

# **INTERIM REPORT for the six months ended June 30th 2021**

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

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# 2021



## Financial highlights

### Key data from the interim condensed consolidated financial statements

|   | PLNm                          |                               | EURm                          |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | 6 months ended June 30th 2021 | 6 months ended June 30th 2020 | 6 months ended June 30th 2021 | 6 months ended June 30th 2020 |
| Revenue   | 24,985                        | 21,038                        | 5,495                         | 4,737                         |
| Operating profit before interest, taxes, depreciation and amortisation (EBITDA) | 5,195                         | 9,352                         | 1,142                         | 2,106                         |
| Operating profit (EBIT)   | 3,417                         | 7,656                         | 751                           | 1,724                         |
| Profit before tax   | 3,336                         | 7,327                         | 734                           | 1,650                         |
| Net profit attributable to owners of the parent                                 | 2,434                         | 5,920                         | 535                           | 1,333                         |
| Net profit  | 2,434                         | 5,920                         | 535                           | 1,333                         |
| Total comprehensive income attributable to owners of the parent                 | 2,371                         | 5,597                         | 521                           | 1,260                         |
| Total comprehensive income  | 2,371                         | 5,597                         | 521                           | 1,260                         |
| Net cash from operating activities  | 4,750                         | 6,679                         | 1,045                         | 1,504                         |
| Net cash from investing activities  | (2,878)                       | (2,938)                       | (633)                         | (662)                         |
| Net cash from financing activities  | (1,065)                       | (3,119)                       | (234)                         | (702)                         |
| Net cash flows  | 807                           | 622                           | 177                           | 140                           |
| Basic and diluted earnings per share (in PLN and EUR, respectively)             | 0.42                          | 1.02                          | 0.09                          | 0.23                          |

|   | As at June 30th 2021 | As at December 31st 2020 | As at June 30th 2021 | As at December 31st 2020 |
|---|----------------------|--------------------------|----------------------|--------------------------|
| Total assets  | 68,636               | 62,871                   | 15,182               | 13,624                   |
| Total liabilities   | 22,333               | 18,746                   | 4,940                | 4,062                    |
| Non-current liabilities   | 12,138               | 11,666                   | 2,685                | 2,528                    |
| Current liabilities   | 10,195               | 7,080                    | 2,255                | 1,534                    |
| Total equity  | 46,303               | 44,125                   | 10,242               | 9,562                    |
| Share capital   | 5,778                | 5,778                    | 1,278                | 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) | 8.01                 | 7.64                     | 1.77                 | 1.65                     |
| Dividend per share declared or paid (PLN and EUR)               | 0.21                 | 0.09                     | 0.05                 | 0.02                     |

### Key data from the interim condensed separate financial statements

|  | PLNm                          |                               | EURm                          |                               |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | 6 months ended June 30th 2021 | 6 months ended June 30th 2020 | 6 months ended June 30th 2021 | 6 months ended June 30th 2020 |
| Revenue  | 12,413                        | 11,037                        | 2,730                         | 2,485                         |
| Operating profit before interest, taxes, depreciation and amortisation (EBITDA)              | 1,836                         | 6,776                         | 404                           | 1,526                         |
| Operating profit (EBIT)  | 1,427                         | 6,365                         | 314                           | 1,433                         |
| Profit before tax  | 2,140                         | 6,469                         | 471                           | 1,457                         |
| Net profit   | 1,870                         | 5,230                         | 411                           | 1,178                         |
| Total comprehensive income   | 1,779                         | 4,955                         | 391                           | 1,116                         |
| Net cash from operating activities   | (257)                         | 2,622                         | (57)                          | 590                           |
| Net cash from investing activities   | 738                           | (1,083)                       | 162                           | (244)                         |
| Net cash from financing activities   | (28)                          | (3,051)                       | (6)                           | (687)                         |
| Net cash flows   | 453                           | (1,512)                       | 99                            | (341)                         |
| Earnings and diluted earnings per share attributable to holders of ordinary shares (PLN/EUR) | 0.32                          | 0.91                          | 0.07                          | 0.20                          |

|   | As at June 30th 2021 | As at December 31st 2020 | As at June 30th 2021 | As at December 31st 2020 |
|---|----------------------|--------------------------|----------------------|--------------------------|
| Total assets  | 48,058               | 43,746                   | 10,631               | 9,480                    |
| Total liabilities   | 10,242               | 7,516                    | 2,266                | 1,629                    |
| Non-current liabilities   | 4,476                | 3,871                    | 990                  | 839                      |
| Current liabilities   | 5,766                | 3,645                    | 1,276                | 790                      |
| Total equity  | 37,816               | 36,230                   | 8,365                | 7,851                    |
| Share capital and share premium                                 | 7,518                | 7,518                    | 1,663                | 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) | 6.54                 | 6.27                     | 1.45                 | 1.36                     |
| Dividend per share declared or paid (PLN and EUR)               | 0.21                 | 0.09                     | 0.05                 | 0.02                     |

### Average EUR/PLN exchange rates quoted by the NBP

|                                  | June 30th 2021 | June 30th 2020 | December 31st 2020 |
|----------------------------------|----------------|----------------|--------------------|
| Average exchange rate for period | 4.5472         | 4.4413         | 4.4742             |
| Exchange rate at end of period   | 4.5208         | 4.4660         | 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                | 6 months                | 3 months                | 6 months                |
|--|----------|-------------------------|-------------------------|-------------------------|-------------------------|
|  |          | ended June<br>30th 2021 | ended June<br>30th 2021 | ended June<br>30th 2020 | ended June<br>30th 2020 |
|  |          | unaudited               | unaudited               | unaudited               | unaudited               |
| Revenue from sales of gas*   | Note 3.4 | 7,274                   | 17,879                  | 4,850                   | 15,265                  |
| Other revenue*   | Note 3.4 | 3,158                   | 7,106                   | 2,432                   | 5,773                   |
| <b>Revenue</b>   |          | <b>10,432</b>           | <b>24,985</b>           | <b>7,282</b>            | <b>21,038</b>           |
| Cost of gas  | Note 3.5 | (6,023)                 | (14,566)                | (2,764)                 | (11,458)                |
| Effect of the annex executed with PAO Gazprom/OOO Gazprom Export on cost of gas in 2014–2019         | Note 3.5 | -                       | -                       | 4,915                   | 4,915                   |
| Other raw materials and consumables used   | Note 3.5 | (811)                   | (1,901)                 | (671)                   | (1,549)                 |
| Employee benefits expense  | Note 3.5 | (814)                   | (1,651)                 | (801)                   | (1,601)                 |
| Transmission services  |          | (269)                   | (538)                   | (260)                   | (519)                   |
| Other services   | Note 3.5 | (495)                   | (899)                   | (440)                   | (859)                   |
| Taxes and charges  |          | (98)                    | (731)                   | (66)                    | (640)                   |
| Other income and expenses  | Note 3.6 | (487)                   | (171)                   | 14                      | 459                     |
| Work performed by the entity and capitalised   |          | 267                     | 551                     | 223                     | 498                     |
| Recognition and reversal of impairment losses on property, plant and equipment and intangible assets | Note 3.5 | 100                     | 116                     | (158)                   | (932)                   |
| <b>Operating profit before interest, taxes, depreciation and amortisation (EBITDA)</b>               |          | <b>1,802</b>            | <b>5,195</b>            | <b>7,274</b>            | <b>9,352</b>            |
| Depreciation and amortisation expense  |          | (822)                   | (1,778)                 | (825)                   | (1,696)                 |
| <b>Operating profit (EBIT)</b>   |          | <b>980</b>              | <b>3,417</b>            | <b>6,449</b>            | <b>7,656</b>            |
| Net finance costs  | Note 3.7 | (30)                    | (87)                    | 149                     | (121)                   |
| Profit/(loss) from equity-accounted investees  |          | 6                       | 6                       | (217)                   | (208)                   |
| <b>Profit before tax</b>   |          | <b>956</b>              | <b>3,336</b>            | <b>6,381</b>            | <b>7,327</b>            |
| Income tax   | Note 3.8 | (269)                   | (902)                   | (1,240)                 | (1,407)                 |
| <b>Net profit</b>  |          | <b>687</b>              | <b>2,434</b>            | <b>5,141</b>            | <b>5,920</b>            |
| Net profit attributable to:  |          |                         |                         |                         |                         |
| Owners of the parent   |          | 687                     | 2,434                   | 5,141                   | 5,920                   |
| 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                    | 0.42                    | 0.89                    | 1.02                    |

| Consolidated statement of comprehensive income                                      | Note | 3 months                | 6 months                | 3 months                | 6 months                |
|---|------|-------------------------|-------------------------|-------------------------|-------------------------|
|   |      | ended June<br>30th 2021 | ended June<br>30th 2021 | ended June<br>30th 2020 | ended June<br>30th 2020 |
|   |      | unaudited               | unaudited               | unaudited               | unaudited               |
| <b>Net profit</b>   |      | <b>687</b>              | <b>2,434</b>            | <b>5,141</b>            | <b>5,920</b>            |
| Exchange differences on translating foreign operations                              |      | (56)                    | 21                      | 6                       | (21)                    |
| Hedge accounting  |      | (399)                   | (111)                   | (257)                   | (314)                   |
| Deferred tax  |      | 76                      | 21                      | 49                      | 60                      |
| <b>Other comprehensive income subject to reclassification to profit or loss</b>     |      | <b>(379)</b>            | <b>(69)</b>             | <b>(202)</b>            | <b>(275)</b>            |
| Actuarial losses on employee benefits   |      | 5                       | 5                       | (54)                    | (54)                    |
| Deferred tax  |      | (1)                     | (1)                     | 10                      | 10                      |
| Share of other comprehensive income of equity-accounted investees                   |      | 2                       | 2                       | (4)                     | (4)                     |
| <b>Other comprehensive income not subject to reclassification to profit or loss</b> |      | <b>6</b>                | <b>6</b>                | <b>(48)</b>             | <b>(48)</b>             |
| <b>Other comprehensive income, net</b>  |      | <b>(373)</b>            | <b>(63)</b>             | <b>(250)</b>            | <b>(323)</b>            |
| <b>Total comprehensive income</b>   |      | <b>314</b>              | <b>2,371</b>            | <b>4,891</b>            | <b>5,597</b>            |
| Total comprehensive income attributable to:   |      |                         |                         |                         |                         |
| Owners of the parent  |      | 314                     | 2,371                   | 4,891                   | 5,597                   |
| 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 2.3.



| Consolidated statement of cash flows  | Note | 6 months<br>ended June<br>30th 2021<br>unaudited | 6 months<br>ended June<br>30th 2020<br>unaudited |
|---|------|--|--|
| <b>Cash flows from operating activities</b>   |      |  |  |
| Net profit  |      | 2,434  | 5,920  |
| Depreciation and amortisation expense   |      | 1,778  | 1,696  |
| Current tax expense   |      | 902  | 1,407  |
| Net gain/(loss) on investing activities   |      | (450)  | 874  |
| Other non-cash adjustments  |      | 235  | 756  |
| Income tax paid   |      | (382)  | (609)  |
| Movements in working capital  |      | 233  | (3,365)  |
| <b>Net cash from operating activities</b>   |      | <b>4,750</b>                                     | <b>6,679</b>                                     |
| <b>Cash flows from investing activities</b>   |      |  |  |
| Payments for acquisition of tangible exploration and evaluation assets under construction |      | (297)  | (523)  |
| Payments for other property, plant and equipment and intangible assets                    |      | (2,549)  | (2,330)  |
| Payments for shares in related entities   |      | (26)   | -  |
| Payments for acquisition of short-term securities   |      | -  | (118)  |
| Proceeds from sale of short-term securities   |      | -  | 109  |
| Other items, net  |      | (6)  | (76)   |
| <b>Net cash from investing activities</b>   |      | <b>(2,878)</b>                                   | <b>(2,938)</b>                                   |
| <b>Cash flows from financing activities</b>   |      |  |  |
| Increase in debt  |      | 4  | 295  |
| Decrease in debt  |      | (1,077)  | (3,400)  |
| Other items, net  |      | 8  | (14)   |
| <b>Net cash from financing activities</b>   |      | <b>(1,065)</b>                                   | <b>(3,119)</b>                                   |
| <b>Net cash flows</b>   |      | <b>807</b>                                       | <b>622</b>                                       |
| Cash and cash equivalents at beginning of the period                                      |      | 7,098  | 3,037  |
| Foreign exchange differences on cash and cash equivalents                                 |      | 331  | 8  |
| Impairment losses on cash and cash equivalents  |      | (1)  | (1)  |
| <b>Cash and cash equivalents at end of the period</b>                                     |      | <b>8,235</b>                                     | <b>3,666</b>                                     |
| including restricted cash   |      | 2,076  | 483  |

| Consolidated statement of financial position                                   | Note        | As at June<br>30th 2021<br>unaudited | As at December<br>31st 2020<br>audited |
|--|-------------|--------------------------------------|--|
| <b>ASSETS</b>  |             |                                      |  |
| Property, plant and equipment  | Note 3.9    | 43,998                               | 42,565                                 |
| Intangible assets  |             | 407                                  | 693                                    |
| Deferred tax assets  |             | 316                                  | 42                                     |
| Equity-accounted investees   |             | 975                                  | 966                                    |
| Derivative financial instruments   |             | 378                                  | 143                                    |
| Other assets   |             | 1,745                                | 1,834                                  |
| <b>Non-current assets</b>  |             | <b>47,819</b>                        | <b>46,243</b>                          |
| Inventories  |             | 3,065                                | 2,684                                  |
| Receivables  |             | 5,685                                | 5,288                                  |
| Derivative financial instruments   | Note 3.10   | 3,263                                | 1,310                                  |
| Other assets   |             | 560                                  | 217                                    |
| Cash and cash equivalents  |             | 8,235                                | 7,098                                  |
| Assets held for sale   |             | 9                                    | 31                                     |
| <b>Current assets</b>  |             | <b>20,817</b>                        | <b>16,628</b>                          |
| <b>TOTAL ASSETS</b>  |             | <b>68,636</b>                        | <b>62,871</b>                          |
| <b>EQUITY AND LIABILITIES</b>  |             |                                      |  |
| Share capital and share premium  |             | 7,518                                | 7,518                                  |
| Hedging reserve  |             | (299)                                | (16)                                   |
| Accumulated other comprehensive income   |             | (288)                                | (315)                                  |
| Retained earnings  |             | 39,373                               | 36,939                                 |
| Equity attributable to owners of the parent                                    |             | 46,304                               | 44,126                                 |
| Equity attributable to non-controlling interests                               |             | (1)                                  | (1)                                    |
| <b>TOTAL EQUITY</b>  |             | <b>46,303</b>                        | <b>44,125</b>                          |
| Financing liabilities  |             | 3,266                                | 3,859                                  |
| Derivative financial instruments   |             | 816                                  | 285                                    |
| Employee benefit obligations   |             | 1,045                                | 1,046                                  |
| Provision for decommissioning, restoration and environmental remediation costs | Note 3.3.1. | 3,284                                | 3,241                                  |
| Other provisions   | Note 3.3.2. | 134                                  | 135                                    |
| Grants   |             | 691                                  | 695                                    |
| Deferred tax liabilities   |             | 2,747                                | 2,228                                  |
| Other liabilities  |             | 155                                  | 177                                    |
| <b>Non-current liabilities</b>   |             | <b>12,138</b>                        | <b>11,666</b>                          |
| Financing liabilities  |             | 139                                  | 325                                    |
| Derivative financial instruments   | Note 3.10   | 3,261                                | 1,113                                  |
| Trade and tax payables*  |             | 3,824                                | 3,297                                  |
| Employee benefit obligations   |             | 500                                  | 468                                    |
| Provision for decommissioning, restoration and environmental remediation costs | Note 3.3.1. | 68                                   | 70                                     |
| Other provisions   | Note 3.3.2. | 739                                  | 789                                    |
| Grants   |             | 43                                   | 49                                     |
| Other liabilities  |             | 1,621                                | 969                                    |
| <b>Current liabilities</b>   |             | <b>10,195</b>                        | <b>7,080</b>                           |
| <b>TOTAL LIABILITIES</b>   |             | <b>22,333</b>                        | <b>18,746</b>                          |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |             | <b>68,636</b>                        | <b>62,871</b>                          |

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

**Consolidated statement of changes in equity**

|   | Equity attributable to owners of the parent |               |                 |   |   |   |        |                   |       |  |              |
|---|---|---------------|-----------------|---|---|---|--------|-------------------|-------|--|--------------|
|   | Share capital and share premium, including: |               |                 | Accumulated other comprehensive income: |   |   |        | Retained earnings | Total | Equity attributable to non-controlling interests | Total equity |
|   | Share capital                               | Share premium | Hedging reserve | Translation reserve                     | Actuarial gains/(losses) on employee benefits | Share of other comprehensive income of equity-accounted investees |        |                   |       |  |              |
| <b>As at January 1st 2020 (audited)</b>         | 5,778                                       | 1,740         | 739             | (122)                                   | (117)   | (7)   | 30,097 | 38,108            | (1)   | 38,107   |              |
| Net profit                                      | -   | -             | -               | -                                       | -   | -   | 5,920  | 5,920             | -     | 5,920  |              |
| Other comprehensive income, net                 | -   | -             | (254)           | (21)                                    | (44)  | (4)   | -      | (323)             | -     | (323)  |              |
| <b>Total comprehensive income</b>               | -   | -             | (254)           | (21)                                    | (44)  | (4)   | 5,920  | 5,597             | -     | 5,597  |              |
| Change in equity recognised in inventories, net | -   | -             | 229             | -                                       | -   | -   | -      | 229               | -     | 229  |              |
| Dividend  | -   | -             | -               | -                                       | -   | -   | (520)  | (520)             | -     | (520)  |              |
| Changes in the Group                            | -   | -             | -               | -                                       | -   | -   | 22     | 22                | -     | 22   |              |
| <b>As at June 30th 2020 (unaudited)</b>         | 5,778                                       | 1,740         | 714             | (143)                                   | (161)   | (11)  | 35,519 | 43,436            | (1)   | 43,435   |              |
| <b>As at January 1st 2021 (audited)</b>         | 5,778                                       | 1,740         | (16)            | (132)                                   | (173)   | (10)  | 36,939 | 44,126            | (1)   | 44,125   |              |
| Net profit                                      | -   | -             | -               | -                                       | -   | -   | 2,434  | 2,434             | -     | 2,434  |              |
| Other comprehensive income, net                 | -   | -             | (90)            | 21                                      | 4   | 2   | -      | (63)              | -     | (63)   |              |
| <b>Total comprehensive income</b>               | -   | -             | (90)            | 21                                      | 4   | 2   | 2,434  | 2,371             | -     | 2,371  |              |
| Change in equity recognised in inventories, net | -   | -             | (193)           | -                                       | -   | -   | -      | (193)             | -     | (193)  |              |
| <b>As at June 30th 2021 (unaudited)</b>         | 5,778                                       | 1,740         | (299)           | (111)                                   | (169)   | (8)   | 39,373 | 46,304            | (1)   | 46,303   |              |

# 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 issue date of this interim report for the first half 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. For more information on the PGNiG S.A. shareholding structure, see the Directors’ Report on the operations of PGNiG S.A. and the PGNiG Group in first half of 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 Consolidated Financial Statements) and the interim condensed separate financial statements of PGNiG S.A. (the Separate Financial Statements) for the first half of 2021 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) as endorsed by the European Union and the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (consolidated text: Dz.U. of 2018, item 757).

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

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

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

The issue date of this interim Report for the first half of 2021 is September 2nd 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 June 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  |
|--|---|--|
| <b>Exploration and Production</b><br> | <p>The segment's business focuses on extracting hydrocarbons from deposits and preparing them for sale. It involves the process of exploration for and production of natural gas and crude oil, from geological surveys and geophysical research, through to drilling, development of gas and oil fields, and production of hydrocarbons.</p> <p>The segment sells natural gas to customers outside the Group and to other segments of the PGNiG Group. It also sells crude oil and other products in Poland and abroad.</p>    | <p>This reportable segment comprises the operating segments of PGNiG S.A. (the exploration and production business) as well as the Group companies specified in <a href="#">Figure 1</a>.</p> <p>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).</p> |
| <b>Trade and Storage</b><br>         | <p>The segment's principal business activities are sale of natural gas (imported, produced or purchased on gas exchanges), operation of underground gas storage facilities (Mogilno, Wierzchowice, Kosakowo, Husów, Brzeźnica, Strachocina, Swarzędz 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.</p> | <p>This reportable segment comprises the operating segments of PGNiG S.A. related to the gas fuel and electricity trading business, as well as the Group companies specified in <a href="#">Figure 1</a>.</p> <p>The key aggregation criteria were similarity of products and services, similarity of the customer base, and similar economic characteristics.</p>   |
| <b>Distribution</b><br>             | <p>The segment's principal business activity consists in distribution of natural gas via distribution networks to retail, industrial and wholesale customers, as well as operation, maintenance (repairs) and expansion of gas distribution networks.</p>   | <p>This operating segment overlaps with the reportable Distribution, and comprises Polska Spółka Gazownictwa Sp. z o.o. and its subsidiaries specified in <a href="#">Figure 1</a>.</p>  |
| <b>Generation</b><br>               | <p>The segment's principal business activities consist in generation and sale of electricity and heat.</p>  | <p>This reportable segment comprises the following operating segments: PGNiG TERMIKA S.A. and its subsidiaries.</p> <p>The key aggregation criteria were similarity of products and services, similarity of the customer base, and similar economic characteristics.</p>   |
| <b>Other segments</b><br>           | <p>This segment comprises operations which cannot be classified into any of the segments listed above, i.e. the functions performed by the PGNiG Corporate Centre, engineering design and construction of structures, machinery and equipment for the extraction and energy sectors, as well as catering and hospitality and insurance services.</p>  | <p>It includes PGNiG S.A.'s activities related to corporate support for other reportable segments, and the Group entities which do not qualify to be included in the other reportable segments, specified under Other Segments in <a href="#">Figure 1</a>.</p>  |

## 2.1 Equity-accounted investees

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

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

### Equity-accounted investees as at June 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% <sup>1)</sup>   |
| 2   | SGT EUROPOL GAZ S.A.                | 80,000,000    | 38,400,000                    | 51.18% <sup>2)</sup>  |
| 3   | Polimex-Mostostal S.A.              | 473,237,604   | 78,000,048                    | 16.48% <sup>3)</sup>  |
| 4   | Polska Grupa Górnicza S.A.          | 3,916,718,200 | 800,000,000                   | 20.43% <sup>1)</sup>  |

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

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

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

## 2.2 Key data on the reportable segments

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

| 6 months ended June 30th 2020   | Exploration and Production | Trade and Storage | Distribution | Generation | Other Segments | Total          | Reconciliation with consolidated data* | Total          |
|---|----------------------------|-------------------|--------------|------------|----------------|----------------|--|----------------|
| Sales to external customers   | 1,327                      | 16,312            | 2,374        | 963        | 62             | <b>21,038</b>  |  |                |
| Inter-segment sales   | 794                        | 125               | 39           | 514        | 179            | <b>1,651</b>   |  |                |
| Total revenue   | 2,121                      | 16,437            | 2,413        | 1,477      | 241            | <b>22,689</b>  | (1,651)                                | <b>21,038</b>  |
| EBITDA  | 243                        | 7,555             | 1,176        | 533        | (113)          | <b>9,394</b>   | (42)                                   | <b>9,352</b>   |
| Depreciation and amortisation expense   | (596)                      | (112)             | (527)        | (432)      | (29)           | <b>(1,696)</b> | -                                      | <b>(1,696)</b> |
| Operating profit (EBIT)   | (353)                      | 7,443             | 649          | 101        | (142)          | <b>7,698</b>   | (42)                                   | <b>7,656</b>   |
| Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets | (931)                      | -                 | (1)          | -          | -              | <b>(932)</b>   | -                                      | <b>(932)</b>   |
| Profit/(loss) from equity-accounted investees   | (218)                      | -                 | -            | -          | 10             | <b>(208)</b>   | -                                      | <b>(208)</b>   |
| Acquisition of property, plant and equipment and intangible assets**  | 1,352                      | 19                | 1,170        | 149        | 80             | <b>2,770</b>   | (51)                                   | <b>2,719</b>   |
| Property, plant and equipment   | 14,399                     | 3,245             | 17,281       | 5,207      | 728            | <b>40,860</b>  | (272)                                  | <b>40,588</b>  |
| Employment***   | 6,676                      | 3,038             | 11,553       | 1,853      | 1,714          | <b>24,834</b>  |  |                |

\*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.

## 2.3 Revenue by segment

| 6 months ended<br>June 30th 2021                       | Exploration and<br>Production | Trade and<br>Storage | Distribution | Generation   | Other Segments | Reconciliation with<br>consolidated data* | Total         |
|--|-------------------------------|----------------------|--------------|--------------|----------------|---|---------------|
| <b>Revenue from sales of gas**, including:</b>         | <b>2,412</b>                  | <b>17,656</b>        | -            | -            | -              | <b>(2,189)</b>                            | <b>17,879</b> |
| High-methane gas                                       | 1,568                         | 17,320               | -            | -            | -              | (1,692)                                   | 17,196        |
| Nitrogen-rich gas                                      | 828                           | 567                  | -            | -            | -              | (493)                                     | 902           |
| LNG  | 16                            | 97                   | -            | -            | -              | (5)                                       | 108           |
| CNG  | -                             | 32                   | -            | -            | -              | 1   | 33            |
| Adjustment to gas sales due to<br>hedging transactions | -                             | (360)                | -            | -            | -              | -   | (360)         |
| <b>Other revenue**, including:</b>                     | <b>1,379</b>                  | <b>1,803</b>         | <b>2,868</b> | <b>1,686</b> | <b>277</b>     | <b>(907)</b>                              | <b>7,106</b>  |
| Gas and heat distribution                              | -                             | -                    | 2,731        | 50           | -              | (40)                                      | 2,741         |
| Crude oil and natural gasoline                         | 1,012                         | -                    | -            | -            | -              | -   | 1,012         |
| NGL  | 73                            | -                    | -            | -            | -              | -   | 73            |
| Sales of heat  | -                             | -                    | -            | 946          | -              | -   | 946           |
| Sales of electricity                                   | -                             | 1,617                | -            | 536          | -              | (576)                                     | 1,577         |
| Revenue from rendering of services:                    |                               |                      |              |              |                |   |               |
| - drilling and oilfield services                       | 25                            | -                    | -            | -            | -              | -   | 25            |
| - geophysical and geological<br>services               | 97                            | -                    | -            | -            | -              | -   | 97            |
| - construction and assembly<br>services                | 20                            | -                    | -            | -            | 69             | (68)                                      | 21            |
| - connection charge                                    | -                             | -                    | 110          | -            | -              | -   | 110           |
| - other  | 14                            | 136                  | 20           | 67           | 198            | (180)                                     | 255           |
| Other**  | 138                           | 50                   | 7            | 87           | 10             | (43)                                      | 249           |
| <b>Total revenue</b>                                   | <b>3,791</b>                  | <b>19,459</b>        | <b>2,868</b> | <b>1,686</b> | <b>277</b>     | <b>(3,096)</b>                            | <b>24,985</b> |

| 6 months ended<br>June 30th 2020                       | Exploration and<br>Production | Trade and<br>Storage | Distribution | Generation   | Other Segments | Reconciliation with<br>consolidated data* | Total         |
|--|-------------------------------|----------------------|--------------|--------------|----------------|---|---------------|
| <b>Revenue from sales of gas**, including:</b>         | <b>1,110</b>                  | <b>14,969</b>        | -            | -            | -              | <b>(814)</b>                              | <b>15,265</b> |
| High-methane gas                                       | 609                           | 13,513               | -            | -            | -              | (616)                                     | 13,506        |
| Nitrogen-rich gas                                      | 491                           | 413                  | -            | -            | -              | (195)                                     | 709           |
| LNG  | 10                            | 30                   | -            | -            | -              | (4)                                       | 36            |
| CNG  | -                             | 23                   | -            | -            | -              | 1   | 24            |
| Adjustment to gas sales due to<br>hedging transactions | -                             | 990                  | -            | -            | -              | -   | 990           |
| <b>Other revenue**, including:</b>                     | <b>1,011</b>                  | <b>1,468</b>         | <b>2,413</b> | <b>1,477</b> | <b>241</b>     | <b>(837)</b>                              | <b>5,773</b>  |
| Gas and heat distribution                              | -                             | -                    | 2,282        | 41           | -              | (35)                                      | 2,288         |
| Crude oil and natural gasoline                         | 653                           | -                    | -            | -            | -              | -   | 653           |
| NGL  | 38                            | -                    | -            | -            | -              | -   | 38            |
| Sales of heat  | -                             | -                    | -            | 790          | -              | -   | 790           |
| Sales of electricity                                   | -                             | 1,381                | -            | 560          | -              | (588)                                     | 1,353         |
| Revenue from rendering of services:                    |                               |                      |              |              |                |   |               |
| - drilling and oilfield services                       | 67                            | -                    | -            | -            | -              | -   | 67            |
| - geophysical and geological<br>services               | 50                            | -                    | -            | -            | -              | -   | 50            |
| - construction and assembly<br>services                | 24                            | -                    | -            | -            | 37             | (24)                                      | 37            |
| - connection charge                                    | -                             | -                    | 107          | -            | -              | -   | 107           |
| - other  | 16                            | 70                   | 18           | 8            | 190            | (165)                                     | 137           |
| Other**  | 163                           | 17                   | 6            | 78           | 14             | (25)                                      | 253           |
| <b>Total revenue</b>                                   | <b>2,121</b>                  | <b>16,437</b>        | <b>2,413</b> | <b>1,477</b> | <b>241</b>     | <b>(1,651)</b>                            | <b>21,038</b> |

\*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 25m.

### 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 |
|----------------------------------|---------------------|--------------------------|-----------------------------------|----------------------|---------------------------|-------------------------------------|
| <b>As at January 1st 2020</b>    | <b>1,075</b>        | <b>3,426</b>             | <b>(1,043)</b>                    | <b>32</b>            | <b>2,383</b>              |                                     |
| Increase                         | 254                 | 245                      | -                                 | -                    | -                         | 9                                   |
| Decrease                         | (86)                | (278)                    | -                                 | -                    | -                         | 192                                 |
| Currency translation differences | -                   | 36                       | -                                 | -                    | -                         | (36)                                |
| <b>As at December 31st 2020</b>  | <b>1,243</b>        | <b>3,429</b>             | <b>(1,201)</b>                    | <b>42</b>            | <b>2,228</b>              | <b>165</b>                          |
| <b>As at January 1st 2021</b>    | <b>1,243</b>        | <b>3,429</b>             | <b>(1,201)</b>                    | <b>42</b>            | <b>2,228</b>              |                                     |
| Increase                         | 490                 | 715                      | -                                 | -                    | -                         | (225)                               |
| Decrease                         | (77)                | (69)                     | -                                 | -                    | -                         | (8)                                 |
| Currency translation differences | (1)                 | 11                       | -                                 | -                    | -                         | (12)                                |
| <b>As at June 30th 2021</b>      | <b>1,655</b>        | <b>4,086</b>             | <b>(1,339)</b>                    | <b>316</b>           | <b>2,747</b>              | <b>(245)</b>                        |

#### 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        |
|----------------------------------|-------------------------------|-------------------|----------------------|----------------------------|----------------------------|-------------|-------------|------------------------|--------------|
| <b>As at January 1st 2020</b>    | <b>4,144</b>                  | <b>75</b>         | <b>5</b>             | <b>1,064</b>               | <b>62</b>                  | <b>456</b>  | <b>828</b>  | <b>1</b>               | <b>6,635</b> |
| 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          |
| <b>As at December 31st 2020</b>  | <b>5,704</b>                  | <b>86</b>         | <b>1</b>             | <b>1,355</b>               | <b>176</b>                 | <b>100</b>  | <b>811</b>  | <b>41</b>              | <b>8,274</b> |
| <b>As at January 1st 2021</b>    | <b>5,704</b>                  | <b>86</b>         | <b>1</b>             | <b>1,355</b>               | <b>176</b>                 | <b>100</b>  | <b>811</b>  | <b>41</b>              | <b>8,274</b> |
| Increase taken to profit or loss | 377                           | 11                | -                    | 67                         | 1                          | 41          | 132         | 2                      | 631          |
| Decrease taken to profit or loss | (919)                         | (10)              | -                    | (345)                      | (1)                        | (18)        | (105)       | (1)                    | (1,399)      |
| Used                             | (46)                          | -                 | -                    | -                          | -                          | -           | (9)         | -                      | (55)         |
| Transfers                        | (3)                           | -                 | 3                    | -                          | 4                          | -           | (4)         | -                      | -            |
| Other changes                    | 8                             | -                 | -                    | -                          | -                          | 1           | 98          | -                      | 107          |
| <b>As at June 30th 2021</b>      | <b>5,121</b>                  | <b>87</b>         | <b>4</b>             | <b>1,077</b>               | <b>180</b>                 | <b>124</b>  | <b>923</b>  | <b>42</b>              | <b>7,558</b> |



## 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 first half of 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<sub>2</sub> 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 the first half of 2021. The Group points out that given the number and nature of factors with a bearing on the price levels in the first half of 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 analyses, as at June 30th 2021 the estimated effect of future factors (including COVID-19) on impairment losses on the PGNiG Group's trade receivables was a decline of PLN 3m.

### 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 reclamation | Total        |
|---|--|--|------------------------------------|--------------|
| <b>As at January 1st 2020</b>   | <b>2,389</b>                             | <b>122</b>                               | <b>60</b>                          | <b>2,571</b> |
| Recognised provision capitalised in cost of property, plant and equipment | 706                                      | -  | -                                  | 706          |
| Recognised write-downs taken to profit or loss                            | 83                                       | 10                                       | 6                                  | 99           |
| Other increases – Extraction Facilities Decommissioning Fund              | 1  | -  | -                                  | 1            |
| Used  | (28)                                     | -  | -                                  | (28)         |
| Write-down reversal taken to profit or loss                               | (45)                                     | (16)                                     | -                                  | (61)         |
| Exchange differences on translating foreign operations                    | 23                                       | -  | -                                  | 23           |
| <b>As at December 31st 2020</b>   | <b>3,129</b>                             | <b>116</b>                               | <b>66</b>                          | <b>3,311</b> |
| <b>As at January 1st 2021</b>   | <b>3,129</b>                             | <b>116</b>                               | <b>66</b>                          | <b>3,311</b> |
| Recognised provision capitalised in cost of property, plant and equipment | 14                                       | 58                                       | -                                  | 72           |
| Recognised write-downs taken to profit or loss                            | 7  | -  | -                                  | 7            |
| Used  | (8)                                      | -  | -                                  | (8)          |
| Write-down reversal taken to profit or loss                               | (32)                                     | (3)                                      | -                                  | (35)         |
| Exchange differences on translating foreign operations                    | 5  | -  | -                                  | 5            |
| <b>As at June 30th 2021</b>   | <b>3,115</b>                             | <b>171</b>                               | <b>66</b>                          | <b>3,352</b> |

#### 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      |
|----------------------------------|---|---|--------------------------|--|------------------|------------|
| <b>As at January 1st 2020</b>    | <b>216</b>  | <b>177</b>  | <b>6</b>                 | <b>21</b>  | <b>405</b>       | <b>825</b> |
| 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)       |
| <b>As at December 31st 2020</b>  | <b>275</b>  | <b>175</b>  | <b>6</b>                 | <b>18</b>  | <b>450</b>       | <b>924</b> |
| <b>As at January 1st 2021</b>    | <b>275</b>  | <b>175</b>  | <b>6</b>                 | <b>18</b>  | <b>450</b>       | <b>924</b> |
| Increase taken to profit or loss | 158   | -   | -                        | 1  | 133              | 292        |
| Decrease taken to profit or loss | (8)   | -   | -                        | (6)  | (90)             | (104)      |
| Used                             | (238)   | -   | (6)                      | -  | (5)              | (249)      |
| Other changes                    | 3   | 2   | -                        | -  | 5                | 10         |
| <b>As at June 30th 2021</b>      | <b>190</b>  | <b>177</b>  | <b>-</b>                 | <b>13</b>  | <b>493</b>       | <b>873</b> |

### 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.

|   | 6 months ended June 30th 2021 | 6 months ended June 30th 2020 |
|---|-------------------------------|-------------------------------|
| <b>Revenue from sales of gas, including:</b>        | <b>17,879</b>                 | <b>15,265</b>                 |
| High-methane gas                                    | 17,196                        | 13,506                        |
| Nitrogen-rich gas                                   | 902                           | 709                           |
| LNG   | 108                           | 36                            |
| CNG   | 33                            | 24                            |
| Adjustment to gas sales due to hedging transactions | (360)                         | 990                           |
| <b>Other revenue, including:</b>                    | <b>7,106</b>                  | <b>5,773</b>                  |
| Gas and heat distribution                           | 2,741                         | 2,288                         |
| Crude oil and natural gasoline                      | 1,012                         | 653                           |
| NGL   | 73                            | 38                            |
| Sales of heat                                       | 946                           | 790                           |
| Sales of electricity                                | 1,577                         | 1,353                         |
| Revenue from rendering of services:                 |                               |                               |
| - drilling and oilfield services                    | 25                            | 67                            |
| - geophysical and geological services               | 97                            | 50                            |
| - construction and assembly services                | 21                            | 37                            |
| - connection charge                                 | 110                           | 107                           |
| - other   | 255                           | 137                           |
| Other   | 249                           | 253                           |
| <b>Total revenue</b>                                | <b>24,985</b>                 | <b>21,038</b>                 |

### 3.5 Operating expenses (selected items)

|   | 6 months ended June 30th 2021 | 6 months ended June 30th 2020 |
|---|-------------------------------|-------------------------------|
| <b>Cost of gas</b>  | <b>(14,566)</b>               | <b>(11,458)</b>               |
| Gas fuel  | (14,566)                      | (11,458)                      |
| <b>Effect of the annex executed with PAO Gazprom/OOO Gazprom Export on cost of gas in 2014–2019</b>         | <b>-</b>                      | <b>4,915</b>                  |
| <b>Other raw materials and consumables used</b>   | <b>(1,901)</b>                | <b>(1,549)</b>                |
| Fuels for electricity and heat generation   | (526)                         | (515)                         |
| Electricity for trading purposes  | (1,152)                       | (808)                         |
| Other raw materials and consumables used  | (223)                         | (226)                         |
| <b>Employee benefits expense</b>  | <b>(1,651)</b>                | <b>(1,601)</b>                |
| Salaries and wages  | (1,200)                       | (1,126)                       |
| Social security contributions   | (225)                         | (233)                         |
| Long-term employee benefits   | (25)                          | (76)                          |
| Other employee benefits expense   | (201)                         | (166)                         |
| <b>Other services</b>   | <b>(899)</b>                  | <b>(859)</b>                  |
| Regasification services   | (175)                         | (195)                         |
| Repair and construction services  | (105)                         | (93)                          |
| Mineral resources production services   | (132)                         | (94)                          |
| Rental services   | (38)                          | (50)                          |
| Other services  | (449)                         | (427)                         |
| <b>Recognition and reversal of impairment losses on property, plant and equipment and intangible assets</b> | <b>116</b>                    | <b>(932)</b>                  |
| Cost of exploration and evaluation assets written-off   | (425)                         | (78)                          |
| Impairment losses on property, plant and equipment  | 542                           | (841)                         |
| Impairment losses on intangible assets  | (1)                           | (13)                          |
| <b>Total</b>  | <b>(18,901)</b>               | <b>(11,484)</b>               |

### 3.6 Other income and expenses

|   | 6 months ended June 30th 2021 | 6 months ended June 30th 2020 |
|---|-------------------------------|-------------------------------|
| Compensation, penalties, and fines received                                       | 23                            | 12                            |
| Exchange differences related to operating activities                              | 63                            | 191                           |
| Measurement and exercise of derivative financial instruments                      | (70)                          | 111                           |
| Change in inventory write-downs   | (23)                          | 360                           |
| Change in impairment losses on trade and other receivables                        | (27)                          | (23)                          |
| Provision for decommissioning, restoration and environmental remediation costs    | 28                            | (14)                          |
| Change in provision for certificates of origin and energy efficiency certificates | (150)                         | (123)                         |
| Provision for CO <sub>2</sub> emission allowances                                 | (23)                          | (17)                          |
| Change in other provisions  | (15)                          | (51)                          |
| Change in products  | 225                           | 146                           |
| Change in underlift/ overlift   | (36)                          | 43                            |
| Cost of merchandise and materials sold  | (87)                          | (45)                          |
| Other income and expenses   | (79)                          | (131)                         |
| <b>Total other income and expenses</b>  | <b>(171)</b>                  | <b>459</b>                    |

### 3.7 Net finance income/(costs)

|  | 6 months ended June 30th 2021 | 6 months ended June 30th 2020 |
|--|-------------------------------|-------------------------------|
| Interest on debt (including fees)  | (8)                           | 3                             |
| Interest on lease liabilities  | (40)                          | (36)                          |
| Foreign exchange differences   | 26                            | (116)                         |
| Measurement and exercise of derivative financial instruments not designated for hedge accounting | 4                             | 1                             |
| Fair value measurement of financial assets   | 4                             | (2)                           |
| Other net finance costs (income)   | (73)                          | 29                            |
| <b>Total net finance costs</b>   | <b>(87)</b>                   | <b>(121)</b>                  |

### 3.8 Income tax

| Reconciliation of effective tax rate  | 6 months ended June 30th 2021 | 6 months ended June 30th 2020 |
|---|-------------------------------|-------------------------------|
| Profit before tax   | 3,336                         | 7,327                         |
| Corporate income tax at the 19% statutory rate applicable in Poland                   | (634)                         | (1,392)                       |
| Deductible temporary differences with respect to which no deferred tax was recognised | (268)                         | (15)                          |
| <b>Income tax expense disclosed in the statement of profit or loss</b>                | <b>(902)</b>                  | <b>(1,407)</b>                |
| Including:  |                               |                               |
| Current tax expense   | (602)                         | (1,258)                       |
| Deferred tax expense  | (300)                         | (149)                         |
| Effective tax rate  | 27%                           | 19%                           |

#### 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.

## 3.9 Property, plant and equipment

|   | As at June<br>30th 2021 | As at December<br>31st 2020 |
|---|-------------------------|-----------------------------|
| Land  | 129                     | 131                         |
| Buildings and structures                                      | 21,893                  | 20,985                      |
| Plant and equipment   | 8,627                   | 8,670                       |
| Vehicles and other  | 1,315                   | 1,305                       |
| <b>Total own tangible assets</b>                              | <b>31,964</b>           | <b>31,091</b>               |
| Right-of-use asset – land                                     | 2,626                   | 2,424                       |
| Right-of-use asset – buildings and structures                 | 277                     | 280                         |
| Right-of-use asset – machinery and equipment                  | 174                     | 178                         |
| Right-of-use asset – vehicles                                 | 28                      | 29                          |
| <b>Total right-of-use assets</b>                              | <b>3,105</b>            | <b>2,911</b>                |
| Tangible exploration and evaluation assets under construction | 2,889                   | 2,708                       |
| Other tangible assets under construction                      | 6,040                   | 5,855                       |
| <b>Total property, plant and equipment</b>                    | <b>43,998</b>           | <b>42,565</b>               |

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

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

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

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

## 3.10 Derivative financial instruments

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

In the case of the Parent, all eligible transactions in the period January 1st–June 30th 2021 were accounted for using cash flow or fair value hedge accounting. The Company was party to CCIRS transactions, which are not designated for hedge accounting, as the valuation of both the hedged item and the hedge (the derivative transaction) is recognised in profit or loss, which produces the same effect as if hedge accounting was applied.

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

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

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



| Income and expenses related to assets and liabilities under derivative financial instruments                          |  |          | 6 months ended<br>June 30th 2021                                     |  | 6 months ended<br>June 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 |
| <b>Effect on statement of profit or loss</b>  |  |          |  |  |  |  |
| Net finance costs   | Measurement and exercise of derivative financial instruments not designated for hedge accounting | Note 3.7 | 4  | -  | 1  | -  |
| Other income and expenses   | Measurement and exercise of derivative financial instruments not designated for hedge accounting | Note 3.6 | (70)   | -  | 111  | -  |
| Revenue   | Reclassification from other comprehensive income   | Note 3.4 | -  | (360)  | -  | 990  |
|   |  |          | <b>(66)</b>  | <b>(360)</b>   | <b>112</b>   | <b>990</b>   |
| <b>Effect on other comprehensive income</b>   |  |          |  |  |  |  |
| Gains/(losses) on measurement of derivative instruments designated for cash flow hedge accounting (effective portion) |  |          |  | (471)  |  | 676  |
| Reclassification of derivative instruments measurement to profit or loss upon exercise (cash flow hedges)             |  |          |  | 360  |  | (990)  |
|   |  |          |  | <b>(111)</b>   |  | <b>(314)</b>   |
| <b>Effect on comprehensive income</b>   |  |          | <b>(66)</b>  | <b>(471)</b>   | <b>112</b>   | <b>676</b>   |
| <b>Change in equity recognised in inventories, gross</b>  |  |          |  | <b>(238)</b>   |  | <b>283</b>   |

The tables below present the Group companies' derivative transactions as at June 30th 2021.

| Derivative instruments designated for hedge accounting                                       | As at June 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 |  |
| <b>Derivative instruments used to hedge currency risk in gas purchase and sale contracts</b> |                               |                           |  |                                       |                                 |   |                           |  |   |  |
| Forwards   |                               |                           |  |                                       |                                 |   |                           |  |   |  |
| USD  | USD 489                       | up to 3 years             | 3.66–3.81  | 3.74                                  | 32                              | USD 263   | up to 3 years             | 11   |   |  |
| USD  | USD 184                       | up to 3 years             | 3.80–4.00  | 3.88                                  | (14)                            | USD 340   | up to 3 years             | (38)   |   |  |
| EUR  | EUR 65                        | up to 4 years             | 1.13–1.23  | 1.20                                  | (4)                             | -   | -                         | -  |   |  |
| EUR/USD  | EUR 468                       | up to 4 years             | 1.20–1.26  | 1.23                                  | 30                              | EUR 32  | up to 3 years             | -  |   |  |
| EUR/USD  | -                             | -                         | -  | -                                     | -                               | EUR 229   | up to 4 years             | (41)   |   |  |
| Currency swap  |                               |                           |  |                                       |                                 |   |                           |  |   |  |
| EUR  | EUR 545.18                    | up to 3 years             | 4.54–4.68  | 4.62                                  | 28                              | EUR 38  | up to 3 years             | -  |   |  |
| EUR  | EUR 328                       | up to 3 years             | 4.44–4.60  | 4.49                                  | (19)                            | EUR 528   | up to 3 years             | (73)   |   |  |
|  |                               |                           |  |                                       | <b>53</b>                       |   |                           | <b>(141)</b>   |   |  |
| <b>Derivative instruments used to hedge gas purchase and selling prices</b>                  |                               |                           |  |                                       |                                 |   |                           |  |   |  |
| TTF swap DA  | 11 MWh                        | up to 4 years             | 15.99–31.7   | 21.67                                 | 278                             | 24 MWh  | up to 3 years             | 286  |   |  |
| TTF swap DA  | 45 MWh                        | up to 4 years             | 12.52–27.11  | 17.38                                 | (1,202)                         | 29 MWh  | up to 4 years             | (446)  |   |  |
| TTF swap MA  | 2 MWh                         | 1–3 months                | 26.10  | 26.10                                 | 25                              | 5 MWh   | 1–3 months                | 11   |   |  |
| TTF swap MA  | -                             | -                         | -  | -                                     | -                               | -   | -                         | -  |   |  |
| BRENT Swap   | 3 Bbl                         | up to 3 years             | 39.05–43.87  | 42.63                                 | 275                             | 4 Bbl   | up to 3 years             | 117  |   |  |
| HH NYMEX   | 124 MMBTU                     | up to 4 years             | 2.24–2.61  | 2.54                                  | 137                             | 31 MMBTU  | up to 4 years             | 24   |   |  |
| HH NYMEX   | 4 MMBTU                       | up to 3 years             | 2.52–2.61  | 2.57                                  | -                               | 33 MMBTU  | up to 4 years             | (20)   |   |  |
|  |                               |                           |  |                                       | <b>(487)</b>                    |   |                           | <b>(28)</b>  |   |  |
|  |                               |                           |  |                                       | <b>(434)</b>                    |   |                           |  |   |  |
| Including: Total Assets  |                               |                           |  |                                       | 806                             | Including: Total Assets   |                           |  |   |  |
|  |                               |                           |  |                                       | 1,240                           | Including: Total 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  | As at June 30th 2021      |   | As at December 31st 2020  |   |
|---|---------------------------|---|---------------------------|---|
|   | Notional amount (million) | Fair value of instruments not designated for hedge accounting | Notional amount (million) | Fair value of instruments not designated for hedge accounting |
| <b>Derivative instruments hedging interest rate risk and currency risk</b>                        |                           |   |                           |   |
| CCIRS   |                           |   |                           |   |
| NOK   | NOK 3,818                 | (70)  | NOK 3,818                 | (45)  |
| Forwards  |                           |   |                           |   |
| EUR   | EUR 63                    | 2   | EUR 77                    | 10  |
| EUR   | EUR 7                     | -   | -                         | -   |
| EUR   | EUR 142                   | (11)  | EUR 2                     | -   |
| USD   | USD 11                    | 3   | USD 16                    | 5   |
| Currency swap   |                           |   |                           |   |
| EUR   | EUR 85                    | 4   | EUR 558                   | 78  |
| EUR   | EUR 82                    | (6)   | EUR 534                   | (78)  |
|   |                           | (78)  |                           | (30)  |
| <b>Derivative instruments used as economic hedges of electricity purchase prices</b>              |                           |   |                           |   |
| Forwards  |                           |   |                           |   |
| electricity – PPX   | 2 MWh                     | 196   | 2 MWh                     | 44  |
| electricity – PPX   | 11 MWh                    | (182)   | 15 MWh                    | 5   |
| electricity – OTC   | 0.3 MWh                   | 32  | 1 MWh                     | 14  |
| electricity – OTC   | 0.8 MWh                   | (114)   | 1 MWh                     | (23)  |
| Futures   |                           |   |                           |   |
| electricity – EEX AG  | 1 MWh                     | 125   | 1 MWh                     | 26  |
| electricity – EEX AG  | 0.3 MWh                   | (42)  | 1 MWh                     | (17)  |
|   |                           | 15  |                           | 49  |
| <b>Derivative instruments used to hedge gas purchase and selling prices</b>                       |                           |   |                           |   |
| Forwards  |                           |   |                           |   |
| Gas   | 0.01 MWh                  | (1)   | 0.04 MWh                  | (1)   |
| gas – OTC   | 20 MWh                    | 630   | 20 MWh                    | 204   |
| gas – OTC   | 21 MWh                    | (783)   | 19 MWh                    | (239)   |
| Futures   |                           |   |                           |   |
| gas - PPX   | 2 MWh                     | 97  | 3 MWh                     | 50  |
| gas - PPX   | 0.3 MWh                   | (3)   | -                         | -   |
| gas – ICE ENDEX B.V.  | 3 MWh                     | 125   | 3 MWh                     | 59  |
| gas – ICE ENDEX B.V.  | 2 MWh                     | (105)   | 3 MWh                     | (61)  |
| gas – POWERNEXT SA  | 2 MWh                     | 90  | 1 MWh                     | 12  |
| gas – POWERNEXT SA  | 2 MWh                     | (45)  | 2 MWh                     | (19)  |
| Swap  |                           |   |                           |   |
| HH NYMEX  | 6 MMBTU                   | 23  | -                         | -   |
| HH NYMEX  | 6 MMBTU                   | (20)  | -                         | -   |
| GASPOOL DA  | -                         | -   | 1 MWh                     | 17  |
| GASPOOL DA  | -                         | -   | 1 MWh                     | (5)   |
| BRENT   | 0.3 Bbl                   | (24)  | 0.3 Bbl                   | (2)   |
| TTF swap DA   | 18 MWh                    | 1,318   | 28 MWh                    | 431   |
| TTF swap DA   | 20 MWh                    | (1,307)   | 19 MWh                    | (248)   |
| TTF swap MA   | 4 MWh                     | 47  | -                         | -   |
| TTF swap MA   | -                         | -   | 3 MWh                     | (4)   |
|   |                           | 42  |                           | 194   |
| <b>Derivative instruments used to hedge purchase prices of CO<sub>2</sub> emission allowances</b> |                           |   |                           |   |
| Forwards  | 1 t                       | (124)   | 1 t                       | (43)  |
| Forwards  | 0.02 t                    | 2   | -                         | -   |
| Futures   | 6 t                       | 121   | 2 t                       | 38  |
|   |                           | (1)   |                           | (5)   |
| <b>Derivative instruments used to hedge share purchase prices</b>                                 |                           |   |                           |   |
| Options   | 6.938 million shares      | 20  | 6.938 million shares      | 16  |
|   | <b>Total</b>              | <b>(2)</b>  | <b>Total</b>              | <b>224</b>  |
|   | Including:                |   | Including:                |   |
|   | Assets                    | 2,835   | Assets                    | 1,004   |
|   | Liabilities               | 2,837   | Liabilities               | 780   |

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

### 3.11 Contingent assets and liabilities

| Contingent asset        | As at June 30th 2021 | As at December 31st 2020 |
|-------------------------|----------------------|--------------------------|
|                         | Estimated amount     |                          |
| Grants awarded*         | 169                  | 182                      |
| Other contingent assets | 13                   | 13                       |
| <b>Total</b>            | <b>182</b>           | <b>195</b>               |

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

| Contingent liabilities  | As at June 30th 2021 | As at December 31st 2020 |
|-------------------------|----------------------|--------------------------|
|                         | Estimated amount     |                          |
| Guarantees and sureties | 7,592                | 4,830                    |
| Promissory notes        | 556                  | 554                      |
| Other                   | 14                   | 9                        |
| <b>Total</b>            | <b>8,162</b>         | <b>5,393</b>             |

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

The increase in contingent liabilities under sureties and guarantees issued in the reporting period was principally due to a guarantee of PLN 2,339m issued as security under the agreement on acquisition of INEOS E&P Norge AS by PGNiG Upstream Norway AS (for more information, see [Note 4.1](#)) and due to new guarantees issued in foreign currencies (EUR and USD) as security for gas supplies, totalling PLN 478m (translated at the exchange rate quoted by the NBP for June 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 June 30th 2021 |              | As at December 31st 2020 |              |
|------------------------------|----------------------|--------------|--------------------------|--------------|
|                              | Level 1              | Level 2      | Level 1                  | Level 2      |
| <b>Financial assets</b>      |                      |              |                          |              |
| Derivative instruments       | 1,571                | 2,070        | 449                      | 1,004        |
|                              | <b>1,571</b>         | <b>2,070</b> | <b>449</b>               | <b>1,004</b> |
| <b>Financial liabilities</b> |                      |              |                          |              |
| Derivative instruments       | 1,564                | 2,513        | 434                      | 964          |
|                              | <b>1,564</b>         | <b>2,513</b> | <b>434</b>               | <b>964</b>   |

### 3.13 Classification of financial assets

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

## 4. Supplementary information to the report

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

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

|                                       |  |   |
|---------------------------------------|--|---|
|                                       |  | <p>Acquisition of IEPN is in line with the PGNiG Group Strategy for 2017–2022 (with an outlook until 2026), as regards increasing proven hydrocarbon reserves and production. As a result of the acquisition of IEPN, PGNiG UN's gas production volumes in Norway may reach a peak level of 4 bcm per annum in 2027.</p>  |
| <p>April 14<sup>th</sup><br/>2021</p> | <p>PGNiG S.A.</p>                        | <p>On April 14th 2021, PGNiG S.A. received clearance from the President of UOKiK in respect to concentration consisting in the establishment by Polski Koncern Naftowy ORLEN S.A., Energa S.A. and PGNiG S.A. of a joint venture, i.e. CCGT Ostrołęka Sp. z o.o., set up to construct a CCGT power generation unit.</p> <p>PGNiG S.A. will join the new company upon fulfilment of the conditions set out in the investment agreement on the rules of cooperation in the construction of a CCGT power generation unit at Ostrołęka C power plant, including obtaining relevant corporate approvals from PGNiG.</p>  |
| <p>April 15<sup>th</sup><br/>2021</p> | <p>PGNiG Obrót Detaliczny Sp. z o.o.</p> | <p>On April 15th 2021, the President of the Energy Regulatory Office ("URE") approved amendment of Gas Fuel Trading Tariff No. 10 of PGNiG Obrót Detaliczny Sp. z o.o. (the "amended Retail Tariff").</p> <p>The amended Retail Tariff provides for a 5.6% increase in gas fuel prices for all tariff groups relative to the current Tariff of PGNiG Obrót Detaliczny Sp. z o.o. The subscription fees remained unchanged. The amended Retail Tariff applies to household customers for gas fuels.</p> <p>The amended Retail Tariff will be effective from May 1st to December 31st 2021.</p> <p>For detailed information on the approved tariffs, see <a href="http://www.ure.gov.pl">www.ure.gov.pl</a> and Biuletyn Branżowy URE – Paliwa gazowe (the URE official gazette – Gas fuels).</p>   |
| <p>May 5<sup>th</sup><br/>2021</p>    | <p>PGNiG S.A.</p>                        | <p>On May 5th 2021, PGNiG S.A. signed a letter of intent with ORLEN Południe S.A. (subsidiary of PKN ORLEN) concerning the possibility of carrying out a joint investment project to develop biomethane production.</p> <p>The project will be a joint venture established by both parties in the form of a special purpose vehicle (SPV) in which ORLEN Południe S.A. and PGNiG S.A. will respectively acquire 51% and 49% of the share capital. The parties' intention is that the SPV's business consists in particular in acquiring and building biomethane facilities, developing technologies used to produce biomethane, and producing, trading and using biomethane in various areas of the Parties' operations.</p> <p>PGNiG S.A. and ORLEN Południe S.A. will negotiate with a view to defining, among others, the terms of establishment and financing of the SPV, drawing up the shareholders' agreement, and setting out the rules of cooperation and project schedule. The establishment of the SPV will be possible after obtaining clearance from antitrust authorities.</p>  |
| <p>May 12<sup>th</sup><br/>2021</p>   | <p>PGNiG S.A.</p>                        | <p>On May 12th 2021, a cooperation agreement was concluded between PKN ORLEN S.A. (PKN ORLEN), Grupa LOTOS S.A. (Grupa LOTOS), PGNiG S.A. and the State Treasury – Minister of State Assets (the "Cooperation Agreement").</p> <p>In the Cooperation Agreement, the parties confirm that as at the date of signing the Cooperation Agreement the scenario adopted for PKN ORLEN's acquisition of control over Grupa LOTOS and PGNiG provides for merging PKN ORLEN, Grupa LOTOS and PGNiG through acquisition under Art. 492.1.1 of the Commercial Companies Code, with all assets of Grupa LOTOS and PGNiG (the acquirees) to be transferred to PKN ORLEN (the acquirer) for shares which PKN ORLEN would grant to the shareholders of Grupa LOTOS and PGNiG, as part of one or two separate merger processes.</p> <p>Under this merger scenario, in exchange for the shares held in Grupa LOTOS and PGNiG the shareholders of Grupa LOTOS and PGNiG will subscribe for new shares in the increased share capital of PKN ORLEN and will become PKN ORLEN shareholders as of the merger date.</p> <p>The parties will endeavour to ensure proper implementation of the merger process and agree to cooperate, <i>inter alia</i>, in preparing a merger plan, notifying shareholders</p> |



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.

## 4.2 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.

## 4.3 Issue, redemption, and repayment of debt securities

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

## 4.4 Seasonality

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

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

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

## 4.5 Settlements related to court proceedings

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

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

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.

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

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

#### 4.8 Events subsequent to the reporting date

| Date                          | Company                           | Event   |
|-------------------------------|-----------------------------------|---|
| July 9 <sup>th</sup><br>2021  | PGNiG S.A.                        | <p>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.</p> <p>July 9th 2021 saw the expiry of the mandates of the following Supervisory Board members: Sławomir Borowiec, Piotr Broda, Andrzej Gonet and Stanisław Sieradzki.</p>   |
| July 16 <sup>th</sup><br>2021 | PGNiG Obrót Detaliczny Sp. z o.o. | <p>On July 16th 2021, the President of the Energy Regulatory Office ("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").</p> <p>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.</p> <p>Retail Tariff Amendment 2 will be effective from August 1st to December 31st 2021.</p> <p>For detailed information on the approved tariffs, see <a href="http://www.ure.gov.pl">www.ure.gov.pl</a> and Biuletyn Branżowy URE – Paliwa gazowe (the URE official gazette – Gas fuels).</p>  |
| July 16 <sup>th</sup><br>2021 | PGNiG S.A.                        | <p>On July 16th 2021, PGNiG S.A. 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"), further to Current Report No. 50/2018 of October 16th 2018 and Current Report No. 25/2019 of June 12th 2019.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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.</li> </ul> <p>The Agreements do not oblige PGNiG to sign the annexes to the LNG supply contracts.</p> |
| July 27 <sup>th</sup><br>2021 | PGNiG S.A.                        | <p>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</p>   |

|  |  |   |
|--|--|---|
|  |  | <p>(the “Contract”) for the supply of liquefied gas (LNG), further to Current Report No. 63/2018 of December 19th 2018.</p> <p>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.</p> <p>PGNiG will hold talks with Sempra LNG, LLC on potential cooperation in LNG supplies under other projects carried out by Sempra LNG, LLC.</p>  |
| <p>August 2<sup>nd</sup><br/>2021</p>  | <p>PGNiG S.A.<br/>PGNiG TERMIKA S.A.</p> | <p>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”).</p> <p>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.</p> <p>At present PGNiG holds, indirectly through the subsidiary PGNiG TERMIKA S.A., 50% of the ECSW share capital, and development of heat and power operations is an important part 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.</p> |
| <p>August 30<sup>th</sup><br/>2021</p> | <p>PGNiG S.A.</p>                        | <p>On August 30th 2021, PGNiG and ERU Management Services have signed an agreement providing for the purchase by the Polish company 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.</p> <p>As a result of the agreement, PGNiG is to acquire 85% of shares in Karpatgazvydobuvannya.</p> <p>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.</p>  |

## 4.9 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.

## Interim condensed separate financial statements

| Separate statement of profit or loss  | 3 months ended June 30th 2021 | 6 months ended June 30th 2021 | 3 months ended June 30th 2020 | 6 months ended June 30th 2020 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Revenue from sales of gas*  | 4,050                         | 9,871                         | 2,712                         | 8,873                         |
| Other revenue*  | 1,153                         | 2,542                         | 908                           | 2,164                         |
| <b>Revenue</b>  | <b>5,203</b>                  | <b>12,413</b>                 | <b>3,620</b>                  | <b>11,037</b>                 |
| Cost of gas sold  | (3,208)                       | (7,645)                       | (1,189)                       | (6,318)                       |
| Effect of the annex executed with PAO Gazprom/OOO Gazprom Export on cost of gas in 2014–2019                            | -                             | -                             | 4,915                         | 4,915                         |
| Other raw materials and consumables used  | (622)                         | (1,403)                       | (518)                         | (1,179)                       |
| Employee benefits expense   | (204)                         | (409)                         | (204)                         | (390)                         |
| Transmission, distribution and storage services   | (236)                         | (467)                         | (230)                         | (456)                         |
| Other services  | (397)                         | (823)                         | (280)                         | (484)                         |
| Depreciation and amortisation expense   | (206)                         | (409)                         | (203)                         | (411)                         |
| Taxes and charges   | (51)                          | (236)                         | (31)                          | (199)                         |
| Other income and expenses   | (14)                          | (29)                          | 295                           | 580                           |
| Work performed by the entity and capitalised  | 3                             | 5                             | 4                             | 6                             |
| Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets | 197                           | 472                           | (97)                          | (724)                         |
| Dividends   | 724                           | 724                           | 23                            | 23                            |
| Finance income  | (98)                          | 21                            | (47)                          | 87                            |
| Interest income calculated using the effective interest rate  | 48                            | 99                            | 55                            | 127                           |
| Finance costs   | 82                            | (45)                          | 53                            | (127)                         |
| Revaluation of financial assets   | (30)                          | (128)                         | (22)                          | (18)                          |
| <b>Profit before tax</b>  | <b>1,191</b>                  | <b>2,140</b>                  | <b>6,144</b>                  | <b>6,469</b>                  |
| Income tax  | (51)                          | (270)                         | (1,186)                       | (1,239)                       |
| <b>Net profit</b>   | <b>1,140</b>                  | <b>1,870</b>                  | <b>4,958</b>                  | <b>5,230</b>                  |
| Weighted average number of ordinary shares (million)  | 5,778                         | 5,778                         | 5,778                         | 5,778                         |
| Basic and diluted earnings per share (PLN)  | 0.20                          | 0.32                          | 0.86                          | 0.91                          |

\* 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 June 30th 2020 was adjusted for PLN 157m.

| Separate statement of comprehensive income  | 3 months ended June 30th 2021 | 6 months ended June 30th 2021 | 3 months ended June 30th 2020 | 6 months ended June 30th 2020 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Net profit</b>   | <b>1,140</b>                  | <b>1,870</b>                  | <b>4,958</b>                  | <b>5,230</b>                  |
| Hedge accounting  | (398)                         | (110)                         | (257)                         | (314)                         |
| Deferred tax  | 76                            | 21                            | 49                            | 60                            |
| <b>Other comprehensive income subject to reclassification to profit or loss</b>     | <b>(322)</b>                  | <b>(89)</b>                   | <b>(208)</b>                  | <b>(254)</b>                  |
| Actuarial losses on employee benefits   | (2)                           | (2)                           | (26)                          | (26)                          |
| Deferred tax  | -                             | -                             | 5                             | 5                             |
| <b>Other comprehensive income not subject to reclassification to profit or loss</b> | <b>(2)</b>                    | <b>(2)</b>                    | <b>(21)</b>                   | <b>(21)</b>                   |
| <b>Other comprehensive income, net</b>  | <b>(324)</b>                  | <b>(91)</b>                   | <b>(229)</b>                  | <b>(275)</b>                  |
| <b>Total comprehensive income</b>   | <b>816</b>                    | <b>1,779</b>                  | <b>4,729</b>                  | <b>4,955</b>                  |

### Separate statement of cash flows

|   | 6 months<br>ended June<br>30th 2021 | 6 months<br>ended June<br>30th 2020 |
|---|-------------------------------------|-------------------------------------|
| <b>Cash flows from operating activities</b>                               |                                     |                                     |
| Net profit  | 1,870                               | 5,230                               |
| Depreciation and amortisation expense                                     | 409                                 | 411                                 |
| Interest and dividends  | (811)                               | (117)                               |
| Net gain/(loss) on investing activities                                   | (387)                               | 726                                 |
| Other non-cash adjustments  | 85                                  | 226                                 |
| Income tax paid   | (388)                               | (220)                               |
| Income tax expense recognised in profit or loss for the period            | 270                                 | 1,239                               |
| Movements in working capital  | (1,305)                             | (4,873)                             |
| <b>Net cash from operating activities</b>                                 | <b>(257)</b>                        | <b>2,622</b>                        |
| <b>Cash flows from investing activities</b>                               |                                     |                                     |
| Payments for tangible exploration and evaluation assets                   | (259)                               | (471)                               |
| Payments for other property, plant and equipment and intangible assets    | (166)                               | (147)                               |
| Loans   | (170)                               | (1,064)                             |
| Payments for derivative financial instruments                             | (23)                                | (52)                                |
| Payments for shares in related entities                                   | (254)                               | (2)                                 |
| Other cash used in investing activities                                   | (24)                                | (18)                                |
| Repayments of loans   | 801                                 | 358                                 |
| Proceeds from derivative financial instruments                            | 20                                  | 158                                 |
| Interest received   | 86                                  | 96                                  |
| Dividends received  | 721                                 | -                                   |
| Proceeds from sale of property, plant and equipment and intangible assets | 6                                   | 59                                  |
| <b>Net cash from investing activities</b>                                 | <b>738</b>                          | <b>(1,083)</b>                      |
| <b>Cash flows from financing activities</b>                               |                                     |                                     |
| Other cash generated by financing activities                              | 2                                   | -                                   |
| Repayment of borrowings   | -                                   | (3,000)                             |
| Interest paid   | (19)                                | (42)                                |
| Repayment of lease liabilities  | (11)                                | (9)                                 |
| <b>Net cash from financing activities</b>                                 | <b>(28)</b>                         | <b>(3,051)</b>                      |
| <b>Net cash flows</b>   | <b>453</b>                          | <b>(1,512)</b>                      |
| Cash and cash equivalents at beginning of the period                      | 7,534                               | 4,525                               |
| <b>Cash and cash equivalents at end of the period</b>                     | <b>7,987</b>                        | <b>3,013</b>                        |
| including restricted cash   | 1,867                               | 358                                 |

### Cash pooling agreements

As at June 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.

|   | 6 months<br>ended June<br>30th 2021 | 6 months<br>ended June<br>30th 2020 |
|---|-------------------------------------|-------------------------------------|
| <b>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</b> |                                     |                                     |
| <b>Cash and cash equivalents at end of the period in the statement of cash flows</b>  | <b>7,987</b>                        | <b>3,013</b>                        |
| 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  | 331                                 | 8                                   |
| Changes in impairment losses on cash  | (1)                                 | -                                   |
| Inflows/(outflows) of cash under cash pooling arrangement in the period   | 255                                 | 2,017                               |
| <b>Cash at end of the period in the statement of financial position</b>   | <b>7,367</b>                        | <b>2,628</b>                        |

### Separate statement of financial position

|  | As at<br>June<br>30th 2021 | As at<br>December<br>31st 2020 |
|--|----------------------------|--------------------------------|
| <b>Assets</b>  |                            |                                |
| Property, plant and equipment  | 11,942                     | 11,766                         |
| Licences, mining rights and rights to geological information                 | 113                        | 123                            |
| Deferred tax assets  | 157                        | 155                            |
| Shares   | 10,536                     | 10,288                         |
| Derivative financial instruments   | 403                        | 127                            |
| Loans  | 6,794                      | 7,496                          |
| Purchased debt instruments   | 390                        | 394                            |
| Other assets   | 372                        | 388                            |
| <b>Non-current assets</b>  | <b>30,707</b>              | <b>30,737</b>                  |
| Inventories  | 2,609                      | 2,070                          |
| Receivables  | 2,726                      | 1,778                          |
| Cash pooling receivables   | 1,329                      | 1,248                          |
| Current income tax   | 73                         | -                              |
| Derivative financial instruments   | 2,581                      | 1,014                          |
| Loans  | 552                        | 531                            |
| Purchased debt instruments   | 8                          | 8                              |
| Other assets   | 106                        | 31                             |
| Cash and cash equivalents  | 7,367                      | 6,329                          |
| <b>Current assets</b>  | <b>17,351</b>              | <b>13,009</b>                  |
| <b>TOTAL ASSETS</b>  | <b>48,058</b>              | <b>43,746</b>                  |
| <b>Equity and liabilities</b>  |                            |                                |
| Share capital and share premium  | 7,518                      | 7,518                          |
| Capital reserve  | 1,867                      | 1,867                          |
| Hedging reserve  | (299)                      | (17)                           |
| Accumulated other comprehensive income                                       | (25)                       | (23)                           |
| Retained earnings  | 28,755                     | 26,885                         |
| <b>Total equity</b>  | <b>37,816</b>              | <b>36,230</b>                  |
| Financing liabilities  | 305                        | 310                            |
| Derivative financial instruments   | 845                        | 285                            |
| Employee benefit obligations   | 369                        | 356                            |
| Provision for well decommissioning costs and other environmental liabilities | 2,460                      | 2,414                          |
| Other provisions   | 4                          | 4                              |
| Grants   | 438                        | 450                            |
| Other liabilities  | 55                         | 52                             |
| <b>Non-current liabilities</b>   | <b>4,476</b>               | <b>3,871</b>                   |
| Financing liabilities  | 11                         | 10                             |
| Derivative financial instruments   | 2,567                      | 822                            |
| Trade and tax payables   | 2,217                      | 2,120                          |
| Cash pooling liabilities   | 539                        | 203                            |
| Employee benefit obligations   | 73                         | 119                            |
| Provision for well decommissioning costs and other environmental liabilities | 35                         | 35                             |
| Other provisions   | 268                        | 275                            |
| Other liabilities  | 56                         | 61                             |
| <b>Current liabilities</b>   | <b>5,766</b>               | <b>3,645</b>                   |
| <b>TOTAL LIABILITIES</b>   | <b>10,242</b>              | <b>7,516</b>                   |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>48,058</b>              | <b>43,746</b>                  |

### Separate statement of changes in equity

|  | Share capital<br>and share<br>premium | Capital reserve | Hedging reserve | Accumulated<br>other<br>comprehensive<br>income | Retained<br>earnings | Total equity  |
|--|---------------------------------------|-----------------|-----------------|---|----------------------|---------------|
| <b>As at January 1st 2020</b>              | <b>7,518</b>                          | <b>1,867</b>    | <b>737</b>      | <b>-</b>  | <b>20,496</b>        | <b>30,618</b> |
| Net profit                                 | -                                     | -               | -               | -   | 5,230                | 5,230         |
| Other comprehensive income, net            | -                                     | -               | (254)           | (21)  | -                    | (275)         |
| <b>Total comprehensive income</b>          | <b>-</b>                              | <b>-</b>        | <b>(254)</b>    | <b>(21)</b>                                     | <b>5,230</b>         | <b>4,955</b>  |
| Dividend                                   | -                                     | -               | -               | -   | (520)                | (520)         |
| Change in equity recognised in inventories | -                                     | -               | 230             | -   | -                    | 230           |
| <b>As at June 30th 2020</b>                | <b>7,518</b>                          | <b>1,867</b>    | <b>713</b>      | <b>(21)</b>                                     | <b>25,206</b>        | <b>35,283</b> |
| <b>As at January 1st 2021</b>              | <b>7,518</b>                          | <b>1,867</b>    | <b>(17)</b>     | <b>(23)</b>                                     | <b>26,885</b>        | <b>36,230</b> |
| Net profit                                 | -                                     | -               | -               | -   | 1,870                | 1,870         |
| Other comprehensive income, net            | -                                     | -               | (89)            | (2)   | -                    | (91)          |
| <b>Total comprehensive income</b>          | <b>-</b>                              | <b>-</b>        | <b>(89)</b>     | <b>(2)</b>                                      | <b>1,870</b>         | <b>1,779</b>  |
| Change in equity recognised in inventories | -                                     | -               | (193)           | -   | -                    | (193)         |
| <b>As at June 30th 2021</b>                | <b>7,518</b>                          | <b>1,867</b>    | <b>(299)</b>    | <b>(25)</b>                                     | <b>28,755</b>        | <b>37,816</b> |



## 1. Notes to the interim condensed separate financial statements

### 1.1 Deferred tax

|   | As at<br>January<br>1st 2020 | Credited/Charged  |                                  |  | As at<br>December<br>31st 2020 | Credited/Charged  |                                  |  | As at<br>June<br>30th 2021 |  |
|---|------------------------------|-------------------|----------------------------------|--|--------------------------------|-------------------|----------------------------------|--|----------------------------|--|
|   |                              | Net profit/(loss) | Other<br>comprehensive<br>income |  |                                | Net profit/(loss) | Other<br>comprehensive<br>income |  |                            |  |
| <b>Deferred tax assets</b>  |                              |                   |                                  |  |                                |                   |                                  |  |                            |  |
| Employee benefit obligations  | 64                           | 8                 | 5                                |  | 77                             | (2)               | -                                |  | 75                         |  |
| Provision for well decommissioning costs                                | 202                          | 52                | -                                |  | 254                            | 1                 | -                                |  | 255                        |  |
| Other provisions  | 25                           | 4                 | -                                |  | 29                             | 9                 | -                                |  | 38                         |  |
| Measurement of derivatives  | 124                          | 62                | -                                |  | 186                            | 376               | -                                |  | 562                        |  |
| Useful lives of property, plant and equipment                           | 94                           | 64                | -                                |  | 158                            | (75)              | -                                |  | 83                         |  |
| Unused tax losses of the Pakistan Branch                                | 33                           | (13)              | -                                |  | 20                             | -                 | -                                |  | 20                         |  |
| Inventory write-downs   | 76                           | (67)              | -                                |  | 9                              | 1                 | -                                |  | 10                         |  |
| Other   | 14                           | -                 | -                                |  | 14                             | 13                | -                                |  | 27                         |  |
| <b>Total</b>  | <b>632</b>                   | <b>110</b>        | <b>5</b>                         |  | <b>747</b>                     | <b>323</b>        | <b>-</b>                         |  | <b>1,070</b>               |  |
| <b>Deferred tax liabilities</b>   |                              |                   |                                  |  |                                |                   |                                  |  |                            |  |
| Difference between depreciation rates for property, plant and equipment | 410                          | (53)              | -                                |  | 357                            | 28                | -                                |  | 385                        |  |
| Measurement of derivatives  | 391                          | (14)              | (178)                            |  | 199                            | 355               | (66)                             |  | 488                        |  |
| Other   | 33                           | 3                 | -                                |  | 36                             | 4                 | -                                |  | 40                         |  |
| <b>Total</b>  | <b>834</b>                   | <b>(64)</b>       | <b>(178)</b>                     |  | <b>592</b>                     | <b>387</b>        | <b>(66)</b>                      |  | <b>913</b>                 |  |
| Set-off of assets and liabilities                                       | (632)                        | -                 | -                                |  | (592)                          | -                 | -                                |  | (913)                      |  |
| <b>After set-off</b>  |                              |                   |                                  |  |                                |                   |                                  |  |                            |  |
| Assets  | -                            | -                 | -                                |  | 155                            | -                 | -                                |  | 157                        |  |
| Liabilities   | (202)                        | -                 | -                                |  | -                              | -                 | -                                |  | -                          |  |
| <b>Net effect of changes in the period</b>                              |                              | <b>174</b>        | <b>183</b>                       |  | <b>-</b>                       | <b>(64)</b>       | <b>66</b>                        |  |                            |  |

## 1.2 Impairment losses/write-downs

|                                  | Property, plant and equipment, licences, mining rights and rights to geological information | Right-of-use assets | Other assets | Loans      | Shares       | Inventories | Receivables | Cash pooling receivables | Purchased debt instruments | Total        |
|----------------------------------|---|---------------------|--------------|------------|--------------|-------------|-------------|--------------------------|----------------------------|--------------|
| <b>As at January 1st 2020</b>    | <b>3,553</b>  | <b>47</b>           | <b>5</b>     | <b>93</b>  | <b>2,765</b> | <b>401</b>  | <b>400</b>  | <b>14</b>                | <b>39</b>                  | <b>7,317</b> |
| 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)         |
| <b>As at December 31st 2020</b>  | <b>4,726</b>  | <b>57</b>           | <b>59</b>    | <b>132</b> | <b>2,771</b> | <b>46</b>   | <b>344</b>  | <b>1</b>                 | <b>39</b>                  | <b>8,175</b> |
| Increase taken to profit or loss | 343   | 33                  | 1            | 129        | 6            | 38          | 183         | 2                        | -                          | 735          |
| Transfers                        | -   | -                   | 6            | -          | -            | -           | (6)         | -                        | -                          | -            |
| Decrease taken to profit or loss | (844)   | (4)                 | (2)          | (32)       | -            | (18)        | (146)       | -                        | -                          | (1,046)      |
| Other changes                    | (46)  | -                   | -            | -          | -            | -           | -           | -                        | -                          | (46)         |
| <b>As at June 30th 2021</b>      | <b>4,179</b>  | <b>86</b>           | <b>64</b>    | <b>229</b> | <b>2,777</b> | <b>66</b>   | <b>375</b>  | <b>3</b>                 | <b>39</b>                  | <b>7,818</b> |

## 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 first half of 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<sub>2</sub> 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 the first half of 2021. The Company points out that given the number and nature of factors with a bearing on the price levels in the first half of 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 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 437m, including PLN 19m 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 39m 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 229m, 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 June 30th 2021, the expected credit loss on loans, calculated for a 12-month period, was PLN 65m. The total expected credit loss for loans is higher by PLN 97m compared to the expected credit loss for loans as at December 31st 2020.

## 1.3 Provisions

|   | Provision for well decommissioning costs and other environmental liabilities | Provision for certificates of origin and energy efficiency certificates | Provision for liabilities associated with exploration work abroad | Provision for UOKiK fine | Provision for claims under extra-contractual use of land | Provision for financial guarantees | Other provisions | Total        |
|---|--|---|---|--------------------------|--|------------------------------------|------------------|--------------|
| <b>As at January 1st 2020</b>   | <b>1,970</b>   | <b>48</b>   | <b>177</b>  | <b>6</b>                 | <b>4</b>   | <b>14</b>                          | <b>21</b>        | <b>2,240</b> |
| 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            |
| <b>As at December 31st 2020</b>   | <b>2,449</b>   | <b>66</b>   | <b>175</b>  | <b>6</b>                 | <b>5</b>   | <b>7</b>                           | <b>20</b>        | <b>2,728</b> |
| Recognised provision capitalised in cost of property, plant and equipment | 74   | -   | -   | -                        | -  | -                                  | -                | 74           |
| Recognised provision taken to profit or loss                              | 12   | 13  | 2   | -                        | -  | 2                                  | 22               | 51           |
| Used  | (8)  | (31)  | -   | (6)                      | -  | -                                  | -                | (45)         |
| Provision reversal taken to profit or loss                                | (32)   | (4)   | -   | -                        | -  | (1)                                | (4)              | (41)         |
| <b>As at June 30th 2021</b>   | <b>2,495</b>   | <b>44</b>   | <b>177</b>  | <b>-</b>                 | <b>5</b>   | <b>8</b>                           | <b>38</b>        | <b>2,767</b> |

## 1.4 Revenue

|  | Total                         |                               | Domestic sales                |                               | Export sales                  |                               |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | 6 months ended June 30th 2021 | 6 months ended June 30th 2020 | 6 months ended June 30th 2021 | 6 months ended June 30th 2020 | 6 months ended June 30th 2021 | 6 months ended June 30th 2020 |
| <b>Revenue from sales of gas, including:</b>                 | <b>9,871</b>                  | <b>8,873</b>                  | <b>9,558</b>                  | <b>8,275</b>                  | <b>313</b>                    | <b>598</b>                    |
| Revenue from contracts with customers IFRS 15                | 10,231                        | 7,883                         | 9,918                         | 7,285                         | 313                           | 598                           |
| High-methane gas   | 9,358                         | 7,191                         | 9,147                         | 6,685                         | 211                           | 506                           |
| Nitrogen-rich gas  | 753                           | 651                           | 654                           | 560                           | 99                            | 91                            |
| LNG  | 120                           | 41                            | 117                           | 40                            | 3                             | 1                             |
| Excluded from the scope of IFRS 15                           | (360)                         | 990                           | (360)                         | 990                           | -                             | -                             |
| Adjustment to gas sales due to hedging transactions – IFRS 9 | (360)                         | 990                           | (360)                         | 990                           | -                             | -                             |
| <b>Other revenue, including:</b>                             | <b>2,542</b>                  | <b>2,164</b>                  | <b>2,299</b>                  | <b>1,920</b>                  | <b>243</b>                    | <b>244</b>                    |
| Revenue from contracts with customers IFRS 15                | 2,249                         | 1,869                         | 2,006                         | 1,625                         | 243                           | 244                           |
| Crude oil and natural gasoline                               | 570                           | 408                           | 431                           | 302                           | 139                           | 106                           |
| Sales of electricity   | 1,355                         | 1,179                         | 1,355                         | 1,179                         | -                             | -                             |
| Propane-butane   | 36                            | 25                            | 36                            | 25                            | -                             | -                             |
| Helium   | 96                            | 132                           | 10                            | 9                             | 86                            | 123                           |
| CO <sub>2</sub> emission allowances                          | 49                            | 17                            | 49                            | 17                            | -                             | -                             |
| Other  | 143                           | 108                           | 125                           | 93                            | 18                            | 15                            |
| Excluded from the scope of IFRS 15                           | 293                           | 295                           | 293                           | 295                           | -                             | -                             |
| Right to use storage facilities - IFRS 16                    | 285                           | 287                           | 285                           | 287                           | -                             | -                             |
| Other income from operating leases - IFRS 16                 | 8                             | 8                             | 8                             | 8                             | -                             | -                             |
| <b>Total revenue</b>   | <b>12,413</b>                 | <b>11,037</b>                 | <b>11,857</b>                 | <b>10,195</b>                 | <b>556</b>                    | <b>842</b>                    |

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 observed in the first quarter of 2021 (13% year on year). In the period from January 1st 2021 to June 30th 2021, domestic consumption of high-methane grid gas grew 12% 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 June 30th 2021 rose by 17% year on year.

## 1.5 Operating expenses (selected items)

|  | 6 months<br>ended June<br>30th 2021 | 6 months<br>ended June<br>30th 2020 |
|--|-------------------------------------|-------------------------------------|
| <b>Cost of gas sold</b>  | <b>(7,645)</b>                      | <b>(6,318)</b>                      |
| Gas fuel   | (7,645)                             | (6,318)                             |
| <b>Effect of the annex executed with PAO Gazprom/OOO Gazprom Export on cost of gas in 2014–2019</b>                            | <b>-</b>                            | <b>4,915</b>                        |
| <b>Other raw materials and consumables used</b>  | <b>(1,403)</b>                      | <b>(1,179)</b>                      |
| Electricity for trading  | (1,350)                             | (1,127)                             |
| Other raw materials and consumables used   | (53)                                | (52)                                |
| <b>Employee benefits expense</b>   | <b>(409)</b>                        | <b>(390)</b>                        |
| Salaries and wages   | (319)                               | (279)                               |
| Social security contributions*   | (59)                                | (50)                                |
| Other employee benefits expense*   | (66)                                | (64)                                |
| Provisions for employee benefits   | 35                                  | 3                                   |
| <b>Transmission, distribution and storage services</b>   | <b>(467)</b>                        | <b>(456)</b>                        |
| <b>Other services</b>  | <b>(823)</b>                        | <b>(484)</b>                        |
| Regasification services  | (175)                               | (195)                               |
| Cost of dry wells written off  | (425)                               | (79)                                |
| Repair and construction services   | (21)                                | (12)                                |
| Geological and exploration services  | (31)                                | (21)                                |
| Mineral resources production services  | (11)                                | (11)                                |
| Well abandonment services  | (4)                                 | (15)                                |
| IT services  | (52)                                | (54)                                |
| Other services   | (104)                               | (97)                                |
| <b>Depreciation and amortisation expense</b>   | <b>(409)</b>                        | <b>(411)</b>                        |
| Depreciation of non-leased assets  | (400)                               | (402)                               |
| Depreciation of the right of use   | (9)                                 | (9)                                 |
| <b>Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets</b> | <b>472</b>                          | <b>(724)</b>                        |
| Impairment losses on property, plant and equipment and rights-of-use assets  | 473                                 | (711)                               |
| Impairment losses on intangible assets   | (1)                                 | (13)                                |
| <b>Total</b>   | <b>(10,684)</b>                     | <b>(5,047)</b>                      |

\* 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 June 30th 2020 was adjusted for PLN 18m.

## 1.6 Other income and expenses (selected items)

|   | 6 months<br>ended June<br>30th 2021 | 6 months<br>ended June<br>30th 2020 |
|---|-------------------------------------|-------------------------------------|
| Measurement and exercise of derivative financial instruments  | (12)                                | 13                                  |
| Change in inventory write-downs   | (20)                                | 362                                 |
| Change in provision for well decommissioning costs and other provisions related to environmental protection | 20                                  | (5)                                 |
| Change in provision for certificates of origin and energy efficiency certificates                           | (9)                                 | (12)                                |
| Cost of merchandise and materials sold  | (54)                                | (18)                                |
| - including the amount of value of CO <sub>2</sub> emission allowances sold                                 | (54)                                | (17)                                |
| Change in other provisions  | (18)                                | (4)                                 |
| Net exchange differences related to operating activities  | 56                                  | 281                                 |
| Other   | 8                                   | (37)                                |
| <b>Total other income and expenses</b>  | <b>(29)</b>                         | <b>580</b>                          |

## 1.7 Finance income and costs (selected items)

|   | 6 months<br>ended June<br>30th 2021 | 6 months<br>ended June<br>30th 2020 |
|---|-------------------------------------|-------------------------------------|
| <b>Finance income</b>                                 |                                     |                                     |
| Gain on measurement and exercise of forward contracts | -                                   | 83                                  |
| Foreign exchange gains                                | 16                                  | -                                   |
| Other finance income                                  | 5                                   | 4                                   |
| <b>Total finance income</b>                           | <b>21</b>                           | <b>87</b>                           |
| <b>Finance costs</b>                                  |                                     |                                     |
| Loss on measurement and exercise of forward contracts | (27)                                | -                                   |
| Debt-related interest and fees                        | (13)                                | (26)                                |
| - including interest on lease liabilities             | (2)                                 | (4)                                 |
| Foreign exchange losses                               | -                                   | (93)                                |
| Other   | (5)                                 | (8)                                 |
| <b>Total finance costs</b>                            | <b>(45)</b>                         | <b>(127)</b>                        |



## 1.8 Income tax

| Reconciliation of effective tax rate                      | 6 months<br>ended June<br>30th 2021 | 6 months<br>ended June<br>30th 2020 |
|---|-------------------------------------|-------------------------------------|
| <b>Profit before tax</b>                                  | <b>2,140</b>                        | <b>6,469</b>                        |
| Corporate income tax at the applicable 19% statutory rate | (406)                               | (1,229)                             |
| Non-taxable income/(Non-deductible expenses)              | 136                                 | (10)                                |
| <b>Corporate income tax at the effective tax rate</b>     | <b>(270)</b>                        | <b>(1,239)</b>                      |
| Current tax expense                                       | (206)                               | (1,325)                             |
| Deferred tax expense                                      | (64)                                | 86                                  |
| <b>Effective tax rate</b>                                 | <b>12%</b>                          | <b>19%</b>                          |

### 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.

## 1.9 Property, plant and equipment

|   | As at June<br>30th 2021 | As at December<br>31st 2020 |
|---|-------------------------|-----------------------------|
| Land  | 19                      | 19                          |
| Buildings and structures                                      | 6,757                   | 6,814                       |
| Plant and equipment   | 1,886                   | 1,935                       |
| Vehicles and other  | 80                      | 75                          |
| <b>Total tangible</b>   | <b>8,742</b>            | <b>8,843</b>                |
| Tangible exploration and evaluation assets under construction | 2,261                   | 2,139                       |
| Other tangible assets under construction                      | 593                     | 469                         |
| <b>Total tangible assets under construction</b>               | <b>2,854</b>            | <b>2,608</b>                |
| Perpetual usufruct of land (PWUG)                             | 272                     | 243                         |
| Right-of-use asset – plots/land                               | 48                      | 44                          |
| Right-of-use asset – buildings and structures                 | 9                       | 9                           |
| Right-of-use asset – machinery and equipment                  | 1                       | 2                           |
| Right-of-use asset – vehicles                                 | 16                      | 17                          |
| <b>Total right-of-use assets</b>                              | <b>346</b>              | <b>315</b>                  |
| <b>Total property, plant and equipment</b>                    | <b>11,942</b>           | <b>11,766</b>               |

## 1.10 Hedge accounting

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

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

| Type of hedging instrument                          | Notional amount* | Carrying amount as at June 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  |  |  |  |  |   |  |
| <b>CASH FLOW HEDGES</b>                             |                  |                                      |              |  |  |  |  |   |  |
| <b>CURRENCY RISK</b>                                |                  |                                      |              |  |  |  |  |   |  |
| Forward contracts for currency purchase (USD/PLN)   | 2,559            | 32                                   | 14           | up to 3 years  | 5  | 31   | -  | Not applicable**  | Not applicable   |
| Forward contracts to purchase USD for EUR (EUR/USD) | 2,473            | 30                                   | 4            | up to 4 years  | 20   | 61   | (1)  | (1)   | Revenue from sales of gas  |
| Average rate forwards (EUR/PLN)                     | 3,949            | 28                                   | 19           | up to 3 years  | (26)   | 67   | (1)  | 27  | Revenue from sales of gas  |
| <b>COMMODITY PRICE RISK</b>                         |                  |                                      |              |  |  |  |  |   |  |
| Basis swap contracts for gas price indices          | 293              | 25                                   | 74           | 1–3 months   | (251)  | (225)  | -  | 203   | Revenue from sales of gas  |
| Swap contracts for gas price indices                | 8,128            | 278                                  | 1,128        | up to 4 years  | (746)  | (790)  | -  | 131   | Revenue from sales of gas  |
| Swap contracts for HH price indices                 | 1,778            | 137                                  | -            | up to 4 years  | 155  | 150  | 2  | Not applicable**  | Not applicable   |
| Swap contracts for petroleum product price indices  | 735              | 275                                  | -            | up to 3 years  | 353  | 236  | -  | Not applicable**  | Not applicable   |
| <b>Total</b>  | <b>19,915</b>    | <b>805</b>                           | <b>1,239</b> |  | <b>(490)</b>   | <b>(470)</b>   | <b>-</b>   | <b>360</b>  |  |

\* Not all instruments were fully designated for hedge accounting.

\*\* For these relationships, the relevant amounts are not reclassified to profit or loss but adjust the initial value of inventories (for more information, see the 'Reconciliation of hedging reserve' table).

| Type of hedging instrument                          | Notional amount* | Carrying amount at December 31st 2020 |             | Period when cash flow will occur and affect the financial result | Change in fair value of hedging instrument used as basis for recognising hedge ineffectiveness in a given period | Hedging gains or losses for reporting period, recognised in other comprehensive income | Hedge ineffectiveness amount taken to profit or loss (since the inception of the hedging relationship) | Amount reclassified from cash flow hedging reserve to profit or loss as reclassification adjustment | Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included |
|---|------------------|---------------------------------------|-------------|--|--|--|--|---|--|
|   |                  | Assets                                | Liabilities |  |  |  |  |   |  |
| <b>CASH FLOW HEDGES</b>                             |                  |                                       |             |  |  |  |  |   |  |
| <b>CURRENCY RISK</b>                                |                  |                                       |             |  |  |  |  |   |  |
| 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  |
| <b>COMMODITY PRICE RISK</b>                         |                  |                                       |             |  |  |  |  |   |  |
| 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   |
| <b>Total</b>  | <b>12,048</b>    | <b>449</b>                            | <b>619</b>  |  | <b>917</b>   | <b>(155)</b>   | <b>32</b>  | <b>(1,062)</b>  |  |

\* Not all instruments were fully designated for hedge accounting.

\*\* For these relationships, the relevant amounts are not reclassified to profit or loss but adjust the initial value of inventories (for more information, see the 'Reconciliation of hedging reserve' table).

## Cash flow hedges

| Items hedged as at June 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 |
|--|--|--|--|
| <b>CURRENCY RISK</b>   |  |  |  |
| Natural gas (USD/PLN)  | (5)  | 17   | -  |
| Natural gas (EUR/USD)  | (19)   | 26   | -  |
| Natural gas (EUR/PLN)  | 26   | 8  | (6)  |
| <b>COMMODITY PRICE RISK</b>  |  |  |  |
| Gas contracts indexed to European gas price indices (daily or monthly) | 486  | (895)  | 69   |
| Gas contracts indexed to monthly HH price indices                      | (153)  | 137  | -  |
| Gas contracts indexed to monthly petroleum product indices             | (354)  | 275  | -  |
| <b>TOTAL</b>   | <b>(19)</b>  | <b>(432)</b>   | <b>63</b>  |

| 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 |
|--|--|--|--|
| <b>CURRENCY RISK</b>   |  |  |  |
| Natural gas (USD/PLN)  | (75)   | (26)   | -  |
| Natural gas (EUR/USD)  | 38   | (41)   | -  |
| Natural gas (EUR/PLN)  | 41   | (69)   | (24)   |
| <b>COMMODITY PRICE RISK</b>  |  |  |  |
| 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  | -  |
| <b>TOTAL</b>   | <b>(930)</b>   | <b>(192)</b>   | <b>171</b>   |

## Reconciliation of hedging reserve

|  | 2021         | 2020         |
|--|--------------|--------------|
| <b>Gross amount at beginning of the period</b>   | (21)         | 911          |
| <b>Net amount at beginning of the period</b>   | (17)         | 738          |
| <b>CURRENCY RISK</b>   |              |              |
| Hedging gains or losses recognised in other comprehensive income during reporting period                         | 159          | (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 | 19           | (107)        |
| <b>Gross hedging reserve</b>   | <b>204</b>   | <b>(308)</b> |
| Deferred tax on settlement and measurement of hedging instruments  | (39)         | 59           |
| <b>Net hedging reserve</b>   | <b>165</b>   | <b>(249)</b> |
| <b>COMMODITY PRICE RISK</b>  |              |              |
| Hedging gains or losses recognised in other comprehensive income during reporting period                         | (629)        | (4)          |
| Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment | 334          | (1,013)      |
| Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories | (258)        | 393          |
| <b>Gross hedging reserve</b>   | <b>(553)</b> | <b>(624)</b> |
| Deferred tax on settlement and measurement of hedging instruments  | 105          | 119          |
| <b>Net hedging reserve</b>   | <b>(448)</b> | <b>(505)</b> |
| <b>Gross amount at end of the period</b>   | <b>(370)</b> | <b>(21)</b>  |
| <b>Net amount at end of the period</b>   | <b>(300)</b> | <b>(17)</b>  |

## Representation by the Management Board

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The Management Board of PGNiG S.A. represents that, to the best of its knowledge, the interim condensed consolidated financial statements of the PGNiG Group and the interim condensed separate financial statements of PGNiG S.A. for the six months to June 30th 2021 as well as the comparative data have been prepared in compliance with the applicable accounting policies, and give a true, clear and fair view of the assets, financial position and financial results of the PGNiG Group and PGNiG S.A.

|                                   |                |   |
|-----------------------------------|----------------|---|
| President of the Management Board | Paweł Majewski | <i>Signed with qualified<br/>electronic signature</i> |
|-----------------------------------|----------------|---|

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|  |               |   |
|--|---------------|---|
| Vice President of the Management Board | Artur Cieślík | <i>Signed with qualified<br/>electronic signature</i> |
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|  |                  |   |
|--|------------------|---|
| Vice President of the Management Board | Robert Perkowski | <i>Signed with qualified<br/>electronic signature</i> |
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|  |                      |   |
|--|----------------------|---|
| Vice President of the Management Board | Arkadiusz Sekściński | <i>Signed with qualified<br/>electronic signature</i> |
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|--|----------------------|---|
| Vice President of the Management Board | Przemysław Waclawski | <i>Signed with qualified<br/>electronic signature</i> |
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|  |                    |   |
|--|--------------------|---|
| Vice President of the Management Board | Magdalena Zegarska | <i>Signed with qualified<br/>electronic signature</i> |
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Warsaw, August 31st 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.