INTERIM REPORT for the three months ended September 30th 2021

2021

Financial highlights

Key data from the interim condensed consolidated financial statements	PLNm		EURm	
	9 months ended September 30th 2021	9 months ended September 30th 2020	9 months ended September 30th 2021	9 months ended September 30th 2020
Revenue	37,494	27,430	8,225	6,175
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	7,392	10,685	1,622	2,405
Operating profit (EBIT)	4,815	8,244	1,056	1,856
Profit before tax	4,704	7,540	1,032	1,697
Net profit attributable to owners of the parent	3,099	6,036	680	1,359
Net profit	3,099	6,036	680	1,359
Total comprehensive income attributable to owners of the parent	2,301	5,391	505	1,214
Total comprehensive income	2,301	5,391	505	1,214
Net cash from operating activities	3,778	12,418	829	2,796
Net cash from investing activities	(5,675)	(4,564)	(1,245)	(1,027)
Net cash from financing activities	300	(3,688)	66	(830)
Net cash flows	(1,597)	4,166	(350)	938
Basic and diluted earnings per share (in PLN and EUR, respectively)	0.54	1.04	0.12	0.24

	As at September 30th 2021	As at December 31st 2020	As at September 30th 2021	As at December 31st 2020
Total assets	86,808	62,871	18,737	13,624
Total liabilities	42,100	18,746	9,087	4,062
Non-current liabilities	17,670	11,666	3,814	2,528
Current liabilities	24,430	7,080	5,273	1,534
Total equity	44,708	44,125	9,650	9,562
Share capital	5,778	5,778	1,247	1,252
Weighted average number of ordinary shares (million)	5,778	5,778	5,778	5,778
Book value per share and diluted book value per share (PLN/EUR)	7.74	7.64	1.67	1.65
Dividend per share paid (PLN/EUR)	0.21	0.09	0.05	0.02

Key data from the interim condensed separate financial statements	PLNm		EURm	
	9 months ended September 30th 2021	9 months ended September 30th 2020	9 months ended September 30th 2021	9 months ended September 30th 2020
Revenue	19,338	14,517	4,242	3,268
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	2,626	7,529	576	1,695
Operating profit (EBIT)	2,005	6,918	440	1,557
Profit before tax	2,779	7,471	610	1,682
Net profit	2,355	6,102	517	1,374
Total comprehensive income	1,503	5,522	330	1,243
Net cash from operating activities	(2,689)	7,392	(590)	1,664
Net cash from investing activities	(424)	(1,539)	(93)	(346)
Net cash from financing activities	1,243	(3,577)	273	(805)
Net cash flows	(1,870)	2,276	(410)	513
Earnings and diluted earnings per share attributable to holders of ordinary shares (PLN/EUR)	0.41	1.06	0.09	0.24

	As at September 30th 2021	As at December 31st 2020	As at September 30th 2021	As at December 31st 2020
Total assets	57,201	43,746	12,347	9,480
Total liabilities	21,186	7,516	4,573	1,629
Non-current liabilities	6,730	3,871	1,453	839
Current liabilities	14,456	3,645	3,120	790
Total equity	36,015	36,230	7,774	7,851
Share capital and share premium	7,518	7,518	1,623	1,629
Weighted average number of shares (million) in the period	5,778	5,778	5,778	5,778
Book value per share and diluted book value per share (PLN/EUR)	6.23	6.27	1.35	1.36
Dividend per share paid (PLN/EUR)	0.21	0.09	0.05	0.02

Average EUR/PLN exchange rates quoted by the NBP	September 30th 2021	September 30th 2020	December 31st 2020
Average exchange rate for period	4.5585	4.4420	4.4742
Exchange rate at end of period	4.6329	4.5268	4.6148

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

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

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Interim condensed consolidated financial statements

Consolidated statement of profit or loss	Note	3 months ended September 30th 2021	9 months ended September 30th 2021	3 months ended September 30th 2020	9 months ended September 30th 2020
		unaudited	unaudited	unaudited	unaudited
Revenue from sales of gas*	Note 3.4	9,580	27,459	4,081	19,346
Other revenue*	Note 3.4	2,929	10,035	2,311	8,084
Revenue		**12,509**	**37,494**	**6,392**	**27,430**
Cost of gas	Note 3.5	(7,242)	(21,808)	(2,552)	(14,010)
Effect of the annex executed with PAO Gazprom/OOO Gazprom Export on cost of gas in 2014–2019	Note 3.5	-	-	-	4,915
Other raw materials and consumables used	Note 3.5	(892)	(2,794)	(717)	(2,266)
Employee benefits expense	Note 3.5	(813)	(2,464)	(730)	(2,331)
Transmission services		(277)	(815)	(264)	(783)
Other services	Note 3.5	(489)	(1,388)	(465)	(1,324)
Taxes and charges		(192)	(923)	(126)	(766)
Other income and expenses	Note 3.6	(799)	(970)	(472)	(13)
Work performed by the entity and capitalised		387	938	271	769
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	Note 3.5	6	122	(4)	(936)
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)		**2,198**	**7,392**	**1,333**	**10,685**
Depreciation and amortisation expense		(799)	(2,577)	(745)	(2,441)
Operating profit (EBIT)		**1,399**	**4,815**	**588**	**8,244**
Net finance costs	Note 3.7	(35)	(122)	12	(109)
Profit/(loss) from equity-accounted investees		5	11	(387)	(595)
Profit before tax		**1,369**	**4,704**	**213**	**7,540**
Income tax	Note 3.8	(703)	(1,605)	(97)	(1,504)
Net profit		**666**	**3,099**	**116**	**6,036**
Net profit attributable to:					
Owners of the parent		666	3,099	116	6,036
Non-controlling interests		-	-	-	-
Weighted average number of ordinary shares (million)		5,778	5,778	5,778	5,778
Basic and diluted earnings per share (PLN)		0.12	0.54	0.02	1.04

Consolidated statement of comprehensive income	Note	3 months ended September 30th 2021	9 months ended September 30th 2021	3 months ended September 30th 2020	9 months ended September 30th 2020
		unaudited	unaudited	unaudited	unaudited
Net profit		**666**	**3,099**	**116**	**6,036**
Exchange differences on translating foreign operations		25	47	(18)	(39)
Hedge accounting		(940)	(1,051)	(376)	(690)
Revaluation of financial assets available for sale		-	-	1	1
Deferred tax		179	200	71	131
Other comprehensive income subject to reclassification to profit or loss		**(736)**	**(804)**	**(322)**	**(597)**
Actuarial losses on employee benefits		-	5	-	(54)
Deferred tax		-	(1)	-	10
Share of other comprehensive income of equity-accounted investees		-	2	-	(4)
Other comprehensive income not subject to reclassification to profit or loss		**-**	**6**	**-**	**(48)**
Other comprehensive income, net		**(736)**	**(798)**	**(322)**	**(645)**
Total comprehensive income		**(70)**	**2,301**	**(206)**	**5,391**
Total comprehensive income attributable to:					
Owners of the parent		(70)	2,301	(206)	5,391
Non-controlling interests		-	-	-	-

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

(in PLN million unless stated otherwise)

Consolidated statement of cash flows	Note	9 months ended September 30th 2021	9 months ended September 30th 2020
		unaudited	unaudited
Cash flows from operating activities			
Net profit		3,099	6,036
Depreciation and amortisation expense		2,577	2,441
Current tax expense		1,605	1,504
Net gain/(loss) on investing activities		(704)	836
Other non-cash adjustments		1,178	1,319
Income tax paid		(597)	(1,640)
Movements in working capital		(3,380)	1,922
Net cash from operating activities		**3,778**	**12,418**
Cash flows from investing activities			
Payments for acquisition of tangible exploration and evaluation assets under construction		(492)	(728)
Payments for other property, plant and equipment and intangible assets		(4,103)	(3,383)
Proceeds from sale of property, plant and equipment and intangible assets		244	5
Payments for shares in related entities		(31)	-
Payments for acquisition of short-term securities		-	(518)
Proceeds from sale of short-term securities		-	128
Payment for acquisition of INEOS E&P Norge AS	*Note 2.1.1.*	(1,287)	-
Other items, net		(6)	(68)
Net cash from investing activities		**(5,675)**	**(4,564)**
Cash flows from financing activities			
Increase in debt		3,190	308
Decrease in debt		(1,678)	(3,463)
Dividends paid		(1,213)	(520)
Other items, net		1	(13)
Net cash from financing activities		**300**	**(3,688)**
Net cash flows		**(1,597)**	**4,166**
Cash and cash equivalents at beginning of the period		7,098	3,037
Foreign exchange differences on cash and cash equivalents		316	(105)
Impairment losses on cash and cash equivalents		(1)	(3)
Cash flows associated with cash pooling transactions		(3)	-
Cash and cash equivalents at end of the period		**5,813**	**7,095**
including restricted cash		4,156	539

(in PLN million unless stated otherwise)

Consolidated statement of financial position	Note	As at September 30th 2021	As at December 31st 2020
		unaudited	audited
ASSETS			
Property, plant and equipment	Note 3.9	48,898	42,565
Intangible assets		1,701	693
Deferred tax assets		775	42
Equity-accounted investees		979	966
Derivative financial instruments		799	143
Other assets		1,792	1,834
Non-current assets		**54,944**	**46,243**
Inventories		5,436	2,684
Receivables		9,569	5,288
Derivative financial instruments	Note 3.10	10,499	1,310
Other assets		462	217
Cash and cash equivalents		5,813	7,098
Assets held for sale		85	31
Current assets		**31,864**	**16,628**
TOTAL ASSETS		**86,808**	**62,871**
EQUITY AND LIABILITIES			
Share capital and share premium		7,518	7,518
Hedging reserve		(1,372)	(16)
Accumulated other comprehensive income		(262)	(315)
Retained earnings		38,825	36,939
Equity attributable to owners of the parent		44,709	44,126
Equity attributable to non-controlling interests		(1)	(1)
TOTAL EQUITY		**44,708**	**44,125**
Financing liabilities		3,481	3,859
Derivative financial instruments		3,026	285
Employee benefit obligations		1,043	1,046
Provision for decommissioning, restoration and environmental remediation costs	Note 3.3.1.	3,726	3,241
Other provisions	Note 3.3.2.	195	135
Grants		697	695
Deferred tax liabilities		5,362	2,228
Other liabilities		140	177
Non-current liabilities		**17,670**	**11,666**
Financing liabilities		2,629	325
Derivative financial instruments	Note 3.10	10,840	1,113
Trade and tax payables*		6,989	3,297
Employee benefit obligations		468	468
Provision for decommissioning, restoration and environmental remediation costs	Note 3.3.1.	67	70
Other provisions	Note 3.3.2.	877	789
Grants		43	49
Other liabilities		2,517	969
Current liabilities		**24,430**	**7,080**
TOTAL LIABILITIES		**42,100**	**18,746**
TOTAL EQUITY AND LIABILITIES		**86,808**	**62,871**

*Including income tax: PLN 2,079m (2020: PLN 168m)

(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: Share capital	Share premium	Hedging reserve	Accumulated other comprehensive income: Translation 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 January 1st 2020 (audited)	**5,778**	**1,740**	**739**	**(122)**	**-**	**(117)**	**(7)**	**30,097**	**38,108**	**(1)**	**38,107**
Net profit	-	-	-	-	-	-	-	6,036	**6,036**	-	**6,036**
Other comprehensive income, net	-	-	(559)	(39)	1	(44)	(4)	-	**(645)**	-	**(645)**
Total comprehensive income	**-**	**-**	**(559)**	**(39)**	**1**	**(44)**	**(4)**	**6,036**	**5,391**	**-**	**5,391**
Change in equity recognised in inventories, net	-	-	294	-	-	-	-	-	**294**	-	**294**
Dividend	-	-	-	-	-	-	-	(520)	**(520)**	-	**(520)**
Changes in the Group	-	-	-	-	-	-	-	22	**22**	-	**22**
As at September 30th 2020 (unaudited)	**5,778**	**1,740**	**474**	**(161)**	**1**	**(161)**	**(11)**	**35,635**	**43,295**	**(1)**	**43,294**
As at January 1st 2021 (audited)	**5,778**	**1,740**	**(16)**	**(132)**	**-**	**(173)**	**(10)**	**36,939**	**44,126**	**(1)**	**44,125**
Net profit	-	-	-	-	-	-	-	3,099	**3,099**	-	**3,099**
Other comprehensive income, net	-	-	(851)	47	-	4	2	-	**(798)**	-	**(798)**
Total comprehensive income	**-**	**-**	**(851)**	**47**	**-**	**4**	**2**	**3,099**	**2,301**	**-**	**2,301**
Change in equity recognised in inventories, net	-	-	(505)	-	-	-	-	-	**(505)**	-	**(505)**
Dividend	-	-	-	-	-	-	-	(1,213)	**(1,213)**	-	**(1,213)**
As at September 30th 2021 (unaudited)	**5,778**	**1,740**	**(1,372)**	**(85)**	**-**	**(169)**	**(8)**	**38,825**	**44,709**	**(1)**	**44,708**

(in PLN million unless stated otherwise)

1. General information

1.1 The Group

Company name	Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna
Registered office	ul. Marcina Kasprzaka 25, 01-224 Warsaw, Poland
Court of registration	District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, Poland
KRS	0000059492
Industry Identification Number (REGON)	012216736
Tax Identification Number (NIP)	525-000-80-28
Principal place of business	Poland

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

As at the date of issue of this interim report for the third quarter of 2021, the State Treasury, represented by the minister competent for state assets, was the only shareholder holding 5% or more of total voting rights in the Company.

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

Shareholder	Number of shares at the date of issue of the previous interim report*	% share in total voting rights at the date of issue of the previous interim report*	% change in the period	% share in total voting rights at the date of issue of this report**	Number of shares at the date of issue of this report**
State Treasury	4,153,706,157	72%	-	72%	4,153,706,157
Other shareholders	1,624,608,700	28%	-	28%	1,624,608,700
Total	**5,778,314,857**	**100%**	**-**	**100%**	**5,778,314,857**

*As at June 30th 2021
**As at September 30th 2021

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

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

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

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

The interim condensed consolidated financial statements of the PGNiG Group (the Consoldiated Financial Statements) and the interim condensed separate financial statements of PGNiG S.A. (the Separate Financial Statements) for the third quarter of 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) as endorsed by the European Union and the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (consolidated text: Dz.U. of 2018, item 757).

These Consolidated Financial Statements and Separate Financial Statements have been prepared on the assumption that the Parent and the Group will continue as going concerns in the foreseeable future. In view of the stable financial results and good liquidity position, as at the date of execution of this interim report no circumstances were identified which would indicate any threat to the Parent or the Group continuing as going concerns.

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

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

The issue date of this interim report for the third quarter of 2021 is November 25th 2021.

1.3 Applied accounting policies

The accounting policies applied in preparing the Consolidated Financial Statements and Separate Financial Statements were consistent with the policies applied to prepare the consolidated financial statements for 2020.

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

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

2. The Group and its reportable segments

The Group identifies five reportable segments.

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

Figure 1 Group structure by reportable segments (as at September 30th 2021)

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

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

(in PLN million unless stated otherwise)

2.1 Changes in the Group structure

Date	Company	Event
January 8th 2021	PST Verwaltungs GmbH * (subsidiary of PGNiG Supply & Trading GmbH)	On September 17th 2020, as part of the sale of PST Europe Sales GmbH's and XOOL GmbH's customer portfolio to Lekker Energie GmbH, PST Europe Sales GmbH acquired 100% of shares in PST Verwaltungs GmbH free of charge. On December 23rd 2020, a merger agreement was signed between PST Verwaltungs GmbH and PST Europe Sales GmbH. As a result of the merger, there were no changes in PST Europe Sales GmbH's share capital. Upon registration of the merger on January 8th 2021, PST Verwaltungs GmbH ceased to exist.
February 19th 2021	CIFL Sp. z o.o. w likwidacji (in liquidation)*	On February 19th 2021, CIFL sp. z o.o. w likwidacji (in liquidation) was removed from the National Court Register.
March 2nd 2021	PGNiG TERMIKA Energetyka Przemyśl Sp. z o.o. * (subsidiary of PGNiG TERMIKA S.A.)	On December 4th 2020, PGNiG TERMIKA Energetyka Przemyśl Sp. z o.o. was established. All shares (100%) in the share capital of the new company, with a total par value of PLN 5,000.00, were acquired by PGNiG TERMIKA S.A. On March 2nd 2021, the company was entered in the National Court Register.
April 1st 2021	PGNiG TERMIKA Energetyka Przemysłowa - Technika Sp. z o.o.* (subsidiary of PGNiG TERMIKA Energetyka Przemysłowa S.A.)	On April 1st 2021, SEJ-SERWIS Sp. z o.o. was renamed as PGNiG TERMIKA Energetyka Przemysłowa - Technika Sp. z o.o.
June 11th 2021	Polskie Centrum Brokerskie Sp. z o.o.* (subsidiary of PGNiG Serwis Sp z o.o.)	On June 11th 2021, PGNiG Serwis Doradztwo Ubezpieczeniowe Sp. z o.o. was renamed as Polskie Centrum Brokerskie Sp. z o.o.
August 5th 2021	PGNiG SPV 8 Sp. z o.o.*	On August 5th 2021, PGNiG SPV 8 Sp. z o.o. was established. All shares (100%) in the share capital of the new company, i.e. 15,000 shares with a par value of PLN 100 per share and total par value of PLN 1,500,000.00, were acquired by PGNiG S.A. On September 2nd 2021, the company was entered in the National Court Register.
August 5th 2021	PGNiG SPV 9 Sp. z o.o.*	On August 5th 2021, PGNiG SPV 9 Sp. z o.o. was established. All shares (100%) in the share capital of the new company, i.e. 2,500 shares with a par value of PLN 100 per share and total par value of PLN 250,000.00, were acquired by PGNiG S.A. On August 31st 2021, the company was entered in the National Court Register.
August 5th 2021	PGNiG SPV 10 Sp. z o.o.*	On August 5th 2021, PGNiG SPV 10 Sp. z o.o. was established. All shares (100%) in the share capital of the new company, i.e. 2,500 shares with a par value of PLN 100 per share and total par value of PLN 250,000.00, were acquired by PGNiG S.A. On September 6th 2021, the company was entered in the National Court Register.
August 30th 2021	Limited Liability Company Karpatgazvydobuvannya*	On August 30th 2021, PGNiG S.A. acquired 85% of shares in Limited Liability Company Karpatgazvydobuvannya of Kiev (Ukraine). At the time of the acquisition, the company's share capital was UAH 1,000.

** Not consolidated due to immateriality.*

(in PLN million unless stated otherwise)

2.1.1 Acquisition of INEOS E&P Norge AS

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

The estimated volume of hydrocarbon resources attributable to INEOS' licence interests is approximately 117 million barrels of oil equivalent (as at January 1st 2021), of which over 94% are natural gas resources. Following the transaction, PGNiG's estimated average gas output in Norway may increase by some 1.5 bcm per annum over the next five years. As part of the transaction, PUN is also to acquire a portfolio of exploration licences with INEOS acting as the operator under six of them.

The acquisition of INEOS is set to contribute to the delivery of the PGNiG Group Strategy for 2017–2022 (with an outlook until 2026) by increasing its proven hydrocarbon reserves and production levels. As a result of the acquisition of INEOS, PUN's gas production volumes in Norway may reach a peak level of 4 bcm per year in 2027.

On September 24th 2021, all the conditions precedent to the Agreement and conditions for the acquisition by PUN of control over INEOS were satisfied. The consideration transferred, estimated at PLN 1,287m, was paid on September 30th 2021, being the acquisition date within the meaning of IFRS 3. Pursuant to the Agreement, the transaction will be finally settled within 60 days of the acquisition date. The final accounting for the business combination in accordance with IFRS 3 will take place within 12 months of the acquisition date.

Presented below are the fair values of identified assets and liabilities and the calculation of goodwill identified for the acquisition.

A. Consideration transferred

Cash	1,287
Total consideration transferred	**1,287**
Total consideration transferred as disclosed in the statement of cash flows	**1,287**

B. Identifiable assets acquired and liabilities assumed

Property, plant and equipment	3,684
Inventories	19
Receivables	561
Other assets	24
Trade and tax payables	(1,249)
Employee benefit obligations	(3)
Provisions	(484)
Other liabilities	(170)
Deferred tax liability	(2,406)
Total identifiable net assets	**(24)**
Assets	4,288
Liabilities	(4,312)
Net assets	**(24)**

C. Goodwill

Total purchase price (A)	1,287
Fair value of identifiable net assets (B)	(24)
Goodwill (A) - (B)	**1,311**

Significant estimates

Classification of an acquisition of assets as either a business combination (under IFRS 3) or an asset acquisition (under IAS 16)

A reporting entity must determine whether a particular transaction or other event is a business combination by applying the relevant definition provided in IFRS 3. If the acquisition of assets does not satisfy the definition of a business combination, the reporting entity must account for the transaction or other event as an asset acquisition based on the relevant provisions of IAS 16.

In accordance with IFRS 3, a business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

(in PLN million unless stated otherwise)

In order to determine whether a particular transaction should be classified as a business combination in accordance with IFRS 3 (and thus accounted for using the acquisition method) or an asset acquisition in accordance with IAS 16, the reporting entity is often required to apply professional judgement.

In the Exploration and Production segment, projects in the production phase are typically classified as businesses, whereas projects in the exploration phase are regarded as asset acquisitions. The acquisition of INEOS involves both production assets (mainly licences) and workforce operating those assets, which is an indication that the transaction should be classified as a business combination and accounted for as prescribed by IFRS 3.

Technical and residual goodwill

If, when accounting for a transaction using the acquisition method, it turns out that the amount of the consideration transferred exceeds the net value at the acquisition date of identifiable assets acquired and liabilities assumed, the resulting difference is recognised as goodwill. For the purpose of subsequent impairment testing, goodwill arising from the business combination should, upon the acquisition, be allocated to each of the acquirer's cash-generating units or groups of cash-generating units that is expected to benefit from the synergies of the combination. Under the Norwegian tax regime, the acquirer of a business is deemed for tax purposes to acquire the acquiree's assets and liabilities at a value equal to their tax bases at the acquisition date. As all assets and liabilities acquired are measured at fair value at the acquisition date if the acquisition method of accounting is applied, the acquirer books a net deferred tax liability reflecting the difference between the fair value of the assets acquired and their tax bases. The amount of the resulting deferred tax liability in the acquirer's books can be recognised directly as goodwill arising from the transaction and allocated directly to the relevant cash-generating units being the subject of the transaction. The resulting goodwill is referred to as technical goodwill.

In the case of the transaction concerned, technical goodwill of PLN 2,767m was recognised.

The difference between goodwill (which amounts to PLN 1,311m for the transaction concerned) and technical goodwill for the transaction represents residual goodwill. Given that the hydrocarbon prices, as a factor affecting final settlement of the acquisition of INEOS, were significantly higher than the prices prevailing at the time when the terms of the transaction were agreed between its parties, residual goodwill arising from the transaction was negative at PLN -1,456m. This amount was allocated to individual cash-generating units in proportion to their value.

Such allocation of goodwill between technical and residual goodwill will have its implications for impairment testing of the carrying amount of goodwill in subsequent periods. Following initial recognition of the acquisition of INEOS in PUN's books, the difference between depreciation and amortisation of assets acquired at fair value for accounting purposes and their depreciation and amortisation for tax purposes will result in the reversal of the deferred tax liability. In order to avoid impairment losses being recognised on that part of goodwill which is reflected in the current balance of the deferred tax liability in PUN's books, goodwill subject to periodic impairment testing will always be reduced by the net balance at the time of testing of the deferred tax liability allocated to the relevant cash-generating unit.

2.2 Equity-accounted investees

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

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

Equity-accounted investees as at September 30th 2021

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

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

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

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

(in PLN million unless stated otherwise)

2.3 Key data on the reportable segments

9 months ended September 30th 2021	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Total	Reconciliation with consolidated data*	Total
Sales to external customers	2,789	29,280	3,769	1,570	86	37,494		
Inter-segment sales	4,243	642	77	610	324	5,896		
Total revenue	7,032	29,922	3,846	2,180	410	43,390	(5,896)	37,494
EBITDA	5,424	(644)	2,097	612	(28)	7,461	(69)	7,392
Depreciation and amortisation expense	(913)	(160)	(900)	(553)	(51)	(2,577)	-	(2,577)
Operating profit (EBIT)	4,511	(804)	1,197	59	(79)	4,884	(69)	4,815
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	145	1	3	-	(27)	122	-	122
Profit/(loss) from equity-accounted investees	(2)	-	-	-	13	11	-	11
Acquisition of property, plant and equipment and intangible assets**	1,378	23	2,122	835	171	4,529	36	4,565
Property, plant and equipment	19,564	2,998	19,972	5,951	755	49,240	(342)	48,898
Employment***	6,431	2,990	11,528	1,821	1,757	24,527		

9 months ended September 30th 2020	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Total	Reconciliation with consolidated data*	Total
Sales to external customers	1,963	20,890	3,260	1,220	97	27,430		
Inter-segment sales	1,117	189	59	650	262	2,277		
Total revenue	3,080	21,079	3,319	1,870	359	29,707	(2,277)	27,430
EBITDA	721	8,187	1,539	568	(291)	10,724	(39)	10,685
Depreciation and amortisation expense	(911)	(167)	(801)	(519)	(43)	(2,441)	-	(2,441)
Operating profit (EBIT)	(190)	8,020	738	49	(334)	8,283	(39)	8,244
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	(936)	-	-	-	-	(936)	-	(936)
Profit/(loss) from equity-accounted investees	(607)	-	-	-	12	(595)	-	(595)
Acquisition of property, plant and equipment and intangible assets**	1,762	31	1,895	291	98	4,077	(40)	4,037
Property, plant and equipment	14,527	3,204	17,786	5,264	736	41,517	(279)	41,238
Employment***	6,561	3,022	11,515	1,828	1,782	24,708		

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

(in PLN million unless stated otherwise)

2.4 Revenue by segment

9 months ended September 30th 2021	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Reconciliation with consolidated data*	Total
Revenue from sales of gas, including:**	**4,804**	**27,208**	**-**	**-**	**-**	**(4,553)**	**27,459**
High-methane gas	3,465	26,584	-	-	-	(3,755)	**26,294**
Nitrogen-rich gas	1,307	846	-	-	-	(790)	**1,363**
LNG	32	163	-	-	-	(9)	**186**
CNG	-	54	-	-	-	1	**55**
Adjustment to gas sales due to hedging transactions	-	(439)	-	-	-	-	**(439)**
Other revenue, including:**	**2,228**	**2,714**	**3,846**	**2,180**	**410**	**(1,343)**	**10,035**
Gas and heat distribution	-	-	3,621	65	-	(58)	**3,628**
Crude oil and natural gasoline	1,637	-	-	-	-	-	**1,637**
NGL	125	-	-	-	-	-	**125**
Sales of heat	-	-	-	1,156	-	-	**1,156**
Sales of electricity	-	2,412	-	738	-	(857)	**2,293**
Revenue from rendering of services:							
- drilling and oilfield services	49	-	-	-	-	-	**49**
- geophysical and geological services	147	-	-	-	-	-	**147**
- construction and assembly services	34	-	-	-	96	(98)	**32**
- connection charge	-	-	183	-	-	-	**183**
- other	20	232	30	91	299	(269)	**403**
Other**	216	70	12	130	15	(61)	**382**
Total revenue	**7,032**	**29,922**	**3,846**	**2,180**	**410**	**(5,896)**	**37,494**

9 months ended September 30th 2020	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Reconciliation with consolidated data*	Total
Revenue from sales of gas, including:**	**1,582**	**18,902**	**-**	**-**	**-**	**(1,138)**	**19,346**
High-methane gas	883	17,211	-	-	-	(889)	**17,205**
Nitrogen-rich gas	685	536	-	-	-	(245)	**976**
LNG	14	43	-	-	-	(6)	**51**
CNG	-	36	-	-	-	2	**38**
Adjustment to gas sales due to hedging transactions	-	1,076	-	-	-	-	**1,076**
Other revenue, including:**	**1,498**	**2,177**	**3,319**	**1,870**	**359**	**(1,139)**	**8,084**
Gas and heat distribution	-	-	3,113	54	-	(54)	**3,113**
Crude oil and natural gasoline	996	-	-	-	-	-	**996**
NGL	51	-	-	-	-	-	**51**
Sales of heat	-	-	-	958	-	-	**958**
Sales of electricity	-	2,051	-	733	-	(775)	**2,009**
Revenue from rendering of services:							
- drilling and oilfield services	82	-	-	-	-	-	**82**
- geophysical and geological services	82	-	-	-	-	-	**82**
- construction and assembly services	39	-	-	-	73	(56)	**56**
- connection charge	-	-	169	-	-	-	**169**
- other	22	104	28	13	267	(221)	**213**
Other**	226	22	9	112	19	(33)	**355**
Total revenue	**3,080**	**21,079**	**3,319**	**1,870**	**359**	**(2,277)**	**27,430**

**Inter-company eliminations and consolidation adjustments*

*** Starting from the consolidated financial statements for 2020, the Group changed the presentation of revenue from sales of propane-butane in the Exploration and Production segment: sales of propane-butane were transferred from ‘Revenue from sales of natural gas’ (previously: ‘Revenue from sales of gas’) to ‘Other revenue’. Therefore, the comparative data was restated by PLN 38m.*

2.5 Segments' financial results

In the nine months to September 30th 2021, the PGNiG Group's revenue was PLN 37,494m, up by PLN 10,064m (37%) year on year, with operating expenses up by PLN 13,493m (70%).

EBITDA for the reporting period was PLN 3,293m lower than in the nine months to September 30th 2020, and amounted to PLN 7,392m. EBIT for the reporting period was PLN 4,815m, down by PLN 3,429m year on year.

Operating data	9 months ended September 30th 2021	9 months ended September 30th 2020
Volume of natural gas produced by the PGNiG Group (bcm)*		
High-methane gas (E)	1.61	1.33
Nitrogen-rich gas (Ls/Lw as E equivalent)	1.98	1.97
Total (measured as E equivalent)	3.59	3.30
Volume of natural gas sales outside the PGNiG Group (bcm)*		
High-methane gas (E)	22.78	21.10
Nitrogen-rich gas (Ls/Lw as E equivalent)	1.27	1.18
Total (measured as E equivalent)	24.05	22.28
Distribution volume (bcm in natural gas)		
high-methane gas, nitrogen-rich gas, propane-butane, coke gas	9.32	8.03
Crude oil, condensate and NGL ('000 tonnes)**		
Production volume	938.0	962.6
Sales volume	939.0	970.8
Heat and electricity (from own generation sources)		
Heat sales outside the PGNiG Group (PJ)	27.27	25.92
Sales of electricity from own generation sources (TWh)	2.27	2.47

** Converted to gas with a calorific value of 39.5 MJ/m^3.*

*** Aggregate data for crude oil, NGL and condensate*

Exploration and Production

The Exploration and Production segment's operating profit for the nine months ended September 30th 2021 was PLN 4,511m, up by PLN 4,701m on the same period of 2020, when the segment posted a loss of PLN -190m. EBITDA for the reporting period was PLN 5,424m (PLN 721m in the third quarter of 2020).

Key factors contributing to the segment's improved performance included:

- PLN 3,952m (128%) year-on-year increase in revenue, led mainly by:
  - PLN 3,222m (201%) increase in revenue from sales of natural gas by the segment driven by higher gas prices. The higher prices of domestically produced gas transferred between the Exploration and Production segment and the Trade and Storage segment were a direct effect of the rise in average monthly prices quoted on the POLPX (up 250% year on year in the third quarter of 2021), by reference to which the transfer price in transactions between the segments is set;
  - PLN 715m (68%) increase in revenue from crude oil and NGL sales, mainly due to a 74% year-on-year rise in the average price of Brent crude (in PLN) with a slight (3%) year-on-year decline in the volume of crude oil and NGL sold in the third quarter of 2021;
- PLN 749m (23%) year-on-year decrease in operating expenses, caused mainly by:
  - PLN 603m reversal of impairment losses on non-current assets (at the end of the third quarter of 2020, such impairment losses were recognised at PLN 808m), with the costs of dry wells written off up to PLN 458m (vs PLN 128m in the same period of 2020).

Trade and Storage

As at the end of the third quarter of 2021, the segment's operating result was a loss of PLN -804m, compared with a profit of PLN 8,020m in the comparative period (-110% year on year). An equally steep decrease, of PLN 8,831m, was also recorded in EBITDA, which stood at PLN -644m (-108%). The segment's total revenue was PLN 29,922m, having increased by PLN 8,843m (42%) from the third quarter of 2020. The segment's operating expenses were PLN 30,726m, up by PLN 17,667m (135%) year on year.

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

- a surge in spot prices of gas on the POLPX, reflected in the value of domestically produced gas transferred from the Exploration and Production segment to the Trade and Storage segment;
- recognition of a gas inventory write-down: as at the end of the third quarter of 2021, the related cost was PLN 8m; in the corresponding period of the previous year, a gas inventory write-down was reversed, resulting in a PLN 359m decrease in costs;
- a 5.6% increase, relative to the previous tariff, in the average price of gas fuel in the retail tariff effective from May 1st 2021, and a 12.4% increase in the average price of gas fuel in the retail tariff effective from August 1st 2021;
- a net loss of PLN -439m on settlement of hedging instruments designated for hedge accounting and recognised in profit or loss (vs PLN +1,076m in the third quarter of 2020); the result recognised in gas inventory as a reduction in gas costs was PLN +623m (PLN -363m in the third quarter of 2020);
- lower operating expenses for the comparative period, due mainly to the recognition of gas supplies in accordance with the amended pricing formula, in line with the Arbitration Court's award and amending annex to the Yamal Contract of June 5th 2020, and accounting for the effect of the retrospective change in the pricing formula totalling PLN 5,689m (with approximately PLN 4,915m relating to gas costs in 2014–2019), as well as the recognition of foreign exchange gains on accounting for mutual settlements under the Yamal Contract (approximately PLN 300m).

Distribution

In the nine months ended September 30th 2021, the Distribution segment's operating profit was PLN 1,197m, up PLN 459m (62%) year on year. This directly translated into an increase in EBITDA, which was PLN 2,097m at the end of the third quarter of 2021, PLN 558m more year on year.

In the reporting period, the segment's revenue rose considerably – by 16% (to PLN 3,846m from PLN 3,319m in the corresponding period of the previous year), as a result of:

- a 3.6% average increase in the tariff for gas distribution services (effective from February 1st 2021);
- a 16%, or approximately 1,284 mcm, year-on-year increase in the distribution volume, due mainly to a 1.28°C decrease in the average temperature in the nine months ended September 30th 2021 compared with the same period of 2020.

Another item with a significant positive effect on the Distribution segment's costs and results was a gain recognised on disposal of non-financial non-current assets. In the nine months to September 30th 2021, it was PLN +207m, compared with PLN -6m in the corresponding period of the previous year.

Generation

In the nine months ended September 30th 2021, the segment's operating profit was PLN 59m, up 20% (PLN 10m) year on year. EBITDA came in at PLN 612m, an increase of 8% on the result reported as at the end of the third quarter of 2020.

The segment's revenue in the reporting period was PLN 2,180m, up by PLN 310m (17%) year on year. The factors driving revenue included:

- a PLN 198m (21%) increase in revenue from sales of heat, driven mainly by a higher sales volume, with lower average temperature in the period (-1.28^{O}C) compared with the corresponding period of 2020;
- a PLN 5m (1%) increase in revenue from sales of electricity, mainly as a consequence of higher sales volumes.

The segment's operating expenses in the reporting period amounted to PLN 2,121m, up by PLN 300m (16%). The segment's expenses rose mainly as a result of an increase in the cost of electricity for trading, which rose on higher revenue, and depreciation and amortisation, which amounted to PLN 553m and was higher by PLN 34m (7%) relative to the three quarters of 2020 due to a PLN 35m (13%) increase in the costs of redemption of CO_2 allowances.

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

The Group has noted significant fluctuations in gas fuel prices on European exchange markets, including the Polish Power Exchange (POLPX), Title Transfer Facility in the Netherlands and Gaspool in Germany, which have remained above EUR 60/MWh since September 15th 2021, both on the intraday markets and under monthly contracts, and on some days have even exceeded EUR 120/MWh. There are multiple reasons behind the recorded price levels, including geopolitical factors. Key factors include the European gas storage volumes being lower than in previous years, the post-pandemic economic recovery driving up demand, the weather conditions and fluctuations in gas supply, especially from the eastern direction.

Gas prices will be a material factor affecting the PGNiG Group's performance across all segments of its business, in terms of both revenue and operating expenses. High hydrocarbon prices bolster revenue generated by the PGNiG Group's Exploration and Production companies. On the other hand, such factors may negatively impact the Trade and Storage segment's profitability by eroding its margins on sales, especially if the retail tariffs approved by the President of the Energy Regulatory Office do not fully cover the gas procurement costs.

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

- The extent of gas price volatility in the energy markets triggered by the energy crisis;
- Conditions prevailing on the currency markets, commodity markets (prices of crude oil), energy markets (prices of electricity), as well as fluctuations in the market prices of certificates of origin and CO_2 emission allowances;
- Position of the President of URE on gas fuel sale and distribution tariffs and heat sale tariffs;
- Weather conditions;
- Regulations governing support programmes for electricity from high-efficiency co-generation and renewable sources;
- Margin requirements for trades executed on energy exchanges and financial hedging instruments.

(in PLN million unless stated otherwise)

3. Notes to the interim condensed consolidated financial statements

3.1 Deferred tax

	Deferred tax assets	Deferred tax liabilities	Set-off of assets and liabilities	Assets after set-off	Liabilities after set-off	Net effect of changes in the period
As at January 1st 2020	**1,075**	**3,426**	**(1,043)**	**32**	**2,383**	
Increase	254	245	-	-	-	**9**
Decrease	(86)	(278)	-	-	-	**192**
Currency translation differences	-	36	-	-	-	**(36)**
As at December 31st 2020	**1,243**	**3,429**	**(1,201)**	**42**	**2,228**	**165**
As at January 1st 2021	**1,243**	**3,429**	**(1,201)**	**42**	**2,228**	
Increase	1,918	2,093	-	-	-	**(175)**
Decrease	(97)	(320)	-	-	-	**223**
Currency translation differences	-	48	-	-	-	**(48)**
Changes in the Group	-	2,406	-	-	-	**(2,406)**
Other changes	-	(5)	-	-	-	**5**
As at September 30th 2021	**3,064**	**7,651**	**(2,289)**	**775**	**5,362**	**(2,401)**

3.2 Impairment losses/write-downs

	Property, plant and equipment	Intangible assets	Assets held for sale	Equity-accounted investees	Other (non-current) assets	Inventories	Receivables	Other (current) assets	Total
As at January 1st 2020	**4,144**	**75**	**5**	**1,064**	**62**	**456**	**828**	**1**	**6,635**
Increase taken to profit or loss	2,068	18	-	291	1	28	200	4	**2,610**
Decrease taken to profit or loss	(491)	(7)	-	-	(1)	(378)	(140)	(2)	**(1,019)**
Used	(39)	-	-	-	-	-	(113)	-	**(152)**
Changes in the Group	-	-	-	-	64	(2)	(1)	38	**99**
Transfers	4	-	(4)	-	58	-	(58)	-	**-**
Other changes	18	-	-	-	(8)	(4)	95	-	**101**
As at December 31st 2020	**5,704**	**86**	**1**	**1,355**	**176**	**100**	**811**	**41**	**8,274**
As at January 1st 2021	**5,704**	**86**	**1**	**1,355**	**176**	**100**	**811**	**41**	**8,274**
Increase taken to profit or loss	378	11	-	79	1	49	213	3	**734**
Decrease taken to profit or loss	(958)	(10)	-	(404)	(1)	(18)	(157)	(2)	**(1,550)**
Used	(65)	-	-	-	-	-	(8)	-	**(73)**
Transfers	(24)	-	25	-	1	-	(2)	-	**-**
Other changes	33	2	-	-	-	2	108	-	**145**
As at September 30th 2021	**5,068**	**89**	**26**	**1,030**	**177**	**133**	**965**	**42**	**7,530**

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

Impairment of non-financial assets

Impairment losses on non-current assets are the result of an assessment of the recoverable amount of assets based on an analysis of future cash flows, in particular based on current and projected paths of hydrocarbon prices on international markets. The nine months to September 30th 2021 was a period of major price increases across the fuel market. The price spikes observed in the crude oil market are strongly linked to the global supply and demand landscape, which could have been driven by the expectation of a rapid global economic recovery following the severe downturn in 2020 in the wake of the COVID-19 pandemic. The prices of natural gas and electricity were strongly affected by growing prices of CO_2 emission allowances and other energy products. Gas prices were additionally driven by low gas volumes in storage facilities in Europe, changes in expectations concerning transmission capacity reservations, as well as scheduled and unscheduled unit shutdowns.

Various market and deposit-related factors led to reversal of impairment losses on non-financial assets in 2021. The Group points out that given the number and nature of factors with bearing on the price levels in 2021 it is impossible to classify the change in its entirety as being an effect of COVID-19 or to separate the effect of COVID-19 from the valuation of the Company's assets.

Trade and other receivables

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

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

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

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

Based on the analyses, as at September 30th 2021 the estimated effect of future factors (including COVID-19) on impairment losses on the PGNiG Group's trade receivables was an increase of PLN 4.4m.

(in PLN million unless stated otherwise)

3.3 Provisions

3.3.1 Provision for decommissioning, restoration and environmental remediation costs

	Provision for well decommissioning costs	Provisions for environmental liabilities	Provision for landfill site restoration	Total
As at January 1st 2020	**2,389**	**122**	**60**	**2,571**
Recognised provision capitalised in cost of property, plant and equipment	706	-	-	**706**
Recognised provision taken to profit or loss	83	10	6	**99**
Other increases – Extraction Facilities Decommissioning Fund	1	-	-	**1**
Used	(28)	-	-	**(28)**
Provision reversal taken to profit or loss	(45)	(16)	-	**(61)**
Exchange differences on translating foreign operations	23	-	-	**23**
As at December 31st 2020	**3,129**	**116**	**66**	**3,311**
As at January 1st 2021	**3,129**	**116**	**66**	**3,311**
Recognised provision capitalised in cost of property, plant and equipment	20	58	-	**78**
Recognised provision taken to profit or loss	11	-	-	**11**
Used	(14)	-	-	**(14)**
Provision reversal taken to profit or loss	(39)	(4)	-	**(43)**
Exchange differences on translating foreign operations	27	-	-	**27**
Changes in the Group	423	-	-	**423**
As at September 30th 2021	**3,557**	**170**	**66**	**3,793**

3.3.2 Other provisions

	Provision for certificates of origin and energy efficiency certificates	Provision for liabilities associated with exploration work abroad	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Other provisions	Total
As at January 1st 2020	**216**	**177**	**6**	**21**	**405**	**825**
Increase taken to profit or loss	243	-	-	2	460	**705**
Decrease taken to profit or loss	(11)	-	-	(6)	(358)	**(375)**
Used	(179)	-	-	-	(12)	**(191)**
Changes in the Group	-	-	-	-	(1)	**(1)**
Other changes	6	(2)	-	1	(44)	**(39)**
As at December 31st 2020	**275**	**175**	**6**	**18**	**450**	**924**
As at January 1st 2021	**275**	**175**	**6**	**18**	**450**	**924**
Increase taken to profit or loss	213	-	-	6	246	**465**
Decrease taken to profit or loss	(8)	-	-	(7)	(154)	**(169)**
Used	(238)	-	(6)	-	(5)	**(249)**
Changes in the Group	-	-	-	-	53	**53**
Other changes	23	11	-	-	14	**48**
As at September 30th 2021	**265**	**186**	**-**	**17**	**604**	**1,072**

(in PLN million unless stated otherwise)

3.4 Revenue by product

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

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

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

	9 months ended September 30th 2021	9 months ended September 30th 2020
Revenue from sales of gas, including:	**27,459**	**19,346**
High-methane gas	26,294	17,205
Nitrogen-rich gas	1,363	976
LNG	186	51
CNG	55	38
Adjustment to gas sales due to hedging transactions	(439)	1,076
Other revenue, including:	**10,035**	**8,084**
Gas and heat distribution	3,628	3,113
Crude oil and natural gasoline	1,637	996
NGL	125	51
Sales of heat	1,156	958
Sales of electricity	2,293	2,009
Revenue from rendering of services:		
- drilling and oilfield services	49	82
- geophysical and geological services	147	82
- construction and assembly services	32	56
- connection charge	183	169
- other	403	213
Other	382	355
Total revenue	**37,494**	**27,430**

3.5 Operating expenses (selected items)

	9 months ended September 30th 2021	9 months ended September 30th 2020
Cost of gas	**(21,808)**	**(14,010)**
Gas fuel	(21,808)	(14,010)
Effect of the annex executed with PAO Gazprom/OOO Gazprom Export on cost of gas in 2014–2019	**-**	**4,915**
Other raw materials and consumables used	**(2,794)**	**(2,266)**
Fuels for electricity and heat generation	(630)	(615)
Electricity for trading	(1,787)	(1,305)
Other raw materials and consumables used	(377)	(346)
Employee benefits expense	**(2,464)**	**(2,331)**
Salaries and wages	(1,879)	(1,732)
Social security contributions	(343)	(352)
Long-term employee benefits	25	(24)
Other employee benefits expense	(267)	(223)
Other services	**(1,388)**	**(1,324)**
Regasification services	(253)	(291)
Repair and construction services	(179)	(162)
Mineral resources production services	(206)	(141)
Rental services	(65)	(73)
Other services	(685)	(657)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	**122**	**(936)**
Cost of exploration and evaluation assets written-off	(457)	(128)
Impairment losses on property, plant and equipment	580	(795)
Impairment losses on intangible assets	(1)	(13)
Total	**(28,332)**	**(15,952)**

(in PLN million unless stated otherwise)

3.6 Other income and expenses

	9 months ended September 30th 2021	9 months ended September 30th 2020
Compensation, penalties, and fines received	37	26
Exchange differences related to operating activities	195	35
Measurement and exercise of derivative financial instruments	(920)	77
Change in inventory write-downs	(31)	353
Change in impairment losses on trade and other receivables	(56)	(60)
Provision for decommissioning, restoration and environmental remediation costs	32	(10)
Change in provision for certificates of origin and energy efficiency certificates	(205)	(160)
Provision for CO_2 emission allowances	(114)	(52)
Change in other provisions	22	(75)
Change in products	116	54
Change in underlift/ overlift	(21)	19
Cost of merchandise and materials sold	(112)	(59)
Other income and expenses	87	(161)
Total other income and expenses	**(970)**	**(13)**

3.7 Net finance income/(costs)

	9 months ended September 30th 2021	9 months ended September 30th 2020
Interest on debt (including fees)	(19)	3
Interest on lease liabilities	(61)	(55)
Foreign exchange differences	7	(100)
Measurement and exercise of derivative financial instruments not designated for hedge accounting	4	(2)
Fair value measurement of financial assets	8	(4)
Other net finance costs (income)	(61)	49
Total net finance costs	**(122)**	**(109)**

3.8 Income tax

Reconciliation of effective tax rate	9 months ended September 30th 2021	9 months ended September 30th 2020
Profit before tax	4,704	7,540
Corporate income tax at the 19% statutory rate applicable in Poland	(894)	(1,433)
Deductible temporary differences with respect to which no deferred tax was recognised	(711)	(71)
Income tax expense disclosed in the statement of profit or loss	**(1,605)**	**(1,504)**
Including:		
Current tax expense	(1,334)	(1,273)
Deferred tax expense	(271)	(231)
Effective tax rate	34%	20%

Tax group

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

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

(in PLN million unless stated otherwise)

3.9 Property, plant and equipment

	As at September 30th 2021	As at December 31st 2020
Land	129	131
Buildings and structures	22,183	20,985
Plant and equipment	13,697	8,670
Vehicles and other	1,360	1,305
Total own tangible assets	**37,369**	**31,091**
Right-of-use asset – land	2,634	2,424
Right-of-use asset – buildings and structures	272	280
Right-of-use asset – plant and equipment	174	178
Right-of-use asset – vehicles	28	29
Total right-of-use assets	**3,108**	**2,911**
Tangible exploration and evaluation assets under construction	3,027	2,708
Other tangible assets under construction	5,394	5,855
Total property, plant and equipment	**48,898**	**42,565**

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

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

In the third quarter of 2021, the most significant sale of property, plant and equipment was the sale by Polska Spółka Gazownictwa Sp. z o.o. of a developed real property with a total net value of PLN 6.7m, and income from sale of those assets was PLN 222.8m.

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

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

3.10 Derivative financial instruments

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

In the nine months to September 30th 2021, the Parent accounted for all eligible transactions using cash-flow hedge accounting. The Company was party to CCIRS transactions, which are not designated for hedge accounting, As the valuation of both the hedged item and the hedge (the derivative transaction) is recognised in profit or loss, which produces the same effect as if hedge accounting was applied.

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

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

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

Income and expenses related to assets and liabilities under derivative financial instruments			9 months ended September 30th 2021		9 months ended September 30th 2020	
Item of statement of profit or loss and statement of comprehensive income	Item referenced in Note / additional explanations	Notes	Derivative financial instruments not designated for hedge accounting	Derivative financial instruments designated for cash flow hedge accounting	Derivative financial instruments not designated for hedge accounting	Derivative financial instruments designated for cash flow hedge accounting
Effect on statement of profit or loss						
Net finance costs	Measurement and exercise of derivative financial instruments not designated for hedge accounting	*Note 3.7*	4	-	(2)	-
Other income and expenses	Measurement and exercise of derivative financial instruments not designated for hedge accounting	*Note 3.6*	(920)	-	77	-
Revenue	Reclassification from other comprehensive income	*Note 3.4*	-	(439)	-	1,076
			(916)	**(439)**	**75**	**1,076**
Effect on other comprehensive income						
Gains/(losses) on measurement of derivative instruments designated for cash flow hedge accounting (effective portion)				(1,490)		386
Reclassification of derivative instruments measurement to profit or loss upon exercise (cash flow hedges)				439		(1,076)
				(1,051)		**(690)**
Effect on comprehensive income			**(916)**	**(1,490)**	**75**	**386**
Change in equity recognised in inventories, gross				**(623)**		**363**

The tables below present derivative instruments held by the Group companies as at September 30th 2021.

Derivative instruments designated for hedge accounting	As at September 30th 2021					As at December 31st 2020		
Type of derivative instrument	Notional amount (million)	Period when cash flow will occur and affect the financial result	Exercise price (exercise price range)	Weighted average exercise price	Fair value of instruments for which cash flow hedge accounting is applied	Notional amount (million)	Period when cash flow will occur and affect the financial result	Fair value of instruments for which cash flow hedge accounting is applied
Derivative instruments used to hedge currency risk in gas purchase and sale contracts								
Forwards								
USD	USD 554	up to 3 years	3.66-3.93	3.78	124	USD 263	up to 3 years	11
USD	USD 20	1–3 months	4.01–4.01	4.01	-	USD 340	up to 3 years	(38)
EUR/USD	EUR 680	up to 4 years	1.18–1.26	1.22	110	EUR 32	up to 3 years	-
EUR/USD	EUR 13	3–12 months	1.13	1.13	(2)	EUR 229	up to 4 years	(41)
Currency swap								
EUR	EUR 22.3	3–12 months	4.66–4.66	4.66	-	EUR 38	up to 3 years	-
EUR	EUR 798	up to 3 years	4.47–4.72	4.59	(72)	EUR 528	up to 3 years	(73)
					160			**(141)**
Derivative instruments used to hedge gas purchase and selling prices								
TTF swap DA	7 MWh	up to 4 years	21.85-72.20	31.01	1,296	24 MWh	up to 3 years	286
TTF swap DA	52 MWh	up to 4 years	12.52-52.05	18.39	(4,412)	29 MWh	up to 4 years	(446)
TTF swap MA	6 MWh	Up to 12 months	33.09-73.69	50.41	937	5 MWh	1–3 months	11
BRENT Swap	2 bbl	up to 3 years	42.52-67.50	43.16	261	4 bbl	up to 3 years	117
HH NYMEX	167 mmBtu	up to 4 years	2.25–3.48	2.64	553	31 mmBtu	up to 4 years	24
HH NYMEX	11 mmBtu	up to 4 years	2.97–3.48	3.26	(9)	33 mmBtu	up to 4 years	(20)
					(1,374)			**(28)**
				Total	**(1,214)**		**Total**	**(169)**
			Including:	Assets	3,280	Including:	Assets	449
				Liabilities	4,494		Liabilities	618

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

Derivative instruments not designated for hedge accounting

Type of derivative instrument	As at September 30th 2021 Notional amount (million)	As at September 30th 2021 Fair value of instruments not designated for hedge accounting	As at December 31st 2020 Notional amount (million)	As at December 31st 2020 Fair value of instruments not designated for hedge accounting
Derivative instruments hedging interest rate risk and currency risk				
CCIRS				
NOK	NOK 3,818	(108)	NOK 3,818	(45)
Forwards				
EUR	EUR 229	20	EUR 77	10
EUR	USD 15	(3)	-	-
EUR	EUR 45	(1)	EUR 2	-
USD	-	-	USD 16	5
Currency swap				
EUR	EUR 524	55	EUR 558	78
EUR	EUR 320	(40)	EUR 534	(78)
		(77)		**(30)**
Derivative instruments used as economic hedges of electricity purchase prices				
Forwards				
electricity – POLPX	1 MWh	234	2 MWh	44
electricity – POLPX	11 MWh	(209)	15 MWh	5
electricity – OTC	0.2 MWh	87	1 MWh	14
electricity – OTC	0.6 MWh	(273)	1 MWh	(23)
Futures				
electricity – EEX AG	1 MWh	281	1 MWh	26
electricity – EEX AG	0.2 MWh	(94)	1 MWh	(17)
		26		**49**
Derivative instruments used to hedge gas purchase and selling prices				
Forwards				
Gas	0.01 MWh	(2)	0.04 MWh	(1)
gas – OTC	23 MWh	2,980	20 MWh	204
gas – OTC	26 MWh	(3,412)	19 MWh	(239)
Futures				
gas – POLPX	3 MWh	100	3 MWh	50
gas – POLPX	-	(3)	-	-
gas – ICE ENDEX B.V.	1 MWh	325	3 MWh	59
gas – ICE ENDEX B.V.	1 MWh	(187)	3 MWh	(61)
gas – POWERNEXT SA	2 MWh	463	1 MWh	12
gas – POWERNEXT SA	1 MWh	(260)	2 MWh	(19)
Swap				
HH NYMEX	4 mmBtu	11	-	-
HH NYMEX	3 mmBtu	(20)	-	-
GASPOOL DA	-	-	1 MWh	17
GASPOOL DA	-	-	1 MWh	(5)
BRENT	0.3 Bbl	(32)	0.3 Bbl	(2)
TTF swap DA	14 MWh	3,245	28 MWh	431
TTF swap DA	19 MWh	(4,579)	19 MWh	(248)
TTF swap MA	1 MWh	49	3 MWh	(4)
		(1,322)		**194**
Derivative instruments used to hedge purchase prices of CO_2 emission allowances				
Forwards	0.1 t	4	1 t	(43)
Forwards	0.8 t	(148)	-	-
Futures	8 t	143	2 t	38
		(1)		**(5)**
Derivative instruments used to hedge share purchase prices				
Options	6.938 million shares	20	6.938 million shares	16
	Total	**(1,354)**	**Total**	**224**
	Including:		Including:	
	Assets	8,018	Assets	1,004
	Liabilities	9,372	Liabilities	780

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

(in PLN million unless stated otherwise)

3.11 Contingent assets and liabilities

Contingent asset	As at September 30th 2021	As at December 31st 2020
	Estimated amount	
Grants awarded*	156	182
Other contingent assets	13	13
Total	**169**	**195**

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

Contingent liabilities	As at September 30th 2021	As at December 31st 2020
	Estimated amount	
Guarantees and sureties	6,212	4,830
Promissory notes	558	554
Other	14	9
Total	**6,784**	**5,393**

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

The rise in contingent liabilities under sureties and guarantees issued in the reporting period was principally due to new guarantees of PLN 799m (as translated at the exchange rate quoted by the National Bank of Poland for September 30th 2021) issued as security for an LNG vessels charter agreement concluded by PGNiG Supply & Trading and new guarantees in EUR issued as security for gas supplies, totalling PLN 385m (as translated at the exchange rate quoted by the NBP for September 30th 2021).

3.12 Fair value hierarchy

In the reporting period, the Group made no changes to the fair value measurement method used to measure financial instruments. There were also no transfers between fair value hierarchy levels.

	As at September 30th 2021		As at December 31st 2020	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Derivative instruments	4,916	6,382	449	1,004
	4,916	**6,382**	**449**	**1,004**
Financial liabilities				
Derivative instruments	4,906	8,960	434	964
	4,906	**8,960**	**434**	**964**

3.13 Classification of financial assets

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

(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 13th 2021	Polska Spółka Gazownictwa Sp. z o.o.	On January 13th 2021, the President of the Energy Regulatory Office (the "President of URE") approved new Gas Fuel Distribution Tariff No. 9 of Polska Spółka Gazownictwa Sp. z o.o. (the "Distribution Tariff"). The rates of network fees and charges applied in settlements with customers in the Distribution Tariff were increased by approximately 3.6% on average in relation to the previous distribution tariff of Polska Spółka Gazownictwa Sp. o.o. for all tariff groups (rates applicable to coke gas did not change). The new Distribution Tariff is valid from February 1st to December 31st 2021. For detailed information on the approved Distribution Tariff, see www.ure.gov.pl, and Biuletyn Branżowy URE – Paliwa gazowe (the URE official gazette).
January 31st 2021	PGNiG S.A.	January 31st 2021 saw the expiry of the exclusive negotiation right relating to the offer submitted to TAURON Polska Energia S.A. (TAURON) concerning the acquisition by PGNiG S.A. of 100% of shares in Tauron Ciepło Sp. z o.o. As the negotiations brought no consensus, PGNiG announced that it did not intend to continue the negotiations aimed at concluding the transaction.
February 10th 2021	PGNiG S.A.	On February 10th 2021, PGNiG S.A. gave notice of withdrawal from participation in the transaction and cooperation with PGE Polska Grupa Energetyczna S.A. concerning the non-binding offer submitted by ČEZ a.s. (ČEZ) to sell the ČEZ Group's Polish assets.
February 17th 2021	PGNiG S.A.	On February 17th 2021, Mr Jarosław Wróbel tendered his resignation as Vice President of the PGNiG Management Board, effective as of March 1st 2021, following his appointment as Vice President of the Management Board of Grupa LOTOS S.A.
March 2nd 2021	PGNiG S.A.	On March 2nd 2021, the Supervisory Board of PGNiG S.A. decided to appoint Mr Artur Cieślik as Vice President of the PGNiG Management Board, effective March 16th 2021, for the duration of the sixth term of office of the PGNiG Management Board, which expires on January 10th 2023.
March 25th 2021	PGNiG Upstream Norway AS	On March 25th 2021, PGNiG Upstream Norway AS (PUN) entered into a conditional agreement to acquire INEOS E&P Norge AS (INEOS) from the INEOS Group. For more information on the acquisition of INEOS, see Note 2.1.1.
April 14th 2021	PGNiG S.A.	On April 14th 2021, PGNiG S.A. received clearance from the President of UOKiK in respect to concentration consisting in the establishment by Polski Koncern Naftowy ORLEN S.A., Energa S.A. and PGNiG S.A. of a joint venture, i.e. CCGT Ostrołęka Sp. z o.o., set up to construct a CCGT power generation unit. PGNiG S.A. will join the new company upon fulfilment of the conditions set out in the investment agreement on the rules of cooperation in the construction of a CCGT power generation unit at Ostrołęka C power plant, including obtaining relevant corporate approvals from PGNiG.
April 15th 2021	PGNiG Obrót Detaliczny Sp. z o.o.	On April 15th 2021, the President of the Energy Regulatory Office ("URE") approved amendment of Gas Fuel Trading Tariff No. 10 of PGNiG Obrót Detaliczny Sp. z o.o. (the "amended Retail Tariff"). The amended Retail Tariff provides for a 5.6% increase in gas fuel prices for all tariff groups relative to the current Tariff of PGNiG Obrót Detaliczny Sp. z o.o. The subscription fees remained unchanged. The amended Retail Tariff applies to household customers for gas fuels.

(in PLN million unless stated otherwise)

		The amended Retail Tariff will be effective from May 1st to December 31st 2021. For detailed information on the approved tariffs, see www.ure.gov.pl and Biuletyn Branżowy URE – Paliwa gazowe (the URE official gazette – Gas fuels).
May 5th 2021	PGNiG S.A.	On May 5th 2021, PGNiG S.A. signed a letter of intent with ORLEN Południe S.A. (subsidiary of PKN ORLEN) concerning the possibility of carrying out a joint investment project to develop biomethane production. The project will be a joint venture established by both parties in the form of a special purpose vehicle (SPV) in which ORLEN Południe S.A. and PGNiG S.A. will respectively acquire 51% and 49% of the share capital. The parties' intention is that the SPV's business consists in particular in acquiring and building biomethane facilities, developing technologies used to produce biomethane, and producing, trading and using biomethane in various areas of the Parties' operations. PGNiG S.A. and ORLEN Południe S.A. will negotiate with a view to defining, among others, the terms of establishment and financing of the SPV, drawing up the shareholders' agreement, and setting out the rules of cooperation and project schedule. The establishment of the SPV will be possible after obtaining clearance from antitrust authorities.
May 12th 2021	PGNiG S.A.	On May 12th 2021, a cooperation agreement was concluded between PKN ORLEN S.A. (PKN ORLEN), Grupa LOTOS S.A. (Grupa LOTOS), PGNiG S.A. and the State Treasury – Minister of State Assets (the "Cooperation Agreement"). In the Cooperation Agreement, the parties confirm that as at the date of signing the Cooperation Agreement the scenario adopted for PKN ORLEN's acquisition of control over Grupa LOTOS and PGNiG provides for merging PKN ORLEN, Grupa LOTOS and PGNiG through acquisition under Art. 492.1.1 of the Commercial Companies Code, with all assets of Grupa LOTOS and PGNiG (the acquirees) to be transferred to PKN ORLEN (the acquirer) for shares which PKN ORLEN would grant to the shareholders of Grupa LOTOS and PGNiG, as part of one or two separate merger processes. Under this merger scenario, in exchange for the shares held in Grupa LOTOS and PGNiG the shareholders of Grupa LOTOS and PGNiG will subscribe for new shares in the increased share capital of PKN ORLEN and will become PKN ORLEN shareholders as of the merger date. The parties will endeavour to ensure proper implementation of the merger process and agree to cooperate, *inter alia*, in preparing a merger plan, notifying shareholders of the stages of the merger process, obtaining the required corporate approvals and carrying out further analyses necessary for the proper conduct of the merger process. As at the date of the Cooperation Agreement, proceedings were pending before the President of the Office of Competition and Consumer Protection concerning concentration in connection with PKN ORLEN's planned acquisition of control over PGNiG.
July 9th 2021	PGNiG S.A.	On July 9th 2021, the Annual General Meeting of PGNiG appointed the following persons to the PGNiG Supervisory Board: Cezary Falkiewicz, Roman Gabrowski, Tomasz Gabzdyl, Mariusz Gierczak, Mieczysław Kawecki, Bartłomiej Nowak, Piotr Sprzączak and Grzegorz Tchorek. July 9th 2021 saw the expiry of the mandates of the following Supervisory Board members: Sławomir Borowiec, Piotr Broda, Andrzej Gonet and Stanisław Sieradzki.
July 16th 2021	PGNiG Obrót Detaliczny Sp. z o.o.	On July 16th 2021, the President of the Energy Regulatory Office (the "President of URE") approved Amendment 2 to Gas Fuel Trading Tariff No. 10 of PGNiG Obrót Detaliczny Sp. z o.o. ("Retail Tariff Amendment 2"). Retail Tariff Amendment 2 provides for a 12.4% increase in gas fuel prices for all tariff groups relative to the current Tariff of PGNiG Obrót Detaliczny Sp. z o.o. The subscription fees remained unchanged. Retail Tariff Amendment 2 applies only to household customers for gas fuels.

(in PLN million unless stated otherwise)

		Retail Tariff Amendment 2 will be effective from August 1st to December 31st 2021. For detailed information on the approved tariffs, see www.ure.gov.pl and Biuletyn Branżowy URE – Paliwa gazowe (the URE official gazette – Gas fuels).
July 27th 2021	PGNiG S.A.	On July 27th 2021, a termination notice was sent to Port Arthur LNG, LLC, a subsidiary of Sempra LNG, LLC, concerning the long-term contract of December 19th 2018 (the “Contract”) for the supply of liquefied gas (LNG). The Contract provided for the purchase by PGNiG of approximately 2 million tonnes of LNG (approximately 2.7 bcm of natural gas after regasification) annually for 20 years from Port Arthur plant, Jefferson County, Texas, originally planned to be constructed by 2023 at the earliest. PGNiG will hold talks with Sempra LNG, LLC on potential cooperation in LNG supplies under other projects carried out by Sempra LNG, LLC.
July 27th 2021	PGNiG S.A.	On July 16th 2021, the Company signed agreements setting out the key terms and conditions of annexes to LNG supply contracts with Venture Global Plaquemines LNG, LLC and Venture Global Calcasieu Pass, LLC (the “Agreements”). The annexes potentially to be signed are expected to increase the volume of LNG supplies to PGNiG by a total of 2 million tonnes per year from planned LNG liquefaction terminals: • Calcasieu Pass LNG of Calcasieu Parish – increase in deliveries from 1 million tonnes to 1.5 million tonnes of LNG per year (equivalent to a total volume of approximately 2 bcm of natural gas after regasification) for 20 years; • Plaquemines LNG of Plaquemines Parish – increase in deliveries from 2.5 million tonnes to 4 million tonnes of LNG per year (equivalent to a total volume of nearly 5.4 bcm of natural gas after regasification) for 20 years. The Agreements do not oblige PGNiG to sign the annexes to the LNG supply contracts.
August 2nd 2021	PGNiG S.A.	On August 2nd 2021, a letter of intent was signed between PGNiG, PGNiG TERMIKA S.A. (member of the PGNiG Group), Tauron Polska Energia S.A. (Tauron), TAURON Wytwarzanie S.A. (member of the Tauron Group) concerning a potential sale by the Tauron Group to the PGNiG Group of its equity interest in Elektrociepłownia Stalowa Wola S.A. (ECSW) and claims under loans advanced to ECSW by the Tauron Group (the “Potential Transaction”). The letter of intent does not represent a binding commitment to carry out the Potential Transaction. The decision to carry out the Potential Transaction will depend on the outcome of negotiations and on the fulfilment of other conditions set out in applicable laws or corporate documents. Currently, PGNiG indirectly holds a 50% equity interest in ECSW through its subsidiary PGNiG TERMIKA S.A. Growth in the area of power and heat generation is an important element of the PGNiG Group Strategy for 2017–2022 (with an outlook until 2026), as announced in Current Report No. 19/2017 of March 13th 2017.
August 30th 2021	PGNiG S.A.	On August 30th 2021, PGNiG S.A. and ERU Management Services signed an agreement providing for the purchase of a controlling interest in Ukraine’s Karpatgazvydobuvannya, the sole holder of the Byblivska licence located in Western Ukraine, in an area adjacent to the Polish border. In terms of geology the area is an analogue of Przemyśl, Poland’s largest natural gas field operated by PGNiG for more than 60 years. Its attractiveness and potential have been confirmed through PGNiG’s preliminary analyses of geological and geophysical data. As a result of the agreement, PGNiG S.A. acquired 85% of shares in Karpatgazvydobuvannya. The execution of the agreement was preceded by the receipt of relevant approvals from the Polish Competition and Consumer Protection Authority and its Ukrainian counterpart.

(in PLN million unless stated otherwise)

September 2nd 2021	PGNiG S.A.	On September 2nd 2021, PGNiG S.A. executed annexes to the LNG supply contracts with Venture Global Plaquemines LNG, LLC and Venture Global Calcasieu Pass, LLC (the "Annexes"). Under the Annexes, the volume of LNG deliveries to PGNiG has been increased by a total of 2 million tonnes per year from the planned LNG liquefaction terminals: • Calcasieu Pass LNG of Calcasieu Parish – increase in deliveries from 1 million tonnes to 1.5 million tonnes of LNG per year for 20 years; • Plaquemines LNG of Plaquemines Parish – increase in deliveries from 2.5 million tonnes to 4 million tonnes of LNG per year for 20 years. Following the execution of the Annexes, the total volume of LNG deliveries from Venture Global Plaquemines LNG, LLC and Venture Global Calcasieu Pass, LLC will reach 5.5 million tonnes of LNG per year, equivalent to a total volume of approximately 7.4 bcm of regasified natural gas.
September 16th 2021	PGNiG Obrót Detaliczny Sp. z o.o.	On September 16th 2021, the President of the Energy Regulatory Office (the "President of URE") approved Amendment 3 to Gas Fuel Trading Tariff No. 10 of PGNiG Obrót Detaliczny Sp. z o.o. ("Retail Tariff Amendment 3"). Retail Tariff Amendment 3 provides for a 7.4% increase in gas fuel prices for all tariff groups relative to the current Tariff of PGNiG Obrót Detaliczny Sp. z o.o. The subscription fees remained unchanged. Retail Tariff Amendment 3 applies only to household customers for gas fuels. Retail Tariff Amendment 3 will be effective from October 1st to December 31st 2021. For detailed information on the approved tariffs, see www.ure.gov.pl and Biuletyn Branżowy URE – Paliwa gazowe (the URE official gazette – Gas fuels).
September 24th 2021	PGNiG S.A.	On September 24th 2021, all the conditions precedent to the Agreement and conditions for the acquisition by PUN of control over INEOS from the INEOS Group were satisfied. For more information on the acquisition of INEOS, see Note 2.1.1.

(in PLN million unless stated otherwise)

4.2 Shares held by management and supervisory personnel

As at the date of this report, the Supervisory Board member who held shares in PGNiG S.A. was Mr Mieczysław Kawecki (9,500 shares).

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

	Number of shares, options at the date of issue of the previous interim report	Acquisition	Increase due to change of composition	Disposal	Decrease due to change of composition	Number of shares, options at the date of issue of this interim report**
Management staff	**-**	**-**	**-**	**-**	**-**	**-**
Supervisory staff	**26,725**	**-**	**-**	**-**	**(17,225)**	**9,500**
Mieczysław Kawecki	9,500	-	-	-	-	9,500
Stanisław Sieradzki	17,225	-	-	-	(17,225)	-

* As at the date of this interim report.

4.3 Dividend paid (declared)

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

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

4.4 Issue, redemption, and repayment of debt securities

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

4.5 Seasonality

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

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

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

(in PLN million unless stated otherwise)

4.6 Material court, arbitration and administrative proceedings

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

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

Subject of the dispute and parties to the proceedings	Description
Proceedings with respect to the obligation to sell natural gas through commodity exchange in 2014 Parties to the proceedings: PGNiG, President of URE	On October 28th 2015, the President of URE instigated proceedings to impose a financial penalty on PGNiG S.A. for its failure to meet the exchange sale requirement in 2014. On April 20th 2016, PGNiG S.A. filed a request under Art. 56.6a of the Energy Law for refraining from imposing the penalty. By decision of May 9th 2016, the President of URE imposed a fine of PLN 15m on the Company. The Company appealed against the decision. On October 10th 2018, the Competition and Consumer Protection Court granted PGNIG S.A.'s appeal in part and reduced the administrative fine for failure to meet the exchange sale requirement in 2014 from PLN 15m to PLN 5m, and also cancelled the legal fees for the first instance proceedings between the parties. On December 11th 2018, the Company appealed against this judgment. By its judgment of November 12th 2020, the Court of Appeals in Warsaw dismissed PGNiG S.A.'s appeal. The ruling is final. On April 9th 2021, the Company filed a cassation complaint against the judgment, followed on May 10th 2021 by a constitutional complaint, and is awaiting their examination.
Nord Stream 2 AG derogation proceedings Parties to the proceedings: PGNiG, PST, NS2 AG, BNetzA, Higher Regional Court in Düsseldorf, Federal Court of Justice	On January 10th 2020, Nord Stream 2 AG applied to the German regulator Federal Network Agency (BNetzA, Bundesnetzagentur) for derogation (exemption) from the provisions of the Gas Directive (2009/73/EC), as amended in 2019. On February 19th 2020, PGNiG S.A. and PST filed a request to be permitted to join the proceedings. On March 18th 2020, the German regulator granted the request. On May 15th 2020, the German regulator issued a decision refusing the derogation to Nord Stream 2 AG. Consistent with the position presented by PGNiG S.A. and PST, BNetzA concluded that the pipeline was not completed on May 23rd 2019. On June 15th 2020, Nord Stream 2 AG appealed BNetzA's decision to the Higher Regional Court in Düsseldorf. On July 30th 2020, PGNiG S.A. and PST filed a letter of accession to the case as active participants. On January 14th 2021, they filed a pleading stating their position on the case. By its judgment of August 25th 2021, the Higher Regional Court of Düsseldorf dismissed Nord Stream 2 AG's appeal. Subsequently, on September 21st 2021, Nord Stream 2 AG filed a cassation complaint with the German Federal Court of Justice.
Proceedings concerning access to the OPAL pipeline Parties to the proceedings: PGNiG, PST, Opal Gastransport, OAO Gazprom, OOO Gazprom Export, BNetzA, Higher Regional Court of Düsseldorf, European Union Court of Justice	The complaint and the request for injunctive relief have been filed with the General Court of the European Union against the European Commission's decision of October 28th 2016 whereby the Commission allowed a revision to the exemption of the OPAL pipeline from the common gas market regulations (especially with respect to the Third Party Access (TPA) principle), in accordance with the text of the administrative decision issued by Bundesnetzagentur, subject to modifications referred to in the Commission's decision. On December 4th 2019, the Court of Justice of the European Union (TSUE) dismissed the appeals lodged by PST and PGNiG, upholding the decision of the General Court of the EU and referring only to formal issues and not to the substantive analysis of the case. On December 4th 2019, the CJEU also dismissed the appeal lodged by the Republic of Poland in the PST case, indicating that the decision of the General Court of the EU is irrelevant to the case initiated based on the Republic of Poland's complaint under Case No. T-883/16. The complaint and the request for injunctive relief 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 (in particular the TPA principle). On January 9th 2019, Bundesnetzagentur resumed proceedings concerning a previous decision issued in 2009 on the terms of the regulatory exemption of the Opal gas pipeline, and at the same time it suspended the proceedings. On January 28th 2019, PGNiG and PST filed a request to join in the proceedings. In its reply of February 25th 2019, the German regulatory authority stated that the request would be examined after the pending court proceedings had been closed. On September 13th 2019, Bundesnetzagentur obliged the transmission system operator Opal Gastransport GmbH's to reduce gas flows in the Opal pipeline, thus responding to the judgment of the CJEU of September 10th 2019 in Case No. T-883/16 initiated by the complaint of the Republic of Poland, declaring invalidity of the European Commission's decision of October 28th 2016 on the rules for using the Opal pipeline.

(in PLN million unless stated otherwise)

	An appeal against the judgment of the General Court of the EU was filed by the Federal Republic of Germany. On March 18th 2021, the Advocate General of the CJEU issued an opinion on maintaining the validity of the judgment issued by the General Court of the EU. On July 15th 2021, the Court of Justice of the European Union dismissed the appeal of the Federal Republic of Germany and found that by issuing a decision on the OPAL pipeline the European Commission violated the principle of energy solidarity. The judgment is final.
Proceedings concerning certification of Nord Stream 2 AG as an independent operator Parties to the proceedings: PGNiG, PST, NS2 AG, BNetzA, German Federal Ministry of Economy	On June 11th 2021, Nord Stream 2 AG applied to the German regulator BNetzA to be certified as an independent operator of the Nord Stream 2 pipeline. On July 30th 2021, PGNiG S.A. and PST filed a request to be permitted to join the proceedings conducted by BNetzA. On September 21st 2021, the German regulator decided to allow PGNiG and PST to join the proceedings, and thus commenced consultations on whether the certification of Nord Stream 2 AG as an independent operator would not compromise the energy security of the EU Member States concerned. PGNiG and PST are preparing a position which challenges both the possibility and the validity of issuing a positive certification decision for NS2 AG.

4.7 Settlements related to court proceedings

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

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

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

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

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

4.10 Related-party transactions

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

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

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

(in PLN million unless stated otherwise)

4.12 Events subsequent to the reporting date

Date	Company	Event
October 8th 2021	PGNiG S.A.	On October 8th 2021, PGNiG filed with the President of the Office of Competition and Consumer Protection (UOKiK) an application constituting a notification of an intended concentration (the "Application") in connection with the planned merger of PGNiG with Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN") under Art. 492.1.1 of the Commercial Companies Code of September 15th 2000 (the "Concentration") as part of the ongoing concentration control proceedings initiated by PKN ORLEN. As the obligation to notify the concentration materialised, PGNiG has notified its intention to implement the Concentration as its other participant. The Company's Application and the corresponding application filed by PKN ORLEN on May 10th 2021 pertain to the same Concentration. In addition to the presentation of the parties to and objectives of the Concentration, the Application describes the parties' operations in the identified markets and arguments regarding the effect of the Concentration on competition on those markets.
October 12th 2021	PGNiG S.A.	On October 12th 2021, the Management Board of PGNiG S.A. passed a resolution initiating a process to optimise the PGNiG Group's operations (the "Optimisation Process"), selecting a proposed reorganisation and asset restructuring scenario. The need to embark on the Optimisation Process was identified by PGNiG in view of certain newly emerging market requirements related, among other things, to environmental and regulatory changes, especially the ongoing energy transition. In the opinion of the Company's Management Board, the Optimisation Process would help maximise the operational and financial efficiency of the PGNiG Group, increase its potential to enter into strategic alliances and deliver the objectives set out in the PGNiG Group's Strategy for 2017–2022 with an outlook until 2026 (published in Current Report No. 19/2017 of March 13th 2017) for the corporate centre area to achieve efficiency gains by optimising PGNiG's business model in terms of underlying processes, organisational structure and tools. Based on the proposed scenario, the Optimisation Process would comprise several stages. Initially, PGNiG's operations comprising the exploration for and production of hydrocarbons, wholesale and storage of gas would be spun off and transferred from PGNiG to a newly established subsidiary ("SPV") as contribution of an organised part of business. In the next step, the SPV would acquire from PGNiG shares in selected segment companies of the PGNiG Group. The purpose behind the planned reorganisation and asset restructuring is to transform the PGNiG Group towards a holding structure model, in line with leading oil & gas industry practices on international markets. The Optimisation Process is intended to deliver a number of benefits, including improved efficiency of the PGNiG Group's management processes, greater transparency and flexibility of the organisational structure, operating cost savings and reduced business risks. The proposed adaptation of the PGNiG Group towards a holding structure would enhance its ability to achieve operational synergies within key business segments, while accelerating and improving the efficiency of the energy transition process.
October 28th 2021	PGNiG S.A.	On October 28th 2021, the Company submitted a notice to PAO Gazprom and OOO Gazprom Export (Gazprom) modifying its request for renegotiation of the contract price of gas supplied by Gazprom under the contract for sale of natural gas to the Republic of Poland, dated September 25th 1996 (the Yamal Contract), with a view to its reduction, submitted by PGNiG on November 1st 2020, as announced by the Company in Current Report No. 57/2020, by indicating November 1st 2021 as the new date of entry into effect of the requested renegotiation, subject to the possibility of treating the notice as a separate request for renegotiation of the contract price within the meaning of the Yamal Contract.

(in PLN million unless stated otherwise)

		The indication of the new date of entry into effect of the requested price renegotiation is related to the scale of market developments over the last few months, as well as the unprecedented levels of natural gas prices. This may result in a possible retroactive change of the price as of November 1st 2021. The announcement of information on the Management Board’s decision to send the notice to Gazprom was delayed on October 26th 2021 until October 28th 2021 pursuant to Article 17(4) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16th 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

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

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

5. Quarterly financial data of PGNiG S.A.

5.1 Interim condensed separate financial statements

Separate statement of profit or loss	3 months ended September 30th 2021	9 months ended September 30th 2021	3 months ended September 30th 2020	9 months ended September 30th 2020
Revenue from sales of gas*	5,619	15,490	2,463	11,336
Other revenue*	1,306	3,848	1,017	3,181
Revenue	**6,925**	**19,338**	**3,480**	**14,517**
Cost of gas sold	(3,889)	(11,534)	(1,231)	(7,549)
Effect of the annex executed with PAO Gazprom/OOO Gazprom Export on cost of gas in 2014–2019	-	-	-	4,915
Other raw materials and consumables used	(696)	(2,099)	(567)	(1,746)
Employee benefits expense	(188)	(597)	(180)	(570)
Transmission, distribution and storage services	(227)	(694)	(226)	(682)
Other services	(233)	(1,056)	(265)	(749)
Depreciation and amortisation expense	(211)	(620)	(200)	(611)
Taxes and charges	(148)	(384)	(99)	(298)
Other income and expenses	(773)	(802)	(203)	377
Work performed by the entity and capitalised	2	7	2	8
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	37	509	45	(679)
Dividends	16	740	432	455
Finance income	78	99	7	94
Interest income calculated using the effective interest rate	49	148	44	171
Finance costs	(62)	(107)	(14)	(141)
Revaluation of financial assets	(41)	(169)	(23)	(41)
Profit before tax	**639**	**2,779**	**1,002**	**7,471**
Income tax	(154)	(424)	(130)	(1,369)
Net profit	**485**	**2,355**	**872**	**6,102**
Weighted average number of ordinary shares (million)	5,778	5,778	5,778	5,778
Basic and diluted earnings per share (PLN)	0.08	0.41	0.15	1.06

** In the separate financial statements for 2020, the Company changed the presentation of 'Revenue', whereby it has been classified as either 'Revenue from sales of natural gas' or 'Other revenue'. As a result, sales of propane butane and helium were transferred from 'Revenue from sales of natural gas' (previously: 'Revenue from sales of gas') to 'Other revenue'. The comparative data for the period ended September 30th 2020 was adjusted for PLN 219m.*

Separate statement of comprehensive income	3 months ended September 30th 2021	9 months ended September 30th 2021	3 months ended September 30th 2020	9 months ended September 30th 2020
Net profit	**485**	**2,355**	**872**	**6,102**
Hedge accounting	(939)	(1,049)	(376)	(690)
Deferred tax	178	199	71	131
Other comprehensive income subject to reclassification to profit or loss	**(761)**	**(850)**	**(305)**	**(559)**
Actuarial losses on employee benefits	-	(2)	-	(26)
Deferred tax	-	-	-	5
Other comprehensive income not subject to reclassification to profit or loss	**-**	**(2)**	**-**	**(21)**
Other comprehensive income, net	**(761)**	**(852)**	**(305)**	**(580)**
Total comprehensive income	**(276)**	**1,503**	**567**	**5,522**

(in PLN million unless stated otherwise)

Separate statement of cash flows	9 months ended September 30th 2021	9 months ended September 30th 2020
Cash flows from operating activities		
Net profit	2,355	6,102
Depreciation and amortisation expense	620	611
Interest and dividends	(866)	(581)
Net gain/(loss) on investing activities	(405)	700
Other non-cash adjustments	889	506
Income tax paid	(515)	(1,385)
Income tax expense recognised in profit or loss for the period	424	1,369
Movements in working capital	(5,191)	70
Net cash from operating activities	**(2,689)**	**7,392**
Cash flows from investing activities		
Payments for tangible exploration and evaluation assets	(416)	(565)
Payments for other property, plant and equipment and intangible assets	(320)	(226)
Loans	(1,085)	(1,464)
Payments for derivative financial instruments	(34)	(65)
Payments for shares in related entities	(260)	(4)
Payments for acquisition of securities	-	(400)
Other cash used in investing activities	(14)	(24)
Repayments of loans	806	385
Proceeds from derivative financial instruments	30	172
Interest received	124	142
Dividends received	738	449
Proceeds from sale of property, plant and equipment and intangible assets	7	61
Net cash from investing activities	**(424)**	**(1,539)**
Cash flows from financing activities		
Proceeds from borrowings	2,500	-
Other cash generated by financing activities	3	1
Dividends paid	(1,213)	(520)
Repayment of borrowings	-	(3,000)
Redemption of debt securities		
Interest paid	(35)	(45)
Repayment of lease liabilities	(12)	(13)
Net cash from financing activities	**1,243**	**(3,577)**
Net cash flows	**(1,870)**	**2,276**
Cash and cash equivalents at beginning of the period	7,534	4,525
Cash and cash equivalents at end of the period	**5,664**	**6,801**
including restricted cash*	3,712	349

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

Cash pooling agreements

As at September 30th 2021, the Group was a party to two cash pooling agreements:

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

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

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

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

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 September 30th 2021	9 months ended September 30th 2020
Cash and cash equivalents at end of the period in the statement of cash flows	**5,664**	**6,801**
Opening balance of net exchange differences on cash	(152)	(4)
Opening balance of inflows/outflows of cash under cash pooling arrangement	(1,051)	(2,406)
Opening balance of impairment losses on cash	(2)	-
Net exchange differences on cash in the period	315	(106)
Changes in impairment losses on cash	(1)	(3)
Inflows/(outflows) of cash under cash pooling arrangement in the period	21	2,121
Cash at end of the period in the statement of financial position	**4,794**	**6,403**

(in PLN million unless stated otherwise)

Separate statement of financial position	As at September 30th 2021	As at December 31st 2020
Assets		
Property, plant and equipment	12,019	11,766
Licences, mining rights and rights to geological information	116	123
Deferred tax assets	560	155
Shares	10,505	10,288
Derivative financial instruments	873	127
Loans	7,755	7,496
Purchased debt instruments	392	394
Other assets	359	388
Non-current assets	**32,579**	**30,737**
Inventories	4,890	2,070
Receivables*	5,460	1,778
Cash pooling receivables	1,841	1,248
Derivative financial instruments	6,943	1,014
Loans	572	531
Purchased debt instruments	8	8
Other assets	114	31
Cash and cash equivalents	4,794	6,329
Current assets	**24,622**	**13,009**
TOTAL ASSETS	**57,201**	**43,746**
Equity and liabilities		
Share capital and share premium	7,518	7,518
Capital reserve	1,867	1,867
Hedging reserve	(1,372)	(17)
Accumulated other comprehensive income	(25)	(23)
Retained earnings	28,027	26,885
Total equity	**36,015**	**36,230**
Financing liabilities	309	310
Derivative financial instruments	3,110	285
Employee benefit obligations	369	356
Provision for well decommissioning costs and other environmental liabilities	2,457	2,414
Other provisions	5	4
Grants	431	450
Other liabilities	49	52
Non-current liabilities	**6,730**	**3,871**
Financing liabilities	2,513	10
Derivative financial instruments	7,242	822
Trade and tax payables	3,406	2,120
Cash pooling liabilities	823	203
Employee benefit obligations	96	119
Provision for well decommissioning costs and other environmental liabilities	35	35
Other provisions	280	275
Other liabilities	61	61
Current liabilities	**14,456**	**3,645**
TOTAL LIABILITIES	**21,186**	**7,516**
TOTAL EQUITY AND LIABILITIES	**57,201**	**43,746**

** The significant increase in 'Receivables' was largely attributable to the growing prices and volumes of gas supplied by the Company. Another important factor behind its growth were margins receivable in bilateral transactions.*

Separate statement of changes in equity

	Share capital and share premium	Capital reserve	Hedging reserve	Accumulated other comprehensive income	Retained earnings	Total equity
As at January 1st 2020	**7,518**	**1,867**	**737**	**-**	**20,496**	**30,618**
Net profit	-	-	-	-	6,102	6,102
Other comprehensive income, net	-	-	(559)	(21)	-	(580)
Total comprehensive income	**-**	**-**	**(559)**	**(21)**	**6,102**	**5,522**
Dividend	-	-	-	-	(520)	(520)
Change in equity recognised in inventories	-	-	295	-	-	295
As at September 30th 2020	**7,518**	**1,867**	**473**	**(21)**	**26,078**	**35,915**
As at January 1st 2021	**7,518**	**1,867**	**(17)**	**(23)**	**26,885**	**36,230**
Net profit	-	-	-	-	2,355	2,355
Other comprehensive income, net	-	-	(850)	(2)	-	(852)
Total comprehensive income	**-**	**-**	**(850)**	**(2)**	**2,355**	**1,503**
Dividend	-	-	-	-	(1,213)	(1,213)
Change in equity recognised in inventories	-	-	(505)	-	-	(505)
As at September 30th 2021	**7,518**	**1,867**	**(1,372)**	**(25)**	**28,027**	**36,015**

(in PLN million unless stated otherwise)

5.2 Notes to the interim condensed separate financial statements

Deferred tax

	As at January 1st 2020	Credited/Charged: Net profit/(loss)	Credited/Charged: Other comprehensive income	As at December 31st 2020	Credited/Charged: Net profit/(loss)	Credited/Charged: Other comprehensive income	As at September 30th 2021
Deferred tax assets							
Employee benefit obligations	64	8	5	77	(3)	-	74
Provision for well decommissioning costs	202	52	-	254	6	-	260
Other provisions	25	4	-	29	8	-	37
Measurement of derivatives	124	62	-	186	1,657	-	1,843
Impairment losses on property, plant and equipment	94	64	-	158	(81)	-	77
Unused tax losses of the Pakistan Branch	33	(13)	-	20	(16)	-	4
Inventory write-downs	76	(67)	-	9	5	-	14
Other	14	-	-	14	47	-	61
Total	**632**	**110**	**5**	**747**	**1,623**	**-**	**2,370**
Deferred tax liabilities							
Difference between depreciation rates for property, plant and equipment	410	(53)	-	357	50	-	407
Measurement of derivatives	391	(14)	(178)	199	1,482	(318)	1,363
Other	33	3	-	36	4	-	40
Total	**834**	**(64)**	**(178)**	**592**	**1,536**	**(318)**	**1,810**
Set-off of assets and liabilities	(632)	-	-	(592)	-	-	(1,810)
After set-off							
Assets	-	-	-	155	-	-	560
Liabilities	(202)	-	-	-	-	-	-
Net effect of changes in the period		**174**	**183**	**-**	**87**	**318**	

(in PLN million unless stated otherwise)

Impairment losses/write-downs

	Property, plant and equipment, licences, mining rights and rights to geological information	Right-of-use assets	Other assets	Loans	Shares	Inventories	Receivables	Cash pooling receivables	Purchased debt instruments	Total
As at January 1st 2020	**3,553**	**47**	**5**	**93**	**2,765**	**401**	**400**	**14**	**39**	**7,317**
Increase taken to profit or loss	1,697	13	2	92	6	21	184	4	-	2,019
Transfers	-	-	52	-	-	-	(52)	-	-	-
Decrease taken to profit or loss	(486)	(3)	-	(53)	-	(376)	(188)	(12)	-	(1,118)
Other changes	(38)	-	-	-	-	-	-	(5)	-	(43)
As at December 31st 2020	**4,726**	**57**	**59**	**132**	**2,771**	**46**	**344**	**1**	**39**	**8,175**
Increase taken to profit or loss	344	33	1	150	6	46	265	10	-	855
Transfers	-	-	79	-	(77)	-	(2)	-	-	-
Decrease taken to profit or loss	(881)	(4)	(1)	(38)	-	(18)	(206)	-	-	(1,148)
Other changes	(66)	-	-	-	-	-	-	-	-	(66)
As at September 30th 2021	**4,123**	**86**	**138**	**244**	**2,700**	**74**	**401**	**11**	**39**	**7,816**

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

Impairment of non-financial assets

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

As at September 30th 2021, the Company did not identify any indications of the need to carry out impairment tests with respect to property, plant and equipment under construction and the right to use hydrocarbon production assets. As a result, impairment losses on non-financial assets remained unchanged relative to those presented in the interim report for the six months ended June 30th 2021.

Trade and other receivables

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

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

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

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

The expected credit loss on current and non-current trade and other receivables was estimated at PLN 456m, including PLN 15m on non-impaired receivables. The amount of PLN 2m reflects the estimated effect of COVID-19 on the recoverability of trade and other receivables at the reporting date and the related expected credit loss in future periods. The expected credit loss is PLN 59m higher than the expected credit loss on trade and other receivables estimated at the end of 2020.

Loans

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

The expected credit loss calculated for loans was estimated at PLN 244m, of which PLN 6m reflects the effect, estimated as at the reporting date, of COVID-19 on the probability of future default by the counterparties. As at September 30th 2021, the expected credit loss on loans, calculated for a 12-month period, was PLN 75m. The total expected credit loss for loans is higher by PLN 112m compared to the expected credit loss for loans as at December 31st 2020.

(in PLN million unless stated otherwise)

Provisions

	Provision for well decommissioning costs and other environmental liabilities	Provision for certificates of origin and energy efficiency certificates	Provision for liabilities associated with exploration work abroad	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Provision for financial guarantees	Other provisions	Total
As at January 1st 2020	**1,970**	**48**	**177**	**6**	**4**	**14**	**21**	**2,240**
Recognised provision capitalised in cost of property, plant and equipment	498	-	-	-	-	-	-	498
Recognised provision taken to profit or loss	54	27	-	-	1	1	4	87
Used	(29)	(7)	-	-	-	-	-	(36)
Provision reversal taken to profit or loss	(45)	(2)	(2)	-	-	(8)	(5)	(62)
Other changes	1	-	-	-	-	-	-	1
As at December 31st 2020	**2,449**	**66**	**175**	**6**	**5**	**7**	**20**	**2,728**
Recognised provision capitalised in cost of property, plant and equipment	79	-	-	-	-	-	-	79
Recognised provision taken to profit or loss	17	33	12	-	-	3	13	78
Used	(14)	(30)	-	(6)	-	-	-	(50)
Provision reversal taken to profit or loss	(39)	(4)	-	-	(1)	(3)	(11)	(58)
As at September 30th 2021	**2,492**	**65**	**187**	**-**	**4**	**7**	**22**	**2,777**

(in PLN million unless stated otherwise)

Revenue

	Total		Domestic sales		Export sales	
	9 months ended September 30th 2021	9 months ended September 30th 2020	9 months ended September 30th 2021	9 months ended September 30th 2020	9 months ended September 30th 2021	9 months ended September 30th 2020
Revenue from sales of gas, including:	**15,490**	**11,336**	**15,109**	**10,646**	**381**	**690**
Revenue from contracts with customers IFRS 15	15,929	10,260	15,548	9,570	381	690
High-methane gas	14,570	9,300	14,349	8,755	221	545
Nitrogen-rich gas	1,154	903	999	759	155	144
LNG	205	57	200	56	5	1
Excluded from the scope of IFRS 15	(439)	1,076	(439)	1,076	-	-
Adjustment to gas sales due to hedging transactions - IFRS 9	(439)	1,076	(439)	1,076	-	-
Other revenue, including:	**3,848**	**3,181**	**3,407**	**2,834**	**441**	**347**
Revenue from contracts with customers IFRS 15	3,418	2,740	2,977	2,393	441	347
Crude oil and natural gasoline	877	600	654	434	223	166
Sales of electricity	1,991	1,742	1,991	1,742	-	-
Propane-butane	58	38	58	38	-	-
Helium	146	181	19	16	127	165
CO_2 emission allowances	55	21	55	21	-	-
Other	291	158	200	142	91	16
Excluded from the scope of IFRS 15	430	441	430	441	-	-
Right to use storage facilities - IFRS 16	418	430	418	430	-	-
Other income from operating leases - IFRS 16	12	11	12	11	-	-
Total revenue	**19,338**	**14,517**	**18,516**	**13,480**	**822**	**1,037**

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

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

The impact of COVID-19 on the Polish gas market so far is seen by the Company as limited. The market growth rate remained similar to that seen in the first half of 2021 (12% year on year). In the period from January 1st 2021 to September 30th 2021, domestic consumption of high-methane grid gas grew 9% year on year (volume). The above assessment is based on actual transmission data at high-methane gas grid exit points to end users and to the distribution network.

In the case of gas sales through the Polish Power Exchange, the volume of deliveries made by the Company in the period from January 1st 2021 to September 30th 2021 rose by 17% year on year, the growth rate comparable to that recorded in the first half of 2021.

The rate of gas consumption growth on the Polish market may weaken in future periods as customers reduce their consumption due to the above-average levels of gas prices prevailing on the markets.

(in PLN million unless stated otherwise)

Operating expenses (selected items)

	9 months ended September 30th 2021	9 months ended September 30th 2020
Cost of gas sold	**(11,534)**	**(7,549)**
Gas fuel	(11,534)	(7,549)
Effect of the annex executed with PAO Gazprom/OOO Gazprom Export on cost of gas in 2014–2019	**-**	**4,915**
Other raw materials and consumables used	**(2,099)**	**(1,746)**
Electricity for trading	(1,988)	(1,664)
Other raw materials and consumables used	(111)	(82)
Employee benefits expense	**(597)**	**(570)**
Salaries and wages	(456)	(412)
Social security contributions*	(81)	(74)
Other employee benefits expense*	(81)	(78)
Provisions for employee benefits	21	(6)
Transmission, distribution and storage services	**(694)**	**(682)**
Other services	**(1,056)**	**(749)**
Regasification services	(253)	(292)
Cost of dry wells written off	(458)	(124)
Repair and construction services	(28)	(31)
Geological and exploration services	(42)	(34)
Mineral resources production services	(17)	(18)
Well abandonment services	(8)	(17)
IT services	(72)	(74)
Other services	(178)	(159)
Depreciation and amortisation expense	**(620)**	**(611)**
Depreciation of non-leased assets	(606)	(598)
Depreciation of the right of use	(14)	(13)
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	**509**	**(679)**
Impairment losses on property, plant and equipment and rights-of-use assets	510	(666)
Impairment losses on intangible assets	(1)	(13)
Total	**(16,091)**	**(7,671)**

* *In the separate financial statements for 2020, the Company changed the presentation of costs of the Occupational Pension Scheme, which were previously presented under 'Social security contributions'. The change consists in the transfer of the costs to 'Other employee benefits'. As a result, the comparative data for the period ended September 30th 2020 was adjusted for PLN 25m.*

Other income and expenses (selected items)

	9 months ended September 30th 2021	9 months ended September 30th 2020
Measurement and exercise of derivative financial instruments	(798)	(24)
Change in inventory write-downs	(28)	356
Change in provision for well decommissioning costs and other provisions related to environmental protection	22	(3)
Change in provision for certificates of origin and energy efficiency certificates	(29)	(19)
Cost of merchandise and materials sold	(71)	(23)
- including the amount of value of CO_2 emission allowances sold	(59)	(21)
Change in provision for claims under extra-contractual use of land	1	-
Change in other provisions	(2)	(23)
Net exchange differences related to operating activities	102	135
Other	1	(22)
Total other income and expenses	**(802)**	**377**

Finance income and costs (selected items)

	9 months ended September 30th 2021	9 months ended September 30th 2020
Finance income		
Gain on measurement and exercise of forward contracts	-	83
Foreign exchange gains	89	-
Other finance income	10	11
Total finance income	**99**	**94**
Finance costs		
Loss on measurement and exercise of forward contracts	(66)	-
Debt-related interest and fees	(34)	(35)
- including interest on lease liabilities	(5)	(6)
Foreign exchange losses	-	(100)
Other	(7)	(6)
Total finance costs	**(107)**	**(141)**

(in PLN million unless stated otherwise)

Income tax

Reconciliation of effective tax rate	9 months ended September 30th 2021	9 months ended September 30th 2020
Profit before tax	**2,779**	**7,471**
Corporate income tax at the applicable 19% statutory rate	(528)	(1,420)
Non-taxable income/(Non-deductible expenses)	104	51
Corporate income tax at the effective tax rate	**(424)**	**(1,369)**
Current tax expense	(511)	(1,436)
Deferred tax expense	87	67
Effective tax rate	**15%**	**18%**

Tax group

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

Property, plant and equipment

	As at September 30th 2021	As at December 31st 2020
Land	19	19
Buildings and structures	6,710	6,814
Plant and equipment	1,861	1,935
Vehicles and other	80	75
Total tangible	**8,670**	**8,843**
Tangible exploration and evaluation assets under construction	2,322	2,139
Other tangible assets under construction	681	469
Total tangible assets under construction	**3,003**	**2,608**
Perpetual usufruct of land (PWUG)	271	243
Right-of-use asset – plots/land	47	44
Right-of-use asset – buildings and structures	10	9
Right-of-use asset – plant and equipment	1	2
Right-of-use asset – vehicles	17	17
Total right-of-use assets	**346**	**315**
Total property, plant and equipment	**12,019**	**11,766**

(in PLN million unless stated otherwise)

Hedge accounting

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

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

Type of hedging instrument	Notional amount*	Carrying amount as at September 30th 2021		Period when cash flow will occur and affect the financial result	Change in fair value of hedging instrument used as basis for recognising hedge ineffectiveness in a given period	Hedging gains or losses for reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss (since the inception of the hedging relationship)	Amount reclassified from cash flow hedging reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
		Assets	Liabilities						
CASH FLOW HEDGES									
CURRENCY RISK									
Forward contracts for currency purchase (USD/PLN)	2,292	124	-	up to 3 years	138	164	-	Not applicable**	Not applicable
Forward contracts to purchase USD for EUR (EUR/USD)	3,368	110	2	up to 4 years	101	143	-	(1)	Revenue from sales of gas
Average rate forwards (EUR/PLN)	3,801	-	72	up to 3 years	(107)	(15)	-	27	Revenue from sales of gas
COMMODITY PRICE RISK									
Basis swap contracts for gas price indices	310	46	130	1–3 months	(431)	(404)	-	347	Revenue from sales of gas
Swap contracts for gas price indices	23,775	2 186	4,282	up to 4 years	(2,152)	(2,216)	19	66	Revenue from sales of gas
Swap contracts for HH price indices	4,180	553	8	up to 4 years	561	556	2	Not applicable**	Not applicable
Swap contracts for petroleum product price indices	652	261	-	up to 3 years	401	284	-	Not applicable**	Not applicable
Total	**38,378**	**3,280**	**4,494**		**(1,489)**	**(1,488)**	**21**	**439**	

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

(in PLN million unless stated otherwise)

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

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

(in PLN million unless stated otherwise)

Cash flow hedges

Hedged items as at September 30th 2021	Change in value of hedged item used as basis for recognising hedge ineffectiveness in given period	Balance of cash flow hedging reserve for continuing hedges	Balance remaining in cash flow hedging reserve in respect of all hedging relationships for which hedge accounting is no longer applied
CURRENCY RISK			
Natural gas (USD/PLN)	(138)	124	-
Natural gas (EUR/USD)	(101)	107	-
Natural gas (EUR/PLN)	107	(69)	(10)
COMMODITY PRICE RISK			
Gas contracts indexed to European gas price indices (daily or monthly)	2,600	(2,126)	(524)
Gas contracts indexed to monthly HH price indices	(559)	544	(1)
Gas contracts indexed to monthly petroleum product indices	(402)	261	-
TOTAL	**1,507**	**(1,159)**	**(535)**

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

Reconciliation of hedging reserve

	2021	2020
Gross amount at beginning of the period	(21)	911
Net amount at beginning of the period	(17)	738
CURRENCY RISK		
Hedging gains or losses recognised in other comprehensive income during reporting period	292	(152)
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	26	(49)
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	(7)	(107)
Gross hedging reserve	**311**	**(308)**
Deferred tax on settlement and measurement of hedging instruments	(59)	59
Net hedging reserve	**252**	**(249)**
COMMODITY PRICE RISK		
Hedging gains or losses recognised in other comprehensive income during reporting period	(1,780)	(4)
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	413	(1,013)
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	(617)	393
Gross hedging reserve	**(1,984)**	**(624)**
Deferred tax on settlement and measurement of hedging instruments	377	119
Net hedging reserve	**(1,607)**	**(505)**
Gross amount at end of the period	**(1,694)**	**(21)**
Net amount at end of the period	**(1,372)**	**(17)**

Management Board of PGNiG S.A.

President of the Management Board	Paweł Majewski	*Signed with qualified electronic signature*
Vice President of the Management Board	Artur Cieślik	*Signed with qualified electronic signature*
Vice President of the Management Board	Robert Perkowski	*Signed with qualified electronic signature*
Vice President of the Management Board	Arkadiusz Sekściński	*Signed with qualified electronic signature*
Vice President of the Management Board	Przemysław Wacławski	*Signed with qualified electronic signature*
Vice President of the Management Board	Magdalena Zegarska	*Signed with qualified electronic signature*

Warsaw, November 23rd 2021

This document is an English version of the original Polish version.

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