before depreciation and amortisation (EBITDA)	5,256	4,269	1,235	977
Operating profit (EBIT)	3,260	2,313	766	529
Profit before tax	3,312	2,240	778	513
Net profit attributable to owners of the parent	2,465	1,629	579	373
Net profit	2,465	1,628	579	373
Total comprehensive income attributable to owners of the parent	2,337	1,988	549	455
Total comprehensive income	2,337	1,987	549	455
Net cash from operating activities	3,672	4,164	863	953
Net cash from investing activities	(2,979)	(2,880)	(700)	(659)
Net cash from financing activities	(4,993)	(1,949)	(1,173)	(446)
Net cash flows	(4,300)	(665)	(1,010)	(152)
Basic and diluted earnings per share (PLN)	0.43	0.28	0.10	0.06
	As at Sep 30 2017	As at Dec 31 2016	As at Sep 30 2017	As at Dec 31 2016
Total assets	45,883	49,672	10,648	11,228
Total liabilities	12,686	17,656	2,944	3,991
Total non-current liabilities	7,141	7,303	1,657	1,651
Total current liabilities	5,545	10,353	1,287	2,340
Total equity	33,197	32,016	7,704	7,237
Share capital	5,778	5,778	1,341	1,306
Weighted average number of ordinary shares (million)	5,778	5,867	5,778	5,867
Book value per share and diluted book value per share (PLN and EUR)	5.75	5.46	1.33	1.23
Dividend per share declared or paid (PLN and EUR)	0.20	0.18	0.05	0.04

Key data from the interim condensed separate financial statements	PLN million		EUR million	
	9 months ended Sep 30 2017	9 months ended Sep 30 2016	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Net revenue	12,981	11,996	3,050	2,746
Profit before tax	2,225	2,284	523	523
Net profit	1,983	2,127	466	487
Total comprehensive income	1,902	2,487	447	569
Net cash from operating activities	(214)	699	(50)	160
Net cash from investing activities	23	110	5	25
Net cash from financing activities	(4,730)	(1,990)	(1,111)	(456)
Net cash flows	(4,921)	(1,181)	(1,156)	(270)
Earnings and diluted earnings per share attributable to holders of ordinary shares (PLN and EUR)	0.34	0.36	0.08	0.08
	As at Sep 30 2017	As at Dec 31 2016	As at Sep 30 2017	As at Dec 31 2016
Total assets	32,682	35,769	7,584	8,085
Total liabilities	6,708	10,541	1,557	2,383
Total non-current liabilities	2,216	2,144	514	485
Total current liabilities	4,492	8,397	1,042	1,898
Equity	25,974	25,228	6,028	5,703
Share capital and share premium	7,518	7,518	1,745	1,699
Weighted average number of shares (million) in the period	5,778	5,867	5,778	5,867
Book value per share and diluted book value per share (PLN and EUR)	4.50	4.30	1.04	0.97
Dividend per share declared or paid (PLN/EUR)	0.20	0.18	0.05	0.04

Average EUR/PLN exchange rates quoted by the NBP	Sep 30 2017	Sep 30 2016	Dec 31 2016
Average exchange rate in period	4.2566	4.3688	4.3757
Exchange rate at end of period	4.3091	4.3120	4.4240

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 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 at the end of the reporting period.

TABLE OF CONTENTS

Interim condensed consolidated financial statements

Consolidated statement of profit or loss	3 months ended Sep 30 2017	9 months ended Sep 30 2017	3 months ended Sep 30 2016	9 months ended Sep 30 2016	
	unaudited	unaudited	unaudited	unaudited	
Revenue from sale of gas	4,776	19,825	4,367	18,505	*Note 3.4*
Other revenue	1,299	5,067	1,334	4,545	*Note 3.4*
Revenue	**6,075**	**24,892**	**5,701**	**23,050**	
Cost of gas sold	(3,073)	(13,615)	(2,754)	(12,873)	*Note 3.5*
Other raw materials and consumables used	(527)	(1,704)	(527)	(1,664)	*Note 3.5*
Employee benefits expense	(590)	(1,902)	(611)	(1,795)	*Note 3.5*
Transmission services	(283)	(840)	(264)	(774)	
Other services	(426)	(1,198)	(375)	(924)	*Note 3.5*
Taxes and charges	(103)	(670)	(128)	(633)	
Other income and expenses	(200)	(278)	(68)	152	*Note 3.6*
Work performed by the entity and capitalised	219	607	202	526	
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	(13)	(36)	(38)	(796)	*Note 3.5*
Operating profit before depreciation and amortisation (EBITDA)	**1,079**	**5,256**	**1,138**	**4,269**	
Depreciation and amortisation	(661)	(1,996)	(619)	(1,956)	
Operating profit (EBIT)	**418**	**3,260**	**519**	**2,313**	
Net finance costs	22	31	7	(13)	*Note 3.7*
Profit/(loss) from equity-accounted investees	13	21	(19)	(60)	
Profit before tax	**453**	**3,312**	**507**	**2,240**	
Income tax	(86)	(847)	(150)	(612)	*Note 3.8*
Net profit	**367**	**2,465**	**357**	**1,628**	
Net profit attributable to:					
Owners of the parent	367	2,465	358	1,629	
Non-controlling interests	-	-	(1)	(1)	
Weighted average number of ordinary shares (million)	5,778	5,778	5,900	5,900	
Basic and diluted earnings per share (PLN)	0.06	0.43	0.06	0.28	

Consolidated statement of comprehensive income	3 months ended Sep 30 2017	9 months ended Sep 30 2017	3 months ended Sep 30 2016	9 months ended Sep 30 2016
	unaudited	unaudited	unaudited	unaudited
Net profit	**367**	**2,465**	**357**	**1,628**
Exchange differences on translating foreign operations	(14)	(42)	-	5
Hedge accounting	42	(92)	59	448
Revaluation of financial assets available for sale	(1)	(1)	(1)	(1)
Deferred tax	(8)	17	(11)	(85)
Other comprehensive income subject to reclassification to profit or loss	**19**	**(118)**	**47**	**367**
Actuarial losses on employee benefits	-	(13)	9	(10)
Deferred tax	-	2	(2)	2
Share of other comprehensive income of equity-accounted investees	-	1	-	-
Other comprehensive income not subject to reclassification to profit or loss	**-**	**(10)**	**7**	**(8)**
Other comprehensive income, net	19	**(128)**	**54**	**359**
Total comprehensive income	**386**	**2,337**	**411**	**1,987**
Total comprehensive income attributable to:				
Owners of the parent	386	2,337	412	1,988
Non-controlling interests	-	-	(1)	(1)

(in PLN million, unless stated otherwise)

Consolidated statement of cash flows	9 months ended Sep 30 2017	9 months ended Sep 30 2016
	unaudited	unaudited
Cash flows from operating activities		
Net profit	2,465	1,628
Depreciation and amortisation	1,996	1,956
Current tax expense	847	612
Net gain/(loss) on investing activities	(103)	728
Other non-cash adjustments	56	70
Income tax paid	(665)	(456)
Movements in working capital	(924)	(374)
Net cash from operating activities	**3,672**	**4,164**
Cash flows from investing activities		
Expenditure for acquisition of tangible exploration and evaluation assets under construction	(492)	(507)
Payments for other property, plant and equipment and intangible assets	(1,824)	(1,614)
Payments for shares in related entities	(347)	(923)
Other items, net	(316)	164
Net cash from investing activities	**(2,979)**	**(2,880)**
Cash flows from financing activities		
Payment for treasury shares	-	(500)
Increase in debt	1,382	344
Proceeds from derivative financial instruments	165	89
Decrease in debt	(5,366)	(762)
Dividends paid	(1,156)	(1,062)
Payments for derivative financial instruments	(20)	(58)
Other items, net	2	-
Net cash from financing activities	**(4,993)**	**(1,949)**
Net cash flows	**(4,300)**	**(665)**
Cash and cash equivalents at beginning of period	5,832	6,021
Foreign exchange differences on cash and cash equivalents	-	(9)
Cash and cash equivalents at end of period	**1,532**	**5,356**

(in PLN million, unless stated otherwise)

Consolidated statement of financial position	As at Sep 30 2017	As at Dec 31 2016	
	unaudited	audited	
ASSETS			
Property, plant and equipment	32,929	33,149	*Note 3.9*
Intangible assets	1,016	1,079	
Deferred tax assets	49	100	
Equity-accounted investees	1,597	1,229	
Other assets	989	679	
Non-current assets	**36,580**	**36,236**	
Inventories	3,183	2,510	
Receivables	3,937	4,288	
Derivative financial instruments	321	623	*Note 3.10*
Other assets	266	129	
Cash and cash equivalents	1,528	5,829	
Assets held for sale	68	57	
Current assets	**9,303**	**13,436**	
TOTAL ASSETS	**45,883**	**49,672**	
EQUITY AND LIABILITIES			
Share capital and share premium	7,518	7,518	
Accumulated other comprehensive income	(132)	(4)	
Retained earnings	25,808	24,499	
Equity attributable to owners of the parent	33,194	32,013	
Equity attributable to non-controlling interests	3	3	
TOTAL EQUITY	**33,197**	**32,016**	
Financing liabilities	1,043	1,346	
Employee benefit obligations	726	702	
Provision for well decommissioning costs	1,682	1,641	*Note 3.3*
Other provisions	229	198	*Note 3.3*
Grants	779	815	
Deferred tax liabilities	2,066	1,932	
Other liabilities	616	669	
Non-current liabilities	**7,141**	**7,303**	
Financing liabilities	1,206	5,006	
Derivative financial instruments	262	346	*Note 3.10*
Trade and tax payables*	2,330	3,179	
Employee benefit obligations	316	334	
Provision for well decommissioning costs	24	20	*Note 3.3*
Other provisions	607	560	*Note 3.3*
Other liabilities	800	908	
Current liabilities	**5,545**	**10,353**	
TOTAL LIABILITIES	**12,686**	**17,656**	
TOTAL EQUITY AND LIABILITIES	**45,883**	**49,672**	

*Including income tax of PLN 97m (2016: PLN 180m)

(in PLN million, unless stated otherwise)

Consolidated statement of changes in equity

	Equity attributable to owners of the parent											
	Share capital and share premium, including:			Accumulated other comprehensive income:								
	Share capital	Share premium	Treasury shares	Exchange differences on translating foreign operations	Hedging reserve	Revaluation of financial assets available for sale	Actuarial gains/(losses) on employee benefits	Share of other comprehensive income of equity-accounted investees	Retained earnings	Total	Equity attributable to non-controlling interests	Total equity
As at Jan 1 2016 (audited)	**5,900**	**1,740**	**-**	**(51)**	**(565)**	**-**	**(21)**	**-**	**23,733**	**30,736**	**5**	**30,741**
Net profit	-	-	-	-	-	-	-	-	1,629	**1,629**	(1)	**1,628**
Other comprehensive income, net	-	-	-	5	363	(1)	(8)	-	-	**359**	-	**359**
Total comprehensive income	**-**	**-**	**-**	**5**	**363**	**(1)**	**(8)**	**-**	**1,629**	**1,988**	**(1)**	**1,987**
Dividend	-	-	-	-	-	-	-	-	(1,062)	**(1,062)**	-	**(1,062)**
Acquisition of treasury shares	-	-	(500)	-	-	-	-	-	-	**(500)**	-	**(500)**
As at Sep 30 2016 (unaudited)	**5,900**	**1,740**	**(500)**	**(46)**	**(202)**	**(1)**	**(29)**	**-**	**24,300**	**31,162**	**4**	**31,166**
As at Jan 1 2017 (audited)	**5,778**	**1,740**	**-**	**(28)**	**69**	**2**	**(45)**	**(2)**	**24,499**	**32,013**	**3**	**32,016**
Net profit	-	-	-	-	-	-	-	-	2,465	**2,465**	-	**2,465**
Other comprehensive income, net	-	-	-	(42)	(75)	(1)	(11)	1	-	**(128)**	-	**(128)**
Total comprehensive income	**-**	**-**	**-**	**(42)**	**(75)**	**(1)**	**(11)**	**1**	**2,465**	**2,337**	**-**	**2,337**
Dividend	-	-	-	-	-	-	-	-	(1,156)	**(1,156)**	-	**(1,156)**
As at Sep 30 2017 (unaudited)	**5,778**	**1,740**	**-**	**(70)**	**(6)**	**1**	**(56)**	**(1)**	**25,808**	**33,194**	**3**	**33,197**

(in PLN million, unless stated otherwise)

1. General information

1.1. Key information about the Group

Name	Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna
Registered office	ul. Marcina Kasprzaka 25, 01-224 Warsaw, Poland
Court of registration	District Court for the Capital City of Warsaw, 16th Commercial Division
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 includes exploration for and production of crude oil and natural gas; import, storage and sale of gas fuels; and trade in electricity.

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna is the parent of the PGNiG Group (PGNiG Group, Group). PGNiG shares are listed on the Warsaw Stock Exchange ("WSE").

As at the date of issue of this interim report, the State Treasury, represented by the Minister of Energy, was the only shareholder holding 5% or more of the Company's share capital.

The shareholding structure of PGNiG S.A. was as follows:

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

*As at June 30th 2017.
**As at September 30th 2017.

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

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 this report

These interim condensed consolidated financial statements and interim condensed separate financial statements for the three months ended September 30th 2017 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 February 19th 2009 (consolidated text: Dz.U. of 2014, item 133, as amended).

This interim report has been prepared on the assumption that the Group companies, except for Geofizyka Kraków S.A. w likwidacji (in liquidation), will continue as going concerns in the foreseeable future. As at the date of authorisation of these financial statements for issue, no circumstances were identified which would indicate any threat to other Group companies' continuing as going concerns.

The Polish zloty (PLN) is the functional currency of PGNiG S.A. and the presentation currency of these consolidated financial statements. The method of translation of items denominated in foreign currencies is presented in the full-year consolidated financial statements for the year ended December 31st 2016, issued on March 8th 2017.

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

This interim report for the three months ended September 30th 2017 was signed and authorised for issue by the parent's Management Board on November 13th 2017.

1.3. Applied accounting policies

The policies applied in the preparation of the interim condensed consolidated and separate financial statements were consistent with the policies applied to prepare the consolidated financial statements for 2016, except for the presentation changes described in **Note 1.5.1**.

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 the following standards, interpretations or amendments to the existing standards which have been issued and are relevant to the Group's business:

Standard	Description	Estimated effect	Effective date
IFRS 9 ***Financial Instruments***	The standard introduces a model based on the following classification categories of financial assets: measured at fair value through profit or loss (FVTPL), at fair value through other comprehensive income (FVTOCI), and at amortised cost. Assets are classified on initial recognition depending on an entity's financial instrument management model and the characteristics of contractual cash flows from such instruments. IFRS 9 introduces a new impairment recognition model based on expected credit losses. The majority of the requirements under IAS 39 concerning classification and measurement of financial liabilities were incorporated into IFRS 9 unchanged. The key change is the new requirement that entities present in other comprehensive income the effect of changes in their own credit risk related to financial liabilities designated at fair value through profit or loss. Changes were also made to the hedge accounting model to factor in risk management.	The Group is currently analysing the effects of IFRS 9 on its consolidated financial statements. It was initially assessed that IFRS 9 could have an impact on the consolidated financial statements with respect to hedge accounting and recognition of impairment losses on receivables based on expected credit losses where the Group expects such losses to have a net effect on the opening balance of impairment losses. However, the amount of the impairment losses is not expected to change significantly. The Group assumes that the instruments currently designated for hedge accounting will not change. The Group does not expect any significant changes with respect to fair value measurement.	January 1st 2018
IFRS 15 ***Revenue from Contracts with Customers***	IFRS 15 will apply to all contracts giving rise to revenue. The core principle of the new standard is that revenue is to be recognised upon transfer of goods or services to a customer, at the transaction price. Any goods or services that are sold in bundles and are distinct within the bundle should be recognised separately, and any discounts and rebates on the transaction price should be allocated to specific bundle items. Where a contract contains elements of variable consideration, under the new standard such variable consideration is recognised as revenue only if it is highly probable that its remeasurement will not result	The Group is currently analysing the effects of IFRS 15 on its consolidated financial statements. The amendments are not expected to have any significant effect on the consolidated financial statements when applied for the first time.	January 1st 2018

(in PLN million, unless stated otherwise)

Standard	Description	Estimated effect	Effective date
	in a revenue reversal in the future. Furthermore, in accordance with IFRS 15, the cost of obtaining and securing a contract with a customer should be capitalised and amortised over the period in which the contract's benefits are consumed.		
IFRS 16 ***Leases***	The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. All lease transactions result in the lessee acquiring a right-of-use asset and incurring a lease liability. Thus, IFRS 16 abolishes the operating and finance lease classification under IFRS 17 and provides a single lessee accounting model, requiring lessees to recognise (a) assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value, and (b) amortisation/depreciation of the leased asset separately from interest on lease liability in the statement of profit or loss. IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. Lessors continue to classify leases as operating or finance leases, with each of them subject to different accounting treatment.	Based on preliminary assessment, IFRS 16 may potentially have an effect on the Company's financial statements mainly due to the fact that the Company is a holder of perpetual usufruct rights to land. The Group has not yet analysed the potential effect of the new standard on its financial statements. A detailed analysis will be carried out in 2018–2019.	January 1st 2019

The other standards and interpretations that have been issued but are not yet effective are not relevant to the Group's business or will have no significant effect on the accounting policies applied by the PGNiG Group.

1.5. Presentation changes in the financial statements

1.5.1. Changes in presentation of reporting segments

As of the first quarter of 2017, the Group made significant changes in the reporting on its operating segments:

1. For the purposes of transferring gas produced in Poland from the Exploration and Production segment to the Trade and Storage segment, the applied settlement price is determined as the average monthly price quoted on the PPX Day-Ahead Market, less a discount for the Trade and Storage segment to cover justified costs of high-methane gas storage, plus a margin. The settlement price applied in gas transfers between other segments within PGNiG S.A. (especially for gas used for own consumption needs) was changed and is now determined as the average monthly price quoted on the PPX Day-Ahead Market.
2. Other items of operating expenses were also reclassified, based on the type of business activity.
3. The PGNiG Corporate Centre and PGNiG Finance AB were separated from the Trade and Storage segment and are now presented in Other Segments. The PGNiG Management Board resolved to adjust the financial results of the Trade and Storage segment for the income and expenses generated by the PGNiG Head Office and PGNiG Finance AB, which perform support functions for the other segments of the PGNiG Group.

As the changes were applied retrospectively, the table below presents the restated data as at September 30th 2016.

(in PLN million, unless stated otherwise)

Reporting segments	Sales to external customers	Inter-segment sales	Total revenue	EBITDA	Depreciation and amortisation	EBIT (operating profit)	Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	Equity-accounted investees	Expenditure on acquisition of property, plant and equipment and intangible assets	Property, plant and equipment	Workforce
Exploration and Production before restatement	**1,981**	**1,114**	**3,095**	**990**	**(811)**	**179**	**(775)**	**(60)**	**(929)**	**13,091**	**8,269**
Change of policy for determining revenue from inter-segment sale of gas produced in Poland in the Exploration and Production segment	-	587	587	587	-	587	-	-	-	-	-
Other reallocation of income and expenses at PGNiG S.A.	-	20	20	(28)	(2)	(30)	-	-	-	-	-
Exploration and Production after restatement	**1,981**	**1,721**	**3,702**	**1,549**	**(813)**	**736**	**(775)**	**(60)**	**(929)**	**13,091**	**8,269**
Trade and Storage before restatement	**19,376**	**233**	**19,609**	**761**	**(189)**	**572**	**(15)**	**-**	**(82)**	**4,195**	**3,523**
Change of policy for determining revenue from inter-segment sale of gas produced in Poland in the Exploration and Production segment	-	-	-	(587)	-	(587)	-	-	-	-	-
Other reallocation of income and expenses at PGNiG S.A.	-	-	-	28	2	30	-	-	-	-	-
Change of presentation of Corporate Centre	(5)	3	(2)	88	32	120	13	-	55	(363)	(618)
Trade and Storage after restatement	**19,371**	**236**	**19,607**	**290**	**(155)**	**135**	**(2)**	**-**	**(27)**	**3,832**	**2,905**
Other Segments before restatement	**103**	**82**	**185**	**(20)**	**(10)**	**(30)**	**-**	**-**	**(6)**	**129**	**1,315**
Change of presentation of Corporate Centre	5	89	94	(88)	(32)	(120)	(13)	-	(55)	363	618
Other Segments after restatement	**108**	**171**	**279**	**(108)**	**(42)**	**(150)**	**(13)**	**-**	**(61)**	**492**	**1,933**
Reconciliation with consolidated data before restatement			**(4,777)**	**13**	**-**	**13**	**-**	**-**	**(5)**	**(226)**	**-**
Change of policy for determining revenue from inter-segment sale of gas produced in Poland in the Exploration and Production segment			(587)	-	-	-	-	-	-	-	-
Other reallocation of income and expenses at PGNiG S.A.			(20)	-	-	-	-	-	-	-	-
Change of presentation of corporate centre			(92)	-	-	-	-	-	-	-	-
Reconciliation with consolidated data after restatement			**(5,476)**	**13**	**-**	**13**	**-**	**-**	**(5)**	**(226)**	**-**

*Excluding employees of equity-accounted investees.

(in PLN million, unless stated otherwise)

1.5.2. Reclassification of cash related to the Extraction Facilities Decommissioning Fund

The Group carried out a detailed analysis of the cash assets of the Extraction Facilities Decommissioning Fund, as a result of which as of 2016 the assets were transferred from cash and cash equivalents to Other assets (under non-current assets).

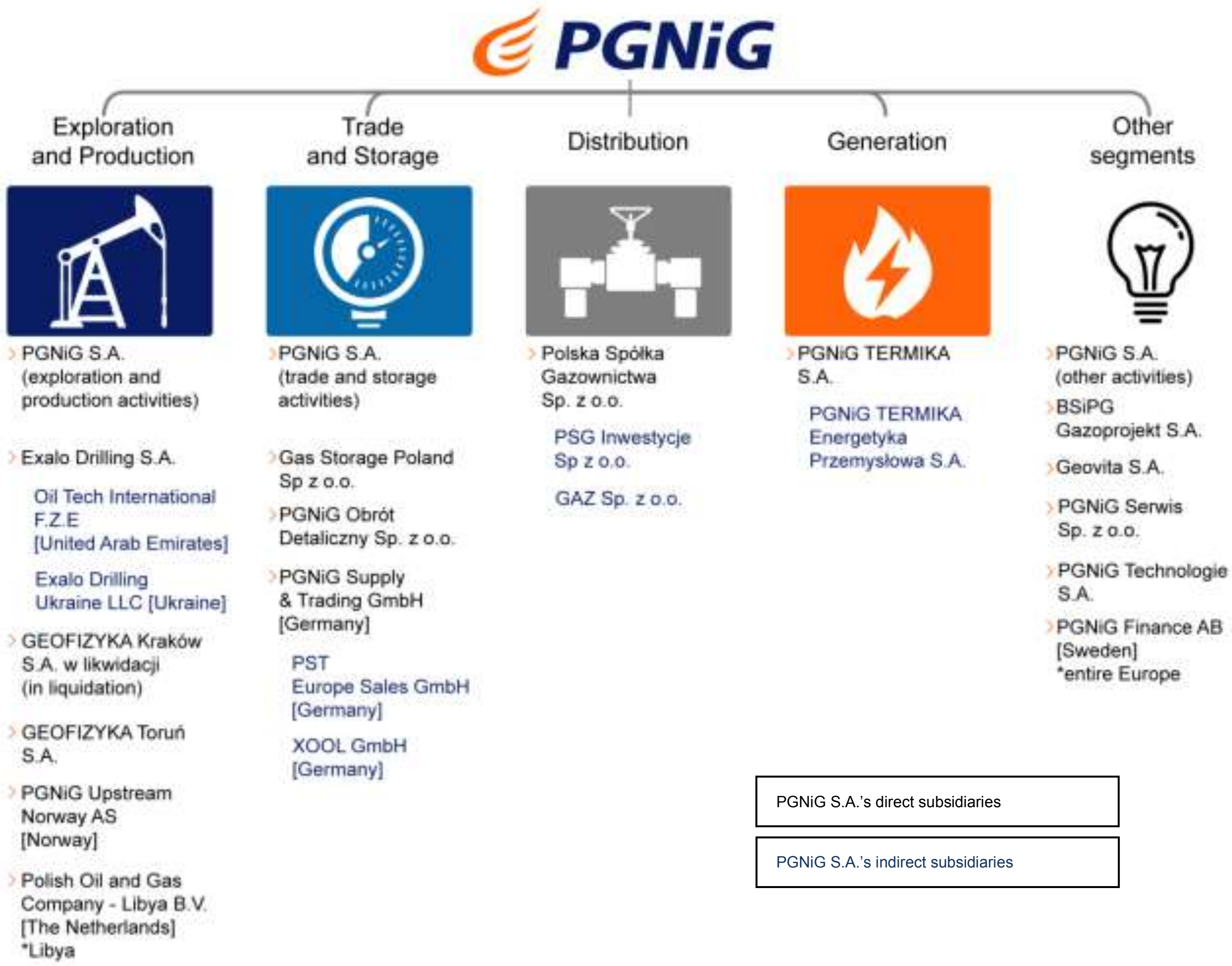
As the change was applied retrospectively, the table below presents the restated data as at September 30th 2016.

Consolidated statement of cash flows	As at Sep 30 2016 before restatement	Reclassification of long-term restricted cash	As at Sep 30 2016 after restatement
Net cash from operating activities including:	**4,152**	**12**	**4,164**
Movements in working capital	(386)	12	(374)
Net cash from investing activities	**(2,880)**	**-**	**(2,880)**
Net cash from financing activities	**(1,949)**	**-**	**(1,949)**
Net cash flows	**(677)**	**12**	**(665)**
Cash and cash equivalents at beginning of period	**6,238**	**(217)**	**6,021**
Cash and cash equivalents at end of period	**5,561**	**(205)**	**5,356**

2. The Group and its reporting segments

The Group identifies five reporting segments.

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



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

Figure 1 ***Structure of the Group, by reporting segments***

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

Segment	Description	Operating segments and aggregation criteria
Exploration and Production	The segment's principal business focuses on extracting hydrocarbons from deposits and preparing them for sale. This involves exploring for and extracting natural gas and crude oil from deposits, and includes geological surveys, geophysical research, drilling, and development of and production of hydrocarbons from gas and oil fields. 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 reporting segment comprises PGNiG S.A.'s operating segments involved in 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 and Swarzów), and electricity trading.	This reporting segment comprises PGNiG S.A.'s operating segments involved in the gas 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 is also a reporting segment, and comprises Polska Spółka Gazownictwa Sp. z o.o. and its subsidiaries.
Generation	The segment's principal business activities consist in generation and sale of electricity and heat.	The reporting segment comprises PGNiG TERMIKA S.A. and its subsidiaries specified in ***Figure 1***. 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, financial services for the Group, engineering design and construction of structures, machinery and equipment for the extraction and energy sectors, as well as catering and hospitality services.	It includes PGNiG S.A.'s activities relating to corporate support for other reporting segments, and Group companies which do not qualify to be included in the other reporting segments, specified under Other Segments in ***Figure 1.***

(in PLN million, unless stated otherwise)

2.1. Changes in the Group structure

Date	Company	Event
March 10th 2017	PSG Inwestycje Sp. z o.o.	The Extraordinary General Meeting of Powiśle Park Sp. z o.o. passed a resolution to change the company's name from Powiśle Park Sp. z o.o. to PSG Inwestycje Sp. z o.o. The change was entered in the National Court Register on March 20th 2017.
March 18th 2017	PGNiG Upstream Norway AS	The change of name of PGNiG Upstream International AS to PGNiG Upstream Norway AS was entered in the Norwegian register of commercial companies.
September 1st 2017	PGNiG TERMIKA Energetyka Przemysłowa S.A.	The merger of PGNiG TERMIKA Energetyka Przemysłowa S.A. and Przedsiębiorstwo Energetyki Cieplnej S.A. of Jastrzębie-Zdrój was registered with the National Court Register, with PGNiG TERMIKA Energetyka Przemysłowa S.A. as the acquirer.

2.2. Equity-accounted investees

As a partner in a joint venture or a major investor in a company, in the consolidated financial statements the Group 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 held in the following jointly-controlled entities or entities over which it has significant influence:

Equity-accounted investees as at September 30th 2017

No.	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 Sp. z o.o.	3,616,718,200	710,000,000	19.63%[1)]

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

(in PLN million, unless stated otherwise)

2.3. Key data on the reporting segments

9 months ended Sep 30 2017	Sales to external customers	Inter-segment sales	Total revenue	EBITDA	Depreciation and amortisation	EBIT (operating profit)	Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	Profit/(loss) from equity-accounted investees	Expenditure on acquisition of property, plant and equipment and intangible assets	Property, plant and equipment	Workforce*
Exploration and Production	2,268	2,148	4,416	3,037	(807)	2,230	(35)	13	(825)	12,735	7,015
Trade and Storage	20,657	213	20,870	(190)	(154)	(344)	-	-	(70)	3,735	2,965
Distribution	736	2,959	3,695	1,964	(688)	1,276	(1)	-	(842)	12,801	11,206
Generation	1,140	389	1,529	602	(308)	294	6	-	(469)	3,409	1,801
Other segments	91	167	258	(163)	(40)	(203)	(6)	8	(75)	447	1,853
Total	**24,892**	**5,876**	**30,768**	**5,250**	**(1,997)**	**3,253**	**(36)**	**21**	**(2,281)**	**33,127**	**24,840**
Reconciliation with consolidated data			(5,876)	6	1	7	-	-	(35)	(198)	
Total			**24,892**	**5,256**	**(1,996)**	**3,260**	**(36)**	**21**	**(2,316)**	**32,929**	

*Excluding employees of equity-accounted investees.

9 months ended Sep 30 2016	Sales to external customers	Inter-segment sales	Total revenue	EBITDA	Depreciation and amortisation	EBIT (operating profit)	Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	Profit/(loss) from equity-accounted investees	Expenditure on acquisition of property, plant and equipment and intangible assets	Property, plant and equipment	Workforce*
Exploration and Production	1,981	1,721	3,702	1,549	(813)	736	(775)	(60)	(929)	13,091	8,269
Trade and Storage	19,371	236	19,607	290	(155)	135	(2)	-	(27)	3,832	2,905
Distribution	677	2,822	3,499	1,965	(687)	1,278	(1)	-	(801)	12,539	10,810
Generation	913	526	1,439	560	(259)	301	(5)	-	(298)	3,481	1,969
Other segments	108	171	279	(108)	(42)	(150)	(13)	-	(61)	492	1,933
Total	**23,050**	**5,476**	**28,526**	**4,256**	**(1,956)**	**2,300**	**(796)**	**(60)**	**(2,116)**	**33,435**	**25,886**
Reconciliation with consolidated data			(5,476)	13	-	13	-	-	(5)	(226)	
Total			**23,050**	**4,269**	**(1,956)**	**2,313**	**(796)**	**(60)**	**(2,121)**	**33,209**	

*Excluding employees of equity-accounted investees.

2.4. Segments' financial results

In the nine months to September 30th 2017, the PGNiG Group's revenue was PLN 24,892m, and was higher by PLN 1,842m (8%) than in the corresponding period of the previous year (PLN 23,050m). Operating expenses amounted to PLN 21,632m (4% more year on year). As a result, in the nine months to September 30th 2017 the Group reported a consolidated operating profit of PLN 3,260m, i.e. PLN 947m (or 41%) more than in the same period of 2016. Year on year, EBITDA increased by 23%, to PLN 5,256m.

Operating data	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Production of natural gas by the PGNiG Group (mcm)		
High-methane gas (E)	1,403	1,445
Nitrogen-rich gas (Ls/Lw as E equivalent)	1,943	1,858
Total (as E equivalent)	3,346	3,303
Sale of natural gas by the PGNiG Group (mcm)		
High-methane gas (E)	17,688	15,974
Nitrogen-rich gas (Ls/Lw as E equivalent)	1,077	953
Total (as E equivalent)	18,765	16,928
Volume of distributed gas (in natural units - mcm)		
High-methane gas, nitrogen-rich gas, propane-butane, coke gas	8,351	7,415
Crude oil, condensate and NGL ('000 tonnes)		
Production	928	974
Sale	957	1,021
Heat and electricity		
Volume of heat sold outside the PGNiG Group (TJ)	27,878	24,454
Production of electricity, net, secondary generation (for sale) (GWh)	2,601	2,400

Exploration and Production

In the nine months ended September 30th 2017, the segment's operating profit was PLN 2,230m, i.e. PLN 1,494m (203%) more year on year, largely due to lower impairment losses on property, plant and equipment and on intangible assets, and higher revenue. Impairment losses and exploration assets written off in the reporting period totalled PLN 35m, having decreased by PLN 740m (95%) year on year. Revenue was PLN 4,416m, i.e. PLN 714m (19%) more year on year. The increase in the segment's revenue in the nine months ended September 30th 2017 was mainly attributable to:

- higher price of gas produced in Poland and transferred from the Exploration and Production segment to the Trade and Storage segment – the average price of gas sold in the nine months to September 30th 2017 was 24% higher than in the same period a year before (the average price was calculated as the average price for the nine months to September 30th 2017, weighted by the volume of gas produced in Poland and transferred to the Trade and Storage segment for sale). The increase in the price of domestically produced gas transferred between the segments follows directly from the fact that the price is based on PPX gas prices, which in the nine months to September 30th 2017 increased by 24% on average;
- higher revenue from the segment's sale of crude oil, condensate and NGL. Although the volume of these products sold in the nine months to September 30th 2017 was slightly lower year on year (by 6.3%), higher prices of the products added 19% to the revenue (the average price of Brent crude in zloty-terms increased by 21% during the quarter).

Trade and Storage

In the nine months to September 30th 2017, the Trade and Storage segment reported operating loss of PLN -344m, i.e. PLN 479m less year on year. The main drivers of the result were higher revenue generated by the segment (PLN 1,263m, or 6%, more year on year), offset by a PLN 1,741m (9%) year-on-year increase in operating expenses.

The key contributing factors included:

- an 11% increase in the volume of gas sold by the segment, to 18.2 bcm, with the strongest growth seen in sales to the largest industrial customers of PGNiG S.A. In the nine months to September 30th 2017, the segment's revenue from sale of gas outside the PGNiG Group increased by PLN 1,278m year on year;

- higher price of domestically produced gas transferred from the Exploration and Production segment (for description of the causes of the increase, see the section on the Exploration and Production segment).

Distribution

The Distribution segment’s operating profit in the nine months ended September 30th 2017 remained relatively unchanged year on year, at PLN 1,276m (down by PLN 2m), with EBITDA of PLN 1,964m (PLN 1m less on the previous year). The key contributing factors included:

- a PLN 196m (5.6%) year-on-year increase in revenue, mainly due to increase in the volume of distributed gas fuel;
- higher employee benefits expense (up by PLN 111m, or 16%). The 3.7% increase in employment in the Distribution segment resulted primarily from changes in the organizational structure of Polska Spółka Gazownictwa Sp. z o.o. It is expected that the new structure will enable the segment to deliver its strategic objectives pertaining to the gas network rollout and acquisition of new customers;
- a PLN 62m year-on-year increase in transmission service costs, directly attributable to increased sale of gas distribution services, which grew by 12.6% year on year, and to the change (as of February 1st 2017) of the tariff rates charged by OGP GAZ-SYSTEM S.A.

Generation

The segment’s operating profit earned in the nine months to September 30th 2017 was PLN 294m, having decreased by PLN 7m year on year. EBITDA was PLN 602m, i.e. 8% more year on year.

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

- recognition in the current period full results of three quarters of companies purchased in 2016 (merged into PGNiG TERMIKA Energetyka Przemysłowa S.A.);
- a 13% year-on-year increase in revenue from sale of heat, mainly attributable to higher sales volumes (due to lower average air temperatures);
- lower costs of coal, the main fuel for heat production, at PGNiG TERMIKA S.A. (the average price of coal in the nine months to September 30th 2017 was 4% lower year on year);
- recognition of a PLN 73m gain on the bargain purchase of SEJ in the segment's previous year’s operating profit (accounted for at the end of 2016).

2.5. 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 market prices of certificates of origin,
- regulations governing support programmes for electricity from high-efficiency co-generation and renewable sources,
- processes connected with the continued deregulation of the gas market in Poland,
- position of the President of the Energy Regulatory Office on gas fuel sale and distribution tariffs and heat sale tariffs,
- weather conditions.

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

(in PLN million, unless stated otherwise)

3. Notes to the interim condensed consolidated financial statements

3.1. Deferred tax

	Deferred tax assets	Deferred tax liabilities	Set-off of assets and liabilities	Assets after set-off	Liabilities after set-off	Net effect of changes in the period
As at Jan 1 2016	**1,575**	**3,090**	**(1,533)**	**42**	**1,557**	
Increase	63	1,020				**(957)**
Decrease	(456)	(1,120)				**664**
Currency translation differences	46	115				**(69)**
Other changes	53	8				**45**
As at Dec 31 2016	**1,281**	**3,113**	**(1,181)**	**100**	**1,932**	**(317)**
As at Jan 1 2017	**1,281**	**3,113**	**(1,181)**	**100**	**1,932**	
Increase	31	33				**(2)**
Decrease	(296)	(66)				**(230)**
Currency translation differences	(20)	(66)				**46**
Other changes	-	(1)				**1**
As at Sep 30 2017	**996**	**3,013**	**(947)**	**49**	**2,066**	**(185)**

3.2. Impairment losses/write-downs

	Property, plant and equipment	Intangible assets	Assets held for sale	Equity-accounted investees	Other (non-current) assets	Inventories	Receivables	Other (current) assets	Total
As at Jan 1 2016	**2,942**	**74**	**22**	**813**	**34**	**309**	**790**	**1**	**4,985**
Recognised provision taken to profit or loss	1,347	14	2	62	1	82	118	-	**1,626**
Provision reversal taken to profit or loss	(521)	(3)	(3)	-	-	(264)	(98)	-	**(889)**
Used provision	(51)	-	(1)	-	-	(1)	(45)	-	**(98)**
Changes in the Group	21	-	-	4	(4)	-	3	-	**24**
Transfers	-	-	(1)	-	1	-	-	-	**-**
Other changes	20	3	-	-	-	2	4	(1)	**28**
As at Dec 31 2016	**3,758**	**88**	**19**	**879**	**32**	**128**	**772**	**-**	**5,676**
As at Jan 1 2017	**3,758**	**88**	**19**	**879**	**32**	**128**	**772**	**-**	**5,676**
Recognised provision taken to profit or loss	307	2	-	-	-	93	101	-	**503**
Provision reversal taken to profit or loss	(421)	(1)	(2)	(38)	-	(59)	(81)	-	**(602)**
Used provision	(38)	-	(3)	-	-	-	(29)	-	**(70)**
Transfers	-	-	21	-	(21)	-	-	-	**-**
Other changes	(69)	(6)	-	-	-	(3)	130	-	**52**
As at Sep 30 2017	**3,537**	**83**	**35**	**841**	**11**	**159**	**893**	**-**	**5,559**

(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	Provision for environmental liabilities	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Other provisions	Total	
As at Jan 1 2016	**1,573**	**215**	**182**	**98**	**65**	**46**	**243**	**2,422**	
Recognised provision capitalised in the cost of property, plant and equipment	62	-	-	-	-	-	-	62	
Recognised provision taken to profit or loss	37	150	12	31	-	8	119	357	*Note 3.6*
Provision reversal taken to profit or loss	(23)	(38)	-	(18)	(55)	(19)	(76)	(229)	*Note 3.6*
Used provision	(20)	(184)	-	-	-	-	(33)	(237)	
Changes in the Group	-	-	-	-	-	-	8	8	
Other changes	32	-	-	6	-	1	(3)	36	
As at Dec 31 2016	**1,661**	**143**	**194**	**117**	**10**	**36**	**258**	**2,419**	
As at Jan 1 2017	**1,661**	**143**	**194**	**117**	**10**	**36**	**258**	**2,419**	
Recognised provision capitalised in the cost of property, plant and equipment	74	-	-	-	-	-	-	74	
Recognised provision taken to profit or loss	32	174	-	7	-	6	115	334	*Note 3.6*
Provision reversal taken to profit or loss	(21)	(11)	-	(2)	-	(8)	(26)	(68)	*Note 3.6*
Used provision	(20)	(130)	-	-	-	-	(25)	(175)	
Other changes	(20)	(2)	(24)	-	-	-	4	(42)	
As at Sep 30 2017	**1,706**	**174**	**170**	**122**	**10**	**34**	**326**	**2,542**	

(in PLN million, unless stated otherwise)

3.4. Revenue

	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Revenue from sale of gas, including:	**19,825**	**18,505**
High-methane gas	18,615	17,310
Nitrogen-rich gas	1,087	968
LNG	52	170
CNG	25	25
Propane-butane gas	46	32
Other revenue, including:	**5,067**	**4,545**
Sale of crude oil and natural gasoline	1,303	1,091
Sale of NGL	64	61
Sale of heat	910	804
Sale of electricity	1,312	1,276
Revenue from rendering of services:		
- drilling and oilfield services	122	149
- geophysical and geological services	156	129
- construction and assembly services	61	66
- distribution services	606	528
- connection charge	96	81
- other	170	166
Other	267	194
Total revenue	**24,892**	**23,050**

3.5. Operating expenses

	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Cost of gas sold	**(13,615)**	**(12,873)**
Gas fuel	(13,616)	(12,289)
Cost of transactions hedging gas prices	1	(584)
Other raw materials and consumables used	**(1,704)**	**(1,664)**
Fuels for electricity and heat generation	(489)	(456)
Electricity for trading	(840)	(843)
Other raw materials and consumables used	(375)	(365)
Employee benefits expense	**(1,902)**	**(1,795)**
Salaries and wages	(1,450)	(1,363)
Social security contributions	(317)	(292)
Cost of long-term employee benefits	6	14
Other employee benefits expense	(141)	(154)
Other services	**(1,198)**	**(924)**
Repair and construction services	(130)	(136)
Mineral resources production services	(115)	(129)
Rental services	(98)	(65)
Other services	(855)	(594)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	**(36)**	**(796)**
Cost of exploration and evaluation assets written-off	(151)	(82)
Impairment losses on property, plant and equipment	116	(709)
Impairment losses on intangible assets	(1)	(5)
Total	**(18,455)**	**(18,052)**

(in PLN million, unless stated otherwise)

3.6. Other income and expenses

	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Compensations, penalties, and fines received	50	48
Exchange differences related to operating activities	(47)	107
Measurement and exercise of derivative financial instruments	65	(117)
Change in inventory write-downs	(34)	179
Change in impairment losses on trade and other receivables	(20)	(5)
Change in other impairment losses	-	1
Change in provision for well decommissioning costs	(11)	(12)
Change in provision for certificates of origin and energy efficiency certificates	(163)	(67)
Change in other provisions	(92)	21
Change in products	107	(7)
Other income and costs	(133)	4
Total other income and expenses	**(278)**	**152**

3.7. Net finance income/(costs)

	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Interest on debt [including fees]	(63)	(162)
Foreign exchange differences	74	69
Measurement and exercise of derivative financial instruments not designated for hedge accounting	(32)	6
Other net finance costs/(income)	52	74
Total net finance costs	**31**	**(13)**

3.8. Income tax

Reconciliation of effective tax rate	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Profit before tax	3,312	2,240
Corporate income tax at the 19% statutory rate applicable in Poland	(629)	(426)
Deductible temporary differences in respect of which no deferred tax was recognised	(218)	(186)
Income tax expense disclosed in the statement of profit or loss	**(847)**	**(612)**
Including:		
Current tax expense	(595)	(469)
Deferred tax expense	(252)	(143)
Effective tax rate	26%	27%

Tax group

PGNiG S.A. represents the PGNiG Tax Group which, under the agreement concluded on September 19th 2016, will exist until December 31st 2020.

The PGNiG Tax Group comprises PGNiG S.A., PGNiG Obrót Detaliczny Sp. z o.o., Polska Spółka Gazownictwa Sp. z o.o., PGNiG TERMIKA S.A., Gas Storage Poland Sp. z o.o., PGNiG SPV 5 Sp. z o.o., PGNiG SPV 6 Sp. z o.o., PGNiG SPV 7 Sp. z o.o., GEOFIZYKA Toruń S.A., PGNiG Technologie S.A., and PGNiG Serwis Sp. z o.o.

The present PGNiG Tax Group replaced the former PGNiG Tax Group, established for the period April 1st 2014−December 31st 2016, which comprised PGNiG S.A., PGNiG Obrót Detaliczny Sp. z o.o., Polska Spółka Gazownictwa Sp. z o.o., PGNiG TERMIKA S.A., Gas Storage Poland Sp. z o.o., PGNiG SPV 5 Sp. z o.o., PGNiG SPV 6 Sp. z o.o., and PGNiG SPV 7 Sp. z o.o.

(in PLN million, unless stated otherwise)

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,
- ability to recognise donations to other members of the PGNiG Tax Group as tax deductible expenses,
- CIT settlements are processed by a single entity.

3.9. Property, plant and equipment

	As at Sep 30 2017	As at Dec 31 2016
Land	100	80
Buildings and structures	18,140	18,134
Plant and equipment	9,009	8,601
Vehicles and other	1,059	1,139
Total tangible assets	**28,308**	**27,954**
Tangible exploration and evaluation assets under construction	2,334	2,152
Other tangible assets under construction	2,287	3,043
Total property, plant and equipment	**32,929**	**33,149**

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

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

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

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

(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 nine months to September 30th 2017, the parent accounted for all eligible transactions 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 nine months to September 30th 2017, as part of its trading activity, the parent entered into transactions within the approved limits. The aggregate amount of the hedging transactions does not exceed the amount of the hedged items.

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

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

Income and expenses related to assets and liabilities under derivative financial instruments			**9 months ended Sep 30 2017**		**9 months ended Sep 30 2016**	
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*	(32)	-	6	-
Other income and expenses	Measurement and exercise of derivative financial instruments not designated for hedge accounting	*Note 3.6*	65	-	(154)	-
	Reclassification from other comprehensive income	*Note 3.6*	-	-	-	37
Raw materials and consumables used	Reclassification from other comprehensive income	*Note 3.5*	-	1	-	(584)
			33	**1**	**(148)**	**(547)**
Effect on other comprehensive income						
Gains/(losses) on measurement of derivative instruments designated for cash flow hedge accounting [effective portion]				(91)		(99)
Reclassification of derivative instruments valuation to profit or loss upon exercise (cash flow hedges)				(1)		547
				(92)		**448**
Effect on comprehensive income			**33**	**(91)**	**(148)**	**(99)**

(in PLN million, unless stated otherwise)

The tables below present derivative instruments held by the Group companies as at September 30th 2017.

Derivative instruments designated for hedge accounting	As at Sep 30 2017					As at Dec 31 2016		
Type of derivative instrument	Notional amount	Period over which 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	Period over which 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 contracts								
Forward								
USD	USD 50	1–12 months	3.71–3.72	3.71	(3)	-	-	-
Call options								
USD	-	-	-	-	-	USD 70	1–3 months	15
					(3)			**15**
Derivative instruments used to hedge gas purchase prices								
TTF call options	3 MWh	up to 3 years	16.6–22.0	17.11	10	8 MWh	up to 3 years	83
TTF put options	0.1 MWh	1–12 months	19	19.00	(1)	0.26 MWh	up to 3 years	(2)
TTF swap	1 MWh	up to 3 years	13.72–16.98	14.67	8	4 MWh	up to 3 years	42
TTF swap	1 MWh	1–12 months	15.87–20.93	19.42	(15)	5 MWh	up to 3 years	(44)
					2			**79**
Derivative instruments used to hedge interest rate risk								
IRS	-	-	-	-	-	143 PLN	from 6 months to 3.5 years	-
IRS	PLN 1,500	3–12 months	3.65%-4.07%	3.92%	(23)	PLN 1,500	1–3 years	(46)
				Total	**(24)**		**Total**	**48**
			Including:	Assets	18	Including:	Assets	140
				Liabilities	42		Liabilities	92

TTF – Natural Gas at the Title Transfer Facility
IRS – Interest Rate Swap

(in PLN million, unless stated otherwise)

Derivative instruments not designated for hedge accounting	As at Sep 30 2017		As at Dec 31 2016	
Type of derivative instrument	Notional amount	Fair value of instruments not designated for hedge accounting	Notional amount	Fair value of instruments not designated for hedge accounting
Derivative instruments used to hedge interest rate risk and currency risk				
CCIRS				
EUR	-	-	EUR 500	204
NOK	NOK 2,318	37	NOK 2,318	14
Forward				
EUR	EUR 105	4	-	-
		41		**218**
Derivative instruments used as economic hedges of electricity purchase prices				
Forward				
electricity – PPX	3 MWh	17	3 MWh	12
electricity – PPX	6 MWh	(13)	7 MWh	(7)
electricity – OTC	1 MWh	32	1 MWh	22
electricity – OTC	2 MWh	(51)	1 MWh	(39)
Futures				
electricity – EEX AG	2 MWh	62	2 MWh	67
electricity – EEX AG	2 MWh	(42)	1 MWh	(48)
		5		**7**
Derivative instruments used to hedge gas purchase prices				
Forward				
gas – OTC	22 MWh	81	11 MWh	130
gas – OTC	24 MWh	(90)	11 MWh	(133)
Futures				
gas – ICE ENDEX B.V.	2 MWh	8	1 MWh	13
gas – ICE ENDEX B.V.	2 MWh	(5)	1 MWh	(12)
gas – POWERNEXT SA	5 MWh	18	1 MWh	16
gas – POWERNEXT SA	3 MWh	(11)	1 MWh	(15)
		1		**(1)**
Derivative instruments used to hedge purchase prices of CO_2 emission allowances				
Forward	EUR 7	-	EUR 3	-
Forward	EUR 3	(1)	-	-
Futures	1 t	(7)	2 t	5
Futures	7 t	8	-	-
		-		**5**
Derivative instruments used to hedge prices of property rights to certificates of energy origin – RES				
Forward	0.03 MWh	1	-	-
		1		**-**
Derivative instruments used to hedge share purchase prices				
Options	9	35	-	-
	Total	**83**	**Total**	**229**
	Including:		Including:	
	Assets	303	Assets	483
	Liabilities	220	Liabilities	254

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

(in PLN million, unless stated otherwise)

3.11. Contingent assets and liabilities

Contingent asset	As at Sep 30 2017	As at Dec 31 2016
	Estimated amount	
Promissory notes received	1	-
Other contingent assets	142	1
Total	**143**	**1**

In the reporting period, other contingent assets increased mainly due to agreements for EU co-financing executed by a PGNiG subsidiary .

Contingent liability	As at Sep 30 2017	As at Dec 31 2016
	Estimated amount	
Guarantees and sureties	4,020	8,006
Promissory notes	716	708
Other	4	28
Total	**4,740**	**8,742**

The decrease in contingent liabilities under guarantees and sureties issued in the reporting period is primarily attributable to the expiry of a guarantee which served as security for the performance of PGNiG Finance AB's obligations towards bondholders under the Eurobond programme (for more information, see **Note 4.4.**).

Other contingent liabilities decreased following amicable resolution of a trade dispute by a subsidiary.

(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 4th~~ 2017	PGNiG Obrót Detaliczny Sp. z o.o.	The President of the Energy Regulatory Office (President of ERO) approved the new gas fuel trading tariff (Retail Tariff). The amended Retail Tariff provides for a 7.0% average reduction in gas fuel prices for all tariff groups relative to the previous Tariff of PGNiG Obrót Detaliczny Sp. z o.o. Term of the new Tariff: from February 18th to March 31st 2017.
January 18th 2017	PGNiG Technologie S.A.	Execution of investment agreement setting out the terms of equity investment in Polimex-Mostostal S.A. (Polimex) and of other agreements relating to the same transaction. The President of the Office for Competition and Consumer Protection approved business concentration involving the acquisition of joint control of Polimex by the Investors.
January 20th 2017	PGNiG Technologie S.A.	Following the fulfilment of the conditions precedent set out in the Investment Agreement of January 18th 2017 (Investment Agreement), PGNiG Technologie S.A., a PGNiG subsidiary, accepted an invitation from the Polimex-Mostostal Management Board to acquire, in a private placement, 37,500,000 Series T ordinary bearer shares in Polimex, with a par value of PLN 2 per share, for the issue price of PLN 2 per share and the aggregate issue price of PLN 75,000,000. In the performance of an agreement concluded with SPV Operator Sp. z o.o. (SPV Operator), PGNiG Technologie S.A. also acquired 1,500,000 Polimex shares from SPV Operator in OTC block transactions. Under the Investment Agreement, investors have the power to direct Polimex's financial and operating policies. This power is exercised by the Supervisory Board. In accordance with the Agreement, the Supervisory Board is composed of three members proposed by the Investors. The Investors also signed a memorandum of understanding concerning investment in Polimex (MoU). The MoU was executed to ensure increased control over Polimex by Investors holding jointly the majority (66%) of voting rights in the company. Among other things, the parties to the MoU agreed to reach, by voting, common positions when making key decisions on matters falling within the powers of the Polimex General Meeting and the Supervisory Board, including on the composition of the Polimex Management Board. In view of the Investors' right referred to above, which gives them significant influence over Polimex, the interest in Polimex has been classified as an associate accounted for in the consolidated financial statements of the PGNiG Group with the equity method. Based in Warsaw, Polimex is an engineering and construction company which provides a wide range of general contractor services. Polimex is listed on the Warsaw Stock Exchange. The Group is in the process of allocating the purchase price of Polimex.
January 27th 2017	PGNiG TERMIKA S.A.	PGNiG TERMIKA S.A., PGE Polska Grupa Energetyczna S.A., ENEA S.A. and Energa S.A. (Business Partners) signed a Memorandum of Understanding with EDF to negotiate terms of potential acquisition of EDF's Polish assets (Transaction) and the related due diligence. On March 15th 2017, PGNiG TERMIKA S.A. submitted a notice of withdrawal from the Transaction.
February 14th 2017	PGNiG Finance AB	PGNiG Finance AB redeemed Eurobonds with a nominal value of EUR 500m and paid due interest.
March 2nd 2017	PGNiG S.A.	District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, approved share cancellation, reduction of PGNiG's share capital, and the amendments to the PGNiG Articles of Association
March 3rd 2017	PGNiG S.A.	Ms Magdalena Zegarska resigned from the position of PGNiG Supervisory Board Member, with effect as of March 5th 2017.
March 6th 2017	PGNiG S.A.	The PGNiG Supervisory Board removed Mr Waldemar Wójcik from the Management Board and appointed Ms Magdalena Zegarska as Member of the Management Board elected by PGNiG employees.

(in PLN million, unless stated otherwise)

March 13th 2017	PGNiG S.A.	The PGNiG Supervisory Board approved the new PGNiG Group Strategy for 2017−2022 with an outlook until 2026.
March 14th 2017	PGNiG S.A.	PGNiG S.A. and Qatar Liquefied Gas Company Limited (Qatargas) executed a supplementary agreement (Supplementary Agreement) to the Long-Term Agreement of June 29th 2009. Under the Supplementary Agreement, Qatargas will supply an additional amount of liquefied natural gas (LNG) to the President Lech Kaczyński LNG Terminal in Świnoujście. The Supplementary Agreement will be effective from the beginning of 2018 to June 2034.
March 17th 2017	PGNiG S.A. PGNiG Obrót Detaliczny Sp. z o.o.	The President of ERO approved new PGNiG Gas Fuel Supply Tariff No. 14/2017 (Largest Industrial Customers Tariff) and amendments to PGNiG Obrót Detaliczny Gas Fuel Trading Tariff No. 5 (Amended Retail Tariff). The new Largest Industrial Customers Tariff is effective for the period from April 1st 2017 to June 30th 2017. The tariff increased the average price of high-methane gas by 8.0% and of nitrogen-rich gas by 7.9%. The Amended Retail Tariff provides for a 1.6% increase in gas fuel prices relative to the current prices. Subscription fees remained unchanged. The Amended Retail Tariff is effective for the period from April 1st 2017 to December 31st 2017.
March 31st 2017	PGNiG TERMIKA S.A.	PGNiG TERMIKA S.A. signed an investment agreement (Investment Agreement) setting out the terms of financial investment in Polska Grupa Górnicza sp. z o.o. (PGG). The parties to the Investment Agreement are PGNiG TERMIKA S.A., ENERGA Kogeneracja sp. z o.o., PGE Górnictwo i Energetyka Konwencjonalna S.A., Enea S.A., Węglokoks S.A., Towarzystwo Finansowe Silesia Sp. z o.o., Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (the Investors), and PGG. The new Investment Agreement changes and supplements the terms of investment in PGG as laid down in the first investment agreement concluded between the previous shareholders and the company on April 28th 2016. Under the Investment Agreement, PGG will acquire selected mining assets from Katowicki Holding Węglowy S.A. and will receive, in three tranches, a capital contribution totalling PLN 1bn from the Investors (excluding Węglokoks S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw): a) as part of the first tranche, in April 2017, the company took up new PGG shares for a cash contribution of PLN 150m – the payment was made on April 5th 2017; b) as part of the second tranche, in June 2017, the company took up new PGG shares for a cash contribution of PLN 60m; c) as part of the third tranche, in January 2018, the company will take up new PGG shares for a cash contribution of PLN 90m. Following payment of the third tranche, PGNiG TERMIKA S.A. will hold 20.43% of the PGG share capital.
March 31st 2017	Elektrociepłownia Stalowa Wola S.A.	Elektrociepłownia Stalowa Wola S.A. (ECSW) repaid all liabilities towards the financial institutions which had provided financing to ECSW (i.e. the European Investment Bank, the European Bank for Reconstruction and Development, and Bank Polska Kasa Opieki S.A.). Thus, the conditions precedent under the agreement signed on October 27th 2016 by PGNiG, TAURON Polska Energia S.A., and ECSW, defining the terms of continued construction of a CCGT Unit at Elektrociepłowni Stalowa Wola S.A., were satisfied.
April 20th 2017	PGNiG S.A.	Fitch Ratings (Fitch) assigned PGNiG S.A. Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) of 'BBB-' with Stable Outlooks and a foreign currency senior unsecured rating of BBB-. In addition, Fitch assigned PGNiG S.A. the National Long-Term rating of A(pol) with a stable outlook.
May 15th 2017	PGNiG S.A.	Moody's affirmed the Baa3 rating with stable outlook, assigned earlier to PGNiG S.A. The agency pointed to the PGNiG Group's strong financial condition as well as its leading position on the Polish natural gas market.
May 30th 2017	PGNiG S.A.	Mr Ryszard Wąsowicz resigned as member of the Supervisory Board as of May 30th 2017, without giving reasons for his resignation.
June 21st 2017	PGNiG S.A.	PGNiG and companies from the Azoty Group executed bilateral contracts (Individual Contracts) under the framework agreement for gas sales dated April 13th 2016. Under the Individual Contracts, PGNIG is to supply gas from October 1st 2018 to September 30th 2020, and the Contract's term may be extended until September 30th 2022.

(in PLN million, unless stated otherwise)

		Following execution of the Individual Contracts, PGNiG will continue as the strategic supplier of gas to five companies in the Azoty Group, i.e. Grupa Azoty S.A. of Tarnów, Grupa Azoty Zakłady Azotowe Puławy S.A., Grupa Azoty Zakłady Chemiczne Police S.A., Grupa Azoty Zakłady Azotowe Kędzierzyn S.A., and Grupa Azoty Kopalnie and Zakłady Chemiczne Siarki Siarkopol S.A. The aggregate amount of the Individual Contracts may reach up to c.a. PLN 7bn over the four years of the Contracts' term. The applied pricing formula is based on gas market price indices. Upon the signing of the new contracts, the Individual Contracts between companies of the Azoty Group and PGNiG of April 13th 2016, originally valid until September 30th 2018, were terminated.
June 28th 2017	PGNiG S.A.	The PGNiG Annual General Meeting resolved to dismiss the incumbent members of the Supervisory Board and to appoint the following persons to the Board: - Mr Bartłomiej Nowak, - Mr Andrzej Gonet, - Mr Piotr Sprzączak, - Mr Grzegorz Tchorek, - Mr Piotr Broda, - Mr Mieczysław Kawecki, - Mr Sławomir Borowiec, - Mr Stanisław Sieradzki.
July 12th 2017	PGNiG S.A.	The President of ERO approved new PGNiG Gas Fuel Supply Tariff No. 15/2017 (Largest Customers). Due to persistently low prices of crude and low prices of natural on wholesale markets in north-western Europe, PGNiG's total cost of gas procurement decreased in comparison with the cost originally assumed in the replaced tariff. As a consequence, the average price of high-methane gas was reduced by 6.7%, and of nitrogen-rich gas – by 6.8%. The tariff will apply from August 1st to September 30th 2017.
July 27th 2017	PGNiG S.A.	PGNiG S.A. entered into a Framework Agreement for supply of gas fuel and executed bilateral Individual Contracts with KGHM Polska Miedź S.A., which replaced the existing long-term contracts. The Framework Agreement sets out the terms on which the parties can execute and terminate Individual Contracts, place orders for and settle supplies of gas fuel, and renegotiate gas prices. The parties can also change the type of fuel from nitrogen-rich to high-methane gas. An Individual Contract is a contract for specific supplies under the Framework Agreement, concluded for a definite time and specifying quantities and detailed commercial terms of gas supplies. Under the Individual Contracts with KGHM Polska Miedź S.A. the gas supplies are to start on two different dates, i.e. July 1st 2017 and October 1st 2017, depending on the point of delivery, and are guaranteed to last until October 1st 2033. The estimated aggregate value of the Framework Agreement and Individual Contracts is c.a. PLN 4.8bn. The applied pricing formula is based on gas market price indices.
August 28th 2017	PGNiG S.A.	PGNiG S.A. and Polskie LNG S.A. (Polish LNG) signed an annex to the Regasification Agreement of March 18th 2010 ("Regasification Agreement"). Pursuant to the annex, PGNiG S.A. reserved an additional 35% of the regasification capacity at the President Lech Kaczyński LNG terminal in Świnoujście from January 1st 2018 to January 1st 2035. As of 2018, the Company will be able to import by sea amounts of LNG equivalent to approximately 5 bcm of natural gas a year. The increased capacity of the LNG Terminal will enable the Company to achieve its strategic objectives of diversifying the gas supply routes and ensuring the country's energy security. Pursuant to the Regasification Agreement and the annex, PGNiG S.A. will be able to receive LNG under long-term contracts concluded with Qatargas on June 29th 2009 and March 14th 2017, and to optimise the gas portfolio by concluding medium- and short-term LNG purchase contracts. The capacity reservation procedure was performed in line with the rules set out in the Terminal's Operational Code. The services specified in the Agreement will be billed at tariff rates applicable during its term and approved by the President of the Energy Regulatory

(in PLN million, unless stated otherwise)

	Authority. The Agreement contained the following conditions precedent: Polish LNG obtains the required corporate approvals (fulfilled on September 11th 2017); PGNiG provides to Polish LNG the capacity allocation provided for in the agreement, in line with the Terminal's Operational Code, prior to the beginning of the service term (fulfilled on October 18th 2017).

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 half-year report for the six months ended June 30th 2017.

As at the date of this report, the following members of the Supervisory Board held shares in PGNiG S.A.: Mr Mieczysław Kawecki (9,500 shares) and Mr Sławomir 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)

The dividend for 2016 was paid on August 3rd 2017.

In accordance with a resolution of the PGNiG Annual General Meeting of June 28th 2017 on distribution of the Companys profit earned in 2016, PGNiG allocated PLN 1,155.7m (PLN 0.20 per share) to the dividend, and the dividend record date was July 19th 2017.

The dividend for 2015 was paid on August 2nd 2016. In accordance with a decision of the PGNiG Annual General Meeting, the dividend amount was PLN 1,062m (PLN 0.18 per share), and the dividend record date was July 20th 2016.

4.4. Issue, redemption, and repayment of debt securities

In the reporting period, the Group entities executed the following transactions under their respective debt securities programmes:

- On February 14th 2017, PGNiG Finance AB redeemed EUR 500m Eurobonds and paid accrued interest. The Eurobonds were redeemed with internally generated funds, in accordance with the agreement of August 25th 2011 signed by PGNiG S.A., its subsidiary PGNiG Finance AB, and Societe Generale S.A., BGŻ BNP Paribas S.A., and Unicredit Bank AG.
- On March 29th 2017, PGNiG TERMIKA Energetyka Przemysłowa S.A. redeemed at maturity the PLN 51m Tranche B of notes issued under the programme managed by Bank Gospodarstwa Krajowego and Alior Bank SA.
- On June 19th PGNiG S.A. redeemed at maturity 5-year PLN 2.5bn domestic bonds with accrued interest. The bonds were redeemed with internally generated funds, through the Central Securities Depository of Poland (KDPW).
- On July 31st 2017, PGNiG Termika Energetyka Przemysłowa S.A. made early repayment of PLN 95.6 of Tranche A bonds.
- On August 17th 2017, PGNiG Termika Energetyka Przemysłowa S.A. made early repayment of PLN 47.8 of Tranche A bonds.
- On August 31st 2017, Bank Gospodarstwa Krajowego, Alior Bank S.A. and PGNiG Termika Energetyka Przemysłowa S.A. signed an agreement to terminate the Note Programme Agreement and release the related security.

Start date	End date	Issuance programme	Participating banks as at the reporting date	Limit	Utilisation (%) as at Sep 30 2017	Outstanding debt (PLNbn) as at Sep 30 2017	Outstanding debt (PLNbn) as at Dec 31 2016
Authorised issuer: **PGNiG S.A**							
Jun 10 2010	Jun 30 2020	Note issuance programme	Bank Pekao S.A., ING Bank Śląski S.A., PKO BP S.A., Bank Handlowy w Warszawie, BNP Paribas S.A. Oddział w Polsce, Societe Generale S.A., Bank Zachodni WBK S.A., mBank S.A.	PLN 7bn	15.71%	1.1	-
May 22 2012	May 22 2017	Note issuance programme	Bank Pekao S.A. and ING Bank Śląski S.A.	PLN 4.5bn	-	-	2.5
Authorised issuers: **PGNiG S.A.** and **PGNiG Finance AB**							
Aug 25 2011	Feb 14 2017	Euro medium-term note programme (notes with maturities of up to 10 years)	Societe Generale S.A., BGŻ BNP Paribas S.A. and Unicredit Bank AG	EUR 1.2bn	-	-	2.2
Authorised issuer: **PGNiG TERMIKA Energetyka Przemysłowa S.A.**							
Oct 17 2013	Dec 20 2017[1] Sep 20 2017[1]	Note issuance programme	Bank Gospodarstwa Krajowego, Alior Bank S.A.	PLN 0.42bn			0.19

1. Under the Programme multiple issues of notes may be carried out, divided into two tranches:
- Tranche A, worth up to PLN 369m, with proceeds allocated to the financing of the Investment Programme, including by transferring the proceeds to the issuer's group companies involved in the execution of the Investment Programme; and to the refinancing of capital expenditure incurred by the issuer or its group companies to carry out the Investment Programme;
- Tranche B, worth up to PLN 51m, with proceeds allocated to the financing of the objectives of Tranche A and working capital needs (including redemption of Tranche B notes).

The Group companies are also parties to debt securities programme agreements which were not performed in the reporting period (PGNiG S.A. for PLN 1bn, PGNiG TERMIKA S.A. for PLN 1.5bn). A detailed description of the programmes is presented in the full-year consolidated financial statements for the period ended December 31st 2016.

4.5. Seasonality

The sale, distribution and storage of gas fuels, as well as cogeneration of heat and electricity 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), an effect of 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 sale of gas and heat to households is subject to much greater seasonal fluctuations than revenue from 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

A detailed description of the pending court proceedings is presented in the full-year consolidated financial statements for the period ended December 31st 2016. In the reporting period, the following changes occurred in relation to the status of proceedings presented in the full-year report.

4.6.1. Pending court proceedings

Proceedings with respect to the obligation to sell natural gas on the exchange market (failure to meet the obligation to sell gas through the exchange market in 2013)

Further to the Company's petition of June 17th 2016 for waiver of penalty (under Art. 56.6a of the Energy Law), in a letter of July 7th 2017, the President of the ERO notified PGNiG S.A. of the conclusion of evidentiary proceedings and advised the Company of the possibility to review the gathered evidence. By a decision of July 5th 2017, the President of the ERO refused the Company access to certain documents gathered in the course of the proceedings. On July 18th 2017, PGNiG S.A. filed a complaint against the decision and petitioned that the decision be revoked and costs of the proceedings be reimbursed to the Company. On August 22nd 2017, the President of the ERORE suspended the administrative proceedings until the Competition and Consumer Protection Court at the Regional Court of Warsaw has ruled on the initial subject matter of the proceedings.

4.6.2. Proceedings before the President of the Office of Competition and Consumer Protection (UOKiK)

Anti-trust proceedings instigated on December 28th 2010

On January 10th 2017, the Supreme Court reversed the Court of Appeals' judgment concerning PGNiG's cassation complaint and remanded the case to the Court of Appeals for re-examination and decision on the costs of the cassation procedure. At the same time, the Supreme Court dismissed the President of UOKiK's cassation complaint and ordered the President of UOKiK to reimburse the costs of the cassation proceedings to PGNiG. On June 8th 2017, the Court of Appeals reversed the ruling of the Competition and Consumer Protection Court of May 12th 2014 and remanded the case for re-examination by that court.

Anti-trust proceedings instigated on April 3rd 2013

The first hearing was held on March 14th 2017. On March 21st 2017, the Competition and Consumer Protection Court at the Regional Court of Warsaw dismissed the appeal filed by PGNiG S.A. on November 2nd 2015 against the decision of the President of UOKiK, and ordered the Company to reimburse the costs of the proceedings (PLN 360) to the President of UOKiK. The ruling is not final. On April 18th 2017, the Company appealed against the ruling in its entirety.

4.6.3. Proceedings concerning the OPAL pipeline

Proceedings concerning the OPAL pipeline are pending before:

- the General Court of the European Union, with which a complaint and a petitionfor injunctive relief were filed separately by:
  - PGNiG Supply&Trading (PST) on December 4th 2016 (the scope of the complaint and of the petition was subsequently extended on March 13th 2017),
  - PGNiG S.A. on March 1st 2017;
- the Higher Regional Court in Düsseldorf (*Oberlandesgericht Düsseldorf*) where PGNiG and PST lodged complaints and petitions for injunctive reliefs on December 15th 2016, subsequently extended on January 20th 2017.

The complaints and petitions for injunctive relief filed with the General Court of the European Union concern the European Commission's decision of October 28th 2016 whereby the Commission allowed a revision to the exemption of the OPAL pipeline from the common gas market regulations (especially with respect to the Third Party Access (TPA) rule), in accordance with text of the administrative decision issued by the German regulator – Federal Network Agency (*Bundesnetzagentur*), subject to modifications referred to in the Commission's decision. The complaint and the application for injunctive relief were submitted by PST. On December 23rd 2016, the President of the General Court of the European Union stayed execution of the challenged decision of the European Commission, temporarily granting PST's petition for injunctive relief. The parties exchanged pleadings. On March 13th 2017, PST supplemented its complaint and petition for injunctive relief due to the fact the European Commission's decision was not published until January 3rd 2017, while the complaint and the request of December 4th 2016 were based on the Commission's press release. On July 5th 2017, the President of the General Court of the European Union held hearings regarding the injunctive relief in the cases instigated by PST and PGNiG. On July 21st 2017, the President of the General Court of the European Union decided to revoke the injunctive relief in the PST case and dismiss PGNiG's petition. No decisions have so far been issued with respect to the complaint.

The complaint and the petition to apply injunctive measures filed with the Higher Regional Court of Düsseldorf are primarily against the administrative settlement between the German regulator, OPAL Gastransport GmbH & Co. KG, OAO Gazprom and OOO Gazprom Export, specifying the revised conditions for exemption of the OPAL pipeline from the common gas market regulations. On December 30th 2016, the Higher Regional Court of Düsseldorf issued an injunction whereby it obliged the German regulator to suspend the effects of the disputed administrative settlement by prohibiting OPAL Gastransport GmbH & Co. KG from holding any further daily, weekly, monthly and annual capacity auctions for the OPAL pipeline. Following the Court's ruling, on the same day the German regulator issued an immediately enforceable decision whereby it prohibited OPAL Gastransport GmbH & Co. KG from conducting such auctions.

(in PLN million, unless stated otherwise)

On January 20th 2017, PGNiG and PST extended the earlier complaint by lodging a complaint against a decision of the German regulator – Federal Network Agency (Bundesnetzagentur), dated December 20th 2016, whereunder the regulator refused to instigate formal administrative proceedings concerning revised conditions for the pipeline's exemption from the common gas market regulations and allow the applicants, i.e. PGNiG and PST, to join the proceedings. The companies also extended the list of arguments contained in their earlier pleading.

On July 27th 2017, the Higher Regional Court of Düsseldorf issued a decision to revoke the injunctive relief issued on December 30th 2016 (application of preliminary injunction). On October 11th 2017, a hearing was held, attended by the parties involved in the proceedings. On the same day, the Higher Regional Court in Düsseldorf announced a decision to dismiss the petition for the preliminary injunction. A copy of this decision along with a statement of reasons was delivered to the attorneys of PGNiG and PST on October 23rd 2017. No decisions have so far been issued with respect to the complaint.

4.6.4. Other proceedings

Proceedings with value of claims equal to 10% or more of the Company's equity

In the reporting period, neither PGNiG nor its subsidiaries were engaged in any proceedings before a court, arbitration court or administrative authority concerning liabilities or claims whose value (whether in any single case or in two or more cases jointly) would represent at least 10% of PGNiG's equity.

4.7. Settlements from court proceedings

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

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

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

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

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

4.10. Related-party transactions

In the reporting period, no transactions were concluded on non-arm's length terms between companies of the PGNiG Group.

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

The PGNiG Management Board has not published any forecasts of the PGNiG Group's results for 2017.

4.12. Events subsequent to the reporting date

Date	Company	Event
October 27th 2017	PGNiG S.A.	PGNiG S.A. after obtaining the consent resulting from the provisions of the Company's Articles of Association, made an binding offer for capacity reservation in the period from October 1st, 2022 until September 30th, 2037 as a part of Baltic Pipe's Open Season 2017 (Open Season 2017) procedure used by Energinet and Gaz-System S.A. to identify if there is a market demand for the establishment or enhancement of upstream and transmission infrastructure that allows for transportation of gas from Norway to Poland, through Denmark. The resulting liability is stated at the estimated amount of PLN 8.1 billion. The final allocation of capacity in Open Season 2017 for PGNiG by the operators of transmission networks i.e. Energinet and Gaz System S.A., will be based on offers submitted by all of the Open Season 2017 participants in Phase 2. PGNiG's participation in Phase 2 of the Open Season 2017 procedure is an element of building diversified and competitive portfolio of natural gas supplies after 2022, which is one of strategic objectives of PGNiG Group Strategy for 2017−2022 (extended until 2026).

November 1st 2017	PGNiG S.A.	PGNiG S.A. submitted to PAO Gazprom and OOO Gazprom Export (jointly referred as Gazprom) a renegotiation request of the contract price for natural gas supplied by Gazprom on the basis of long-term gas supply contract of September 25th 1996 for delivering gas to Republic of Poland (Jamal Contract). According to terms of Jamal Contract the new price may come into force in three years since the recent change in pricing. Taking into account, that potential change of price as a result of pending negotiations and arbitration proceedings, may come into force starting November 1st 2014, each party of the Jamal Contract may request another renegotiation of the contract price starting from November 1st 2017. Submission of the request from PGNiG's side initiates this process.

4.13. Other information material to the assessment of human resources, assets, financial condition and results, as well as to the assessment of ability to fulfil obligations

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 human resources, assets, and financial condition.

5. Quarterly financial data of PGNiG S.A.

5.1. Financial statements

Separate statement of profit or loss	3 months ended Sep 30 2017	9 months ended Sep 30 2017	3 months ended Sep 30 2016	9 months ended Sep 30 2016	
Revenue from sale of gas	2,684	10,800	2,350	9,687	*Note 4.*
Other revenue	652	2,181	782	2,309	*Note 4.*
Revenue	**3,336**	**12,981**	**3,132**	**11,996**	
Cost of gas sold	(2,066)	(8,381)	(1,595)	(7,175)	*Note 5.*
Other raw materials and consumables used	(220)	(813)	(402)	(1,178)	*Note 5.*
Employee benefits expense	(130)	(433)	(132)	(462)	*Note 5.*
Transmission, distribution and storage services	(287)	(845)	(271)	(794)	
Other services	(253)	(703)	(166)	(419)	*Note 5.*
Depreciation and amortisation	(191)	(565)	(188)	(584)	
Taxes and charges	(74)	(211)	(78)	(208)	
Other income and expenses	(11)	(142)	(37)	201	*Note 6.*
Work performed by the entity and capitalised	1	5	2	5	
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	32	103	1	(671)	
Dividends	-	1,197	-	1,629	
Finance income	11	153	122	302	*Note 7.*
Finance costs	44	(121)	(184)	(358)	*Note 7.*
Total	**(3,144)**	**(10,756)**	**(2,928)**	**(9,712)**	
Profit before tax	**192**	**2,225**	**204**	**2,284**	
Income tax	(36)	(242)	(51)	(157)	*Note 8.*
Net profit	**156**	**1,983**	**153**	**2,127**	
Weighted average number of ordinary shares (million)	5,778	5,778	5,900	5,900	
Basic and diluted earnings per share (PLN)	0.03	0.34	0.03	0.36	

Separate statement of comprehensive income	3 months ended Sep 30 2017	9 months ended Sep 30 2017	3 months ended Sep 30 2016	9 months ended Sep 30 2016
Net profit	**156**	**1,983**	**153**	**2,127**
Hedge accounting	40	(93)	59	448
Deferred tax	(7)	18	(11)	(85)
Other comprehensive income subject to reclassification to profit or loss	**33**	**(75)**	**48**	**363**
Actuarial gains on employee benefits	-	(7)	-	(4)
Deferred tax	-	1	-	1
Other comprehensive income not subject to reclassification to profit or loss	**-**	**(6)**	**-**	**(3)**
Other comprehensive income, net	**33**	**(81)**	**48**	**360**
Total comprehensive income	**189**	**1,902**	**201**	**2,487**

(in PLN million, unless stated otherwise)

Statement of changes in equity

	Share capital and share premium	Accumulated other comprehensive income: Hedging reserve	Accumulated other comprehensive income: Other	Retained earnings (deficit)	Total equity
As at Jan 1 2016	**7,640**	**(564)**	**46**	**16,616**	**23,738**
Net profit	-	-	-	2,127	2,127
Other comprehensive income, net	-	363	(3)	-	360
Total comprehensive income	**-**	**363**	**(3)**	**2,127**	**2,487**
Dividend	-	-	-	(1,062)	(1,062)
Acquisition of treasury shares	(500)	-	-	-	(500)
As at Sep 30 2016	**7,140**	**(201)**	**43**	**17,681**	**24,663**
As at Jan 1 2017	**7,518**	**69**	**34**	**17,607**	**25,228**
Net profit	-	-	-	1,983	1,983
Other comprehensive income, net	-	(75)	(6)	-	(81)
Total comprehensive income	**-**	**(75)**	**(6)**	**1,983**	**1,902**
Dividend	-	-	-	(1,156)	(1,156)
As at Sep 30 2017	**7,518**	**(6)**	**28**	**18,434**	**25,974**

(in PLN million, unless stated otherwise)

Separate statement of cash flows	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Cash flows from operating activities		
Net profit	1,983	2,127
Depreciation and amortisation	565	584
Interest and dividends	(1,295)	(1,633)
Net gain/(loss) on investing activities	(54)	774
Other non-cash adjustments	160	102
Income tax paid	(219)	(207)
Current tax expense	242	157
Movements in working capital	(1,596)	(1,205)
Net cash from operating activities	**(214)**	**699**
Cash flows from investing activities		
Payments for tangible exploration and evaluation assets	(476)	(429)
Payments for intangible assets and other property, plant and equipment	(243)	(247)
Loans advanced	(833)	(343)
Payments for derivative financial instruments	(82)	(94)
Payments for shares in related entities	(404)	(906)
Other cash used in investing activities	(19)	(38)
Repayments of loans advanced	601	422
Proceeds from sale of short-term securities	100	-
Proceeds from derivative financial instruments	101	80
Interest received	65	12
Dividends received	1,197	1,629
Proceeds from sale of shares in associates	-	4
Other cash generated by financing activities	16	20
Net cash from investing activities	**23**	**110**
Cash flows from financing activities		
Proceeds from issue of debt securities	1,288	-
Proceeds from derivative financial instruments	165	89
Other cash generated by financing activities	5	3
Payment for treasury shares	-	(500)
Dividends paid	(1,156)	(1,062)
Repayment of borrowings	(2,152)	-
Redemption of debt securities	(2,700)	(309)
Interest paid	(161)	(153)
Payments for derivative financial instruments	(19)	(58)
Net cash from financing activities	**(4,730)**	**(1,990)**
Net cash flows	**(4,921)**	**(1,181)**
Cash and cash equivalents at beginning of period	4,923	4,622
Cash and cash equivalents at end of period	**2**	**3,441**

In the reporting period, selected PGNiG Group companies (PGNiG S.A., Polska Spółka Gazownictwa Sp. z o.o., Exalo Driling S.A., PGNiG Technologie S.A., Geofizyka Kraków S.A. w likwidacji (in liquidation), Geofizyka Toruń S.A., Gas Storage Poland Sp. z o.o., PGNiG Serwis Sp. z o.o., PGNiG TERMIKA S.A., PGNiG Obrót Detaliczny Sp. z o.o., and Geovita S.A.) were parties to the following cash pooling agreements:

(in PLN million, unless stated otherwise)

- a cash pooling agreement between Bank Pekao S.A. and Group companies, dated July 16th 2014;
- a cash pooling agreement between PKO BP S.A. and Group companies, dated March 1st 2017.

The main objective of these agreements is to improve the effectiveness of managing the Group's financial liquidity. The use of cash pooling facilitated liquidity planning within the PGNiG Group, and reduced the Group's dependence on borrowed funds. The improved and more efficient utilisation of free cash also enabled the Group to reduce its borrowing costs.

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

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

Reconciliation of cash and cash equivalents disclosed in the statement of cash flows with cash and cash equivalents disclosed in the statement of financial position	**9 months ended Sep 30 2017**	**9 months ended Sep 30 2016**
Cash and cash equivalents at end of period in the statement of cash flows	**2**	**3,441**
Opening balance of net exchange differences	(1)	1
Opening balance of inflows/outflows of cash under cash pooling arrangement	210	350
Net exchange differences in period	(1)	(9)
Inflows/(outflows) of cash under cash pooling arrangement in period	915	537
Cash at end of period in the statement of financial position	**1,125**	**4,320**

(in PLN million, unless stated otherwise)

Separate statement of financial position	As at Sep 30 2017	As at Dec 31 2016	
ASSETS			
Property, plant and equipment	12,565	12,476	*Note 9.*
Licences, mining rights and rights to geological information	55	54	
Shares	9,854	9,489	
Loans advanced	1,677	3,162	
Other assets	606	578	
Non-current assets	**24,757**	**25,759**	
Inventories	2,669	1,942	
Receivables	1,813	1,474	
Cash pooling receivables	40	524	
Derivative financial instruments	85	375	
Loans advanced	2,117	426	
Other assets	76	137	
Cash and cash equivalents	1,125	5,132	
Current assets	**7,925**	**10,010**	
TOTAL ASSETS	**32,682**	**35,769**	
EQUITY AND LIABILITIES			
Share capital and share premium	7,518	7,518	
Accumulated other comprehensive income	22	103	
Retained earnings	18,434	17,607	
TOTAL EQUITY	**25,974**	**25,228**	
Employee benefit obligations	220	208	
Provision for well decommissioning costs	1,314	1,252	*Note 3.*
Other provisions	27	28	*Note 3.*
Grants	563	590	
Deferred tax liabilities	29	4	
Other liabilities	63	62	
Non-current liabilities	**2,216**	**2,144**	
Financing liabilities	1,289	4,993	
Derivative financial instruments	66	99	
Trade and tax payables	1,489	2,109	
Cash pooling liabilities	1,194	759	
Employee benefit obligations	74	87	
Provision for well decommissioning costs	24	20	*Note 3.*
Other provisions	288	248	*Note 3.*
Other liabilities	68	82	
Current liabilities	**4,492**	**8,397**	
TOTAL LIABILITIES	**6,708**	**10,541**	
TOTAL EQUITY AND LIABILITIES	**32,682**	**35,769**	

(in PLN million, unless stated otherwise)

5.2. Notes to the interim condensed separate financial statements

Deferred tax

	Deferred tax assets	Deferred tax liabilities	Set-off of assets and liabilities	Assets after set-off	Liabilities after set-off	Net effect of changes in the period
As at Jan 1 2016	**624**	**538**	**(538)**	**86**	**-**	
Increase	50	161	-	-	-	(111)
Decrease	(195)	(216)	-	-	-	21
As at Dec 31 2016	**479**	**483**	**(479)**	**-**	**4**	
Increase	25	63	-	-	-	(38)
Decrease	(39)	(52)	-	-	-	13
As at Sep 30 2017	**465**	**494**	**(465)**	**-**	**29**	

Impairment losses/write-downs

	Property, plant and equipment and intangible assets	Non-current assets held for sale	Shares	Inventories	Current receivables	Loans advanced	Current financial assets	Total
As at Jan 1 2016	**2,526**	**13**	**2,507**	**264**	**319**	**48**	**-**	**5,677**
Recognised provision taken to profit or loss	1,249	-	60	69	200	8	40	1,626
Provision reversal taken to profit or loss	(542)	-	-	(261)	(210)	-	-	(1,013)
As at Dec 31 2016	**3,233**	**13**	**2,567**	**72**	**309**	**56**	**40**	**6,290**
Recognised provision taken to profit or loss	303	-	40	55	206	3	-	607
Transfers	-	21	(21)	-	-	-	-	-
Provision reversal taken to profit or loss	(444)	-	-	(57)	(70)	(7)	-	(578)
As at Sep 30 2017	**3,092**	**34**	**2,586**	**70**	**445**	**52**	**40**	**6,319**

Provisions

	Provision for well decommissioning costs	Provision for certificates of origin and energy efficiency certificates	Provision for liabilities associated with exploration work abroad	Provision for environmental liabilities	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Other provisions	Total
As at Jan 1 2016	**1,293**	**76**	**182**	**41**	**65**	**18**	**24**	**1,699**
Provision reversal taken to cost of property, plant and equipment	(7)	-	-	-	-	-	-	(7)
Recognised provision taken to profit or loss	29	33	12	-	-	2	50	126
Used provision	(20)	(47)	-	-	-	-	(21)	(88)
Provision reversal taken to profit or loss	(23)	(33)	-	(15)	(55)	(12)	(44)	(182)
As at Dec 31 2016	**1,272**	**29**	**194**	**26**	**10**	**8**	**9**	**1,548**
Recognised provision capitalised in the cost of property, plant and equipment	74	-	-	-	-	-	-	74
Recognised provision taken to profit or loss	34	43	-	-	-	-	38	115
Used provision	(20)	(17)	-	-	-	-	-	(37)
Provision reversal taken to profit or loss	(22)	(2)	(23)	-	-	-	-	(47)
As at Sep 30 2017	**1,338**	**53**	**171**	**26**	**10**	**8**	**47**	**1,653**

(in PLN million, unless stated otherwise)

Revenue

	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Revenue from sale of gas, including:	**10,800**	**9,687**
High-methane gas	9,753	8,687
Nitrogen-rich gas	879	740
Propane-butane gas	46	32
LNG	57	174
Helium	65	54
Other revenue, including:	**2,181**	**2,309**
Sale of crude oil and natural gasoline	828	625
Sale of electricity	751	1,094
Right to use storage facilities	432	431
Other	170	159
Total revenue	**12,981**	**11,996**

Operating expenses

	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Cost of gas sold	**(8,381)**	**(7,175)**
Gas fuel	(8,382)	(6,591)
Net gain/(loss) on transactions hedging gas prices	1	(584)
Other raw materials and consumables used	**(813)**	**(1,178)**
Electricity for trading	(719)	(1,066)
Other raw materials and consumables used	(94)	(112)
Employee benefits expense	**(433)**	**(462)**
Salaries and wages	(327)	(325)
Social security contributions	(79)	(79)
Other employee benefits expense	(41)	(50)
Employee benefit obligations	14	(8)
Transmission, distribution and storage services	**(845)**	**(794)**
Other services	**(703)**	**(419)**
Regasification services	(266)	(89)
Cost of dry wells written off	(150)	(72)
Cost of seismic surveys written off	(1)	(9)
Repair and construction services	(22)	(18)
Geological and exploration services	(39)	(20)
Mineral resources production services	(18)	(16)
Well abandonment services	(18)	(11)
Other services	(189)	(184)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	**103**	**(671)**
Impairment losses on property, plant and equipment	104	(667)
Impairment losses on intangible assets	(1)	(4)
Total	**(11,072)**	**(10,699)**

(in PLN million, unless stated otherwise)

Other income and expenses

	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Measurement and exercise of derivative financial instruments not designated for hedge accounting	(6)	(17)
Change in inventory write-downs	2	189
Change in provision for well decommissioning costs	(12)	(12)
Change in provision for certificates of origin and energy efficiency certificates	(41)	9
Cost of merchandise and materials sold	(31)	(3)
Change in provision for environmental liabilities	-	15
Change in other provisions	(56)	8
Other	2	12
Total other income and expenses	**(142)**	**201**

Finance income and costs

	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Finance income		
Gain on measurement and exercise of forward contracts	6	-
Interest income	143	230
Foreign exchange gains	-	68
Other finance income	4	4
Total finance income	**153**	**302**
Finance costs		
Loss on measurement and exercise of forward contracts	-	(89)
Interest on debt and fees	(66)	(165)
Foreign exchange losses	(11)	-
Impairment losses on shares and other securities	(40)	(100)
Other	(4)	(4)
Total finance costs	**(121)**	**(358)**

Income tax

Reconciliation of effective tax rate	9 months ended Sep 30 2017	9 months ended Sep 30 2016
Profit before tax	**2,225**	**2,284**
Corporate income tax at the applicable 19% statutory rate	(423)	(434)
Dividends receivable	227	310
Other income not recognised as taxable income	40	27
Non-tax deductible expenses	(86)	(60)
Corporate income tax at the effective tax rate	**(242)**	**(157)**
Current tax expense	(198)	(213)
Deferred tax expense	(44)	56
Effective tax rate	**11%**	**7%**

(in PLN million, unless stated otherwise)

Property, plant and equipment

	As at Sep 30 2017	As at Dec 31 2016
Land	42	22
Buildings and structures	6,933	6,868
Plant and equipment	2,666	2,786
Vehicles and other	103	111
Total tangible assets	**9,744**	**9,787**
Tangible exploration and evaluation assets under construction	2,216	2,055
Other tangible assets under construction	605	634
Total property, plant and equipment	**12,565**	**12,476**

PGNiG S.A. Management Board:

President of the Management Board	Piotr Woźniak	
Vice President of the Management Board	Radosław Bartosik	
Vice President of the Management Board	Łukasz Kroplewski	
Vice President of the Management Board	Michał Pietrzyk	
Vice President of the Management Board	Maciej Woźniak	
Vice President of the Management Board	Magdalena Zegarska	

Warsaw, November 9th 2017