



INTERIM REPORT
for the three months
ended March 31st 2022

2022



Financial highlights

Key data from the interim condensed consolidated financial statements

	PLNm		EURm	
	3 months ended Mar 31 2022	3 months ended Mar 31 2021	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Revenue	47,399	14,553	10,199	3,183
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	9,598	3,393	2,065	742
Operating profit (EBIT)	8,010	2,437	1,724	533
Profit before tax	7,722	2,380	1,662	521
Net profit attributable to owners of the parent	4,093	1,747	881	382
Net profit	4,093	1,747	881	382
Total comprehensive income attributable to owners of the parent	1,481	2,057	319	450
Total comprehensive income	1,481	2,057	319	450
Net cash from operating activities	4,864	3,728	1,047	815
Net cash from investing activities	(1,440)	(1,580)	(310)	(346)
Net cash from financing activities	(5,661)	(550)	(1,218)	(120)
Net cash flows	(2,237)	1,598	(481)	350
Basic and diluted earnings per share (in PLN and EUR, respectively)	0.71	0.30	0.15	0.07

	As at Mar 31 2022	As at Dec 31 2021	As at Mar 31 2022	As at Dec 31 2021
Total assets	110,223	101,576	23,691	22,085
Total liabilities	63,825	57,197	13,718	12,436
Total non-current liabilities	23,087	20,107	4,962	4,372
Total current liabilities	40,738	37,090	8,756	8,064
Total equity	46,398	44,379	9,973	9,649
Share capital	5,778	5,778	1,242	1,256
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)	8.03	7.68	1.73	1.67
Dividend per share paid (PLN/EUR)	-	0.21	-	0.05

Key data from the interim condensed separate financial statements

	PLNm		EURm	
	3 months ended Mar 31 2022	3 months ended Mar 31 2021	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Revenue	28,156	7,210	6,059	1,577
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)	3,343	1,210	719	265
Operating profit (EBIT)	3,126	1,007	673	220
Profit before tax	2,968	949	639	208
Net profit	2,502	730	538	160
Total comprehensive income	(274)	963	(59)	211
Net cash from operating activities	2,119	1,370	456	300
Net cash from investing activities	(954)	163	(206)	36
Net cash from financing activities	(4,366)	(22)	(939)	(5)
Net cash flows	(3,201)	1,511	(689)	331
Earnings and diluted earnings per share attributable to holders of ordinary shares (PLN/EUR)	0.43	0.13	0.09	0.03

	As at Mar 31 2022	As at Dec 31 2021	As at Mar 31 2022	As at Dec 31 2021
Total assets	72,408	69,690	15,563	15,152
Total liabilities	36,612	34,120	7,869	7,418
Total non-current liabilities	10,940	7,270	2,351	1,580
Total current liabilities	25,672	26,850	5,518	5,838
Equity	35,796	35,570	7,694	7,734
Share capital and share premium	7,518	7,518	1,616	1,635
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)	6.20	6.16	1.33	1.34
Dividend per share paid (PLN/EUR)	-	0.21	-	0.05

Average EUR/PLN exchange rates quoted by the NBP

	Mar 31 2022	Mar 31 2021	Dec 31 2021
Average exchange rate for period	4.6472	4.5721	4.5775
Exchange rate at end of period	4.6525	4.6603	4.5994

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

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

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Interim condensed consolidated financial statements

Consolidated statement of profit or loss	Note	3 months ended	3 months ended
		Mar 31 2022	Mar 31 2021
		unaudited	unaudited
Revenue from sales of gas	Note 3.4.1.	41,447	10,605
Other revenue	Note 3.4.1.	5,952	3,948
Revenue		47,399	14,553
Cost of gas	Note 3.5	(34,266)	(8,543)
Other raw materials and consumables used	Note 3.5	(1,184)	(1,090)
Employee benefits expense	Note 3.5	(887)	(837)
Transmission services		(359)	(269)
Other services	Note 3.5	(780)	(404)
Taxes and charges		(819)	(633)
Other income and expenses	Note 3.6	319	316
Work performed by the entity and capitalised		193	284
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	Note 3.5	(18)	16
Operating profit before interest, taxes, depreciation and amortisation (EBITDA)		9,598	3,393
Depreciation and amortisation expense		(1,588)	(956)
Operating profit (EBIT)		8,010	2,437
Net finance costs	Note 3.7	(290)	(57)
Profit/(loss) from equity-accounted investees		2	-
Profit before tax		7,722	2,380
Income tax	Note 3.8	(3,629)	(633)
Net profit		4,093	1,747
Net profit attributable to:			
Owners of the parent		4,093	1,747
Non-controlling interests		-	-
Weighted average number of ordinary shares (million)		5,778	5,778
Basic and diluted earnings per share (PLN)		0.71	0.30
Consolidated statement of comprehensive income	Note	3 months ended	3 months ended
		Mar 31 2022	Mar 31 2021
		unaudited	unaudited
Net profit		4,093	1,747
Exchange differences on translating foreign operations		162	77
Hedge accounting		(3,427)	288
Deferred tax		651	(55)
Share of other comprehensive income of equity-accounted investees		2	-
Other comprehensive income subject to reclassification to profit or loss		(2,612)	310
Other comprehensive income, net		(2,612)	310
Total comprehensive income		1,481	2,057
Total comprehensive income attributable to:			
Owners of the parent		1,481	2,057
Non-controlling interests		-	-

Consolidated statement of cash flows	Note	3 months ended Mar 31 2022	3 months ended Mar 31 2021
		unaudited	unaudited
Cash flows from operating activities			
Net profit		4,093	1,747
Depreciation and amortisation expense		1,588	956
Current tax expense		3,629	633
Net gain/(loss) on investing activities		92	(184)
Other non-cash adjustments		1,245	(16)
Income tax paid		(3,383)	(395)
Movements in working capital		(2,400)	987
Net cash from operating activities		4,864	3,728
Cash flows from investing activities			
Payments for acquisition of tangible exploration and evaluation assets under construction		(108)	(151)
Payments for other property, plant and equipment and intangible assets		(1,371)	(1,411)
Proceeds from sale of property, plant and equipment and intangible assets		63	8
Payments for shares in related entities		(20)	(7)
Payments for acquisition of short-term securities		(35)	-
Proceeds from sale of short-term securities		30	-
Other items, net		1	(19)
Net cash from investing activities		(1,440)	(1,580)
Cash flows from financing activities			
Increase in debt		-	6
Decrease in debt		(5,660)	(566)
Other items, net		(1)	10
Net cash from financing activities		(5,661)	(550)
Net cash flows		(2,237)	1,598
Cash and cash equivalents at beginning of the period		11,410	7,098
Foreign exchange differences on cash and cash equivalents		(164)	334
Impairment losses on cash and cash equivalents		(2)	(2)
Cash flows associated with cash pooling transactions		1	-
Cash and cash equivalents at end of the period		9,008	9,028
including restricted cash		3,889	1,348

Consolidated statement of financial position	Note	As at Mar 31 2022	As at Dec 31 2021
		unaudited	audited
ASSETS			
Property, plant and equipment	Note 3.9	50,771	50,192
Intangible assets		2,164	1,826
Deferred tax assets		2,338	1,494
Equity-accounted investees		989	984
Derivative financial instruments		1,774	1,396
Other assets		1,644	1,588
Non-current assets		59,680	57,480
Inventories		5,584	8,235
Receivables		21,680	16,462
Derivative financial instruments	Note 3.10	13,185	7,572
Other assets		1,076	336
Cash and cash equivalents		9,008	11,410
Assets held for sale		10	81
Current assets		50,543	44,096
TOTAL ASSETS		110,223	101,576
EQUITY AND LIABILITIES			
Share capital and share premium		7,518	7,518
Hedging reserve		(6,873)	(4,598)
Accumulated other comprehensive income		(117)	(281)
Retained earnings		45,870	41,740
Equity attributable to owners of the parent		46,398	44,379
Equity attributable to non-controlling interests		-	-
TOTAL EQUITY		46,398	44,379
Financing liabilities		3,329	4,489
Derivative financial instruments		8,720	4,867
Employee benefit obligations		933	933
Provision for decommissioning, restoration and environmental remediation costs	Note 3.3.1.	3,077	3,161
Other provisions	Note 3.3.2.	385	260
Grants		694	695
Deferred tax liabilities		5,842	5,572
Other liabilities		107	130
Non-current liabilities		23,087	20,107
Financing liabilities		5,866	10,148
Derivative financial instruments	Note 3.10	16,695	10,164
Trade and tax payables*		12,421	12,924
Employee benefit obligations		618	571
Provision for decommissioning, restoration and environmental remediation costs	Note 3.3.1.	102	103
Other provisions	Note 3.3.2.	924	762
Grants		1,632	42
Other liabilities		2,480	2,376
Current liabilities		40,738	37,090
TOTAL LIABILITIES		63,825	57,197
TOTAL EQUITY AND LIABILITIES		110,223	101,576

*Including income tax: PLN 5,386m (2021: PLN 4,853m)

Consolidated statement of changes in equity

	Equity attributable to owners of the parent										Equity attributable to non-controlling interests	Total equity
	Share capital and share premium, including:			Accumulated other comprehensive income:				Retained earnings	Total			
	Share capital	Share premium	Hedging reserve	Translation reserve	Actuarial gains/(losses) on employee benefits	Share of other comprehensive income of equity-accounted investees						
As at Jan 1 2021 (audited)	5,778	1,740	(16)	(132)	(173)	(10)	36,939	44,126	(1)	44,125		
Net profit	-	-	-	-	-	-	1,747	1,747	-	1,747		
Other comprehensive income, net	-	-	233	77	-	-	-	310	-	310		
Total comprehensive income	-	-	233	77	-	-	1,747	2,057	-	2,057		
Change in equity recognised in inventories, net	-	-	(139)	-	-	-	-	(139)	-	(139)		
As at Mar 31 2021 (unaudited)	5,778	1,740	78	(55)	(173)	(10)	38,686	46,044	(1)	46,043		
As at Jan 1 2022 (audited)	5,778	1,740	(4,598)	(162)	(120)	1	41,740	44,379	-	44,379		
Net profit	-	-	-	-	-	-	4,093	4,093	-	4,093		
Other comprehensive income, net	-	-	(2,776)	162	-	2	-	(2,612)	-	(2,612)		
Total comprehensive income	-	-	(2,776)	162	-	2	4,093	1,481	-	1,481		
Change in equity recognised in inventories, net	-	-	501	-	-	-	-	501	-	501		
Changes in the Group	-	-	-	-	-	-	37	37	-	37		
As at Mar 31 2022 (unaudited)	5,778	1,740	(6,873)	-	(120)	3	45,870	46,398	-	46,398		

1. General information

1.1 The Group

Name	Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna
Registered office	ul. Marcina Kasprzaka 25, 01-224 Warsaw, Poland
Court of registration	District Court for the Capital City of Warsaw, 13th Commercial Division of the National Court Register, Poland
NATIONAL COURT REGISTER NUMBER (KRS)	0000059492
INDUSTRY IDENTIFICATION NUMBER (REGON)	012216736
TAX IDENTIFICATION NUMBER (NIP)	525-000-80-28
Principal place of business	Poland

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

As at the date of issue of this interim report for the first quarter of 2022, the State Treasury, represented by the minister competent for state assets, was the only shareholder holding 5% or more of total voting rights in the Company.

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

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

*As at December 31st 2021.

**As at March 31st 2022.

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, 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 quarter of 2022 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. 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. Following the Russian Federation's invasion of Ukraine on February 24th 2022, the Group analysed the revenue generated in Ukraine and the Russian Federation. For detailed information on that revenue, see [Note 3.4](#).

For more information on the impact of the invasion on the Group's business, see the Directors' Report on the operations of the PGNiG Group and PGNiG S.A. for 2021.

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 2021, issued on March 24th 2022.

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 quarter of 2022 is May 19th 2022.

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 2021.

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

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

2. The Group and its reportable segments






The Group identifies five reportable segments.

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

Figure 1 Group structure by reportable segments (as at March 31st 2022)



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

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

2.1 Changes in the Group structure

Date	Company	Event
January 1st 2022	PST Europe Sales GmbH in liquidation	Effective January 1st 2022, PST Europe Sales GmbH went into liquidation.
January 1st 2022	XOOL GmbH in liquidation	Effective January 1st 2022, XOOL GmbH went into liquidation.
January 26th 2022	PGNiG Supply&Trading Polska Sp. z o.o.* (subsidiary of PGNiG Supply & Trading GmbH)	<p>On January 26th 2022, PGNiG Supply&Trading Polska Sp. z o.o. (PST Polska Sp. z o.o.) was established.</p> <p>Equity interests in the company were acquired by:</p> <ul style="list-style-type: none"> - PGNiG Supply&Trading GmbH of Munich – which acquired 99 shares, with a total par value of PLN 49,500, representing 99% of the company's share capital, - PGNiG SPV 6 Sp. z o.o. of Warsaw – which acquired 1 share, with a par value of PLN 500, representing 1% of the company's share capital. <p>PGNiG S.A.'s indirect interest in the newly established company is 100%. The company was registered in the National Court Register on March 30th 2022.</p>

* Not consolidated due to immateriality.

2.2 Equity-accounted investees

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

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

Equity-accounted investees as at March 31st 2022

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

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

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

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

2.3 Key data on the reportable segments

3 months ended Mar 31 2022	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Total	Reconciliation with consolidated data*	Total
Sales to external customers	1,750	42,834	1,718	1,082	15	47,399		
Inter-segment sales	7,603	1,970	36	1,139	97	10,845		
Total revenue	9,353	44,804	1,754	2,221	112	58,244	(10,845)	47,399
EBITDA	8,446	(214)	1,000	464	(74)	9,622	(24)	9,598
Depreciation and amortisation expense	(659)	(49)	(313)	(549)	(18)	(1,588)	-	(1,588)
Operating profit (EBIT)	7,787	(263)	687	(85)	(92)	8,034	(24)	8,010
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	(21)	-	2	-	1	(18)	-	(18)
Profit/(loss) from equity-accounted investees	-	-	-	-	2	2	-	2
Acquisition of property, plant and equipment and intangible assets**	418	22	704	885	6	2,035	(21)	2,014
Property, plant and equipment	20,033	3,064	21,168	6,430	506	51,201	(430)	50,771
Employment***	6,398	2,945	11,597	1,835	1,626	24,401		

3 months ended Mar 31 2021	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Total	Reconciliation with consolidated data*	Total
Sales to external customers	760	11,339	1,646	795	13	14,553		
Inter-segment sales	1,026	149	23	302	99	1,599		
Total revenue	1,786	11,488	1,669	1,097	112	16,152	(1,599)	14,553
EBITDA	1,348	492	1,011	463	100	3,414	(21)	3,393
Depreciation and amortisation expense	(302)	(54)	(295)	(289)	(16)	(956)	-	(956)
Operating profit (EBIT)	1,046	438	716	174	84	2,458	(21)	2,437
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	10	-	1	-	5	16	-	16
Profit/(loss) from equity-accounted investees	-	-	-	-	-	-	-	-
Acquisition of property, plant and equipment and intangible assets**	325	5	691	204	46	1,271	3	1,274
Property, plant and equipment	15,425	3,098	18,955	5,525	689	43,692	(309)	43,383
Employment***	6,696	3,016	11,521	1,831	1,709	24,773		

*Inter-company eliminations and consolidation adjustments

**Net of intra-segment eliminations, including capitalised interest and increase due to new lease contracts.

***Excluding employees of equity-accounted investees.

2.4 Revenue by segment

3 months ended Mar 31 2022	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Reconciliation with consolidated data*	Total
Revenue from sales of gas, including:	8,033	41,818	-	-	-	(8,598)	41,253
High-methane gas	6,430	40,621	-	-	-	(7,400)	39,651
Nitrogen-rich gas	1,568	977	-	-	-	(1,186)	1,359
LNG	35	184	-	-	-	(12)	207
CNG	-	36	-	-	-	-	36
Other revenue, including:	1,320	2,792	1,748	2,221	109	(2,244)	5,946
Gas and heat distribution	-	-	1,673	36	-	(22)	1,687
Crude oil and natural gasoline	948	-	-	-	-	-	948
NGL	78	-	-	-	-	-	78
Sales of heat	-	-	-	818	-	-	818
Sales of electricity	-	1,887	-	1,235	-	(1,335)	1,787
Revenue from rendering of services:							
- drilling and oilfield services	55	-	-	-	-	(1)	54
- geophysical and geological services	76	-	-	-	-	-	76
- construction and assembly services	10	-	-	-	6	(8)	8
- connection charge	-	-	56	-	-	-	56
- other	61	153	4	57	99	(136)	238
Other	92	752	15	75	4	(742)	196
Excluded from the scope of IFRS 15	-	194	6	-	3	(3)	200
High-methane gas	-	1,009	-	-	-	-	1,009
Nitrogen-rich gas	-	51	-	-	-	-	51
Adjustment to gas sales due to hedging transactions	-	(867)	-	-	-	-	(867)
Other services	-	1	6	-	3	(3)	7
Total revenue	9,353	44,804	1,754	2,221	112	(10,845)	47,399

3 months ended Mar 31 2021	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Reconciliation with consolidated data*	Total
Revenue from sales of gas, including:	1,222	10,672	-	-	-	(1,114)	10,780
High-methane gas	745	10,280	-	-	-	(821)	10,204
Nitrogen-rich gas	468	334	-	-	-	(290)	512
LNG	9	42	-	-	-	(3)	48
CNG	-	16	-	-	-	-	16
Other revenue, including:	564	991	1,664	1,097	111	(485)	3,942
Gas and heat distribution	-	-	1,607	31	-	(21)	1,617
Crude oil and natural gasoline	373	-	-	-	-	-	373
NGL	39	-	-	-	-	-	39
Sales of heat	-	-	-	650	-	-	650
Sales of electricity	-	864	-	324	-	(329)	859
Revenue from rendering of services:							
- drilling and oilfield services	14	-	-	-	-	-	14
- geophysical and geological services	52	-	-	-	-	-	52
- construction and assembly services	7	-	-	-	25	(24)	8
- connection charge	-	-	50	-	-	-	50
- other	6	87	4	46	82	(87)	138
Other	73	40	3	46	4	(24)	142
Excluded from the scope of IFRS 15	-	(175)	5	-	1	-	(169)
Adjustment to gas sales due to hedging transactions	-	(175)	-	-	-	-	(175)
Other services	-	-	5	-	1	-	6
Total revenue	1,786	11,488	1,669	1,097	112	(1,599)	14,553

*Inter-company eliminations and consolidation adjustments

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.

Revenue excluded from the scope of IFRS 15 includes primarily the amounts of compensation received from the Price Difference Payment Fund under Art. 8.1 of the Act of January 26th 2022 on Special Solutions for the Protection of Gas Fuel Consumers in View of the Situation on the Gas Market (concerning high-methane gas and nitrogen-rich gas; the amount recognised in revenue in the first quarter of 2022 was PLN 1,060m), adjustment to gas sales due to hedging transactions and revenue falling within the scope of IFRS 16 (other services).

2.5 Segments' financial results

In the first quarter of 2022, the PGNiG Group's revenue was PLN 47,399m, up by PLN 32,846m (226%) year on year, while operating expenses rose by PLN 27,273m.

EBITDA for the first quarter of 2022 was PLN 6,205m higher than in the first quarter of 2021, and amounted to PLN 9,598m. EBIT for the first quarter of 2021 was PLN 8,010m, up by PLN 5,573m year on year.

Operating data	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Volume of natural gas produced by the PGNiG Group (bcm)*		
High-methane gas (E)	1.09	0.54
Nitrogen-rich gas (Ls/Lw as E equivalent)	0.69	0.70
Total (measured as E equivalent)	1.78	1.24
Volume of natural gas sales outside the PGNiG Group (bcm)*		
High-methane gas (E)	11.04	10.75
Nitrogen-rich gas (Ls/Lw as E equivalent)	0.50	0.53
Total (measured as E equivalent)	11.54	11.28
Distribution volume (bcm in natural gas)		
high-methane gas, nitrogen-rich gas, propane-butane, coke gas	4.24	4.55
Crude oil, condensate and NGL ('000 tonnes)**		
Production volume	372.3	328.4
Sales volume	317.4	250.6
Heat and electricity (from own generation sources)		
Heat sales outside the PGNiG Group (PJ)	17.03	17.00
Sales of electricity from own generation sources (TWh)	1.73	1.22

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

** Aggregate data for crude oil, NGL and condensate

Exploration and Production

The Exploration and Production segment's operating profit for the first quarter of 2022 was PLN 7,787m, up by PLN 6,741m on the same quarter of 2021. EBITDA for the first quarter of 2022 was PLN 8,446m (PLN 1,348m in the first quarter of 2021). The key contributing factors included:

- PLN 7,567m (424%) year-on-year increase in revenue, led mainly by:
 - higher natural gas and oil production volumes in Norway, up on the first quarter of 2022 by 543 mcm (244%) and 54 thousand tonnes (35%), respectively, attributable primarily to the acquisition of INEOS E&P Norge AS assets;
 - PLN 6,811m (557%) increase in revenue from sales of natural gas by the segment driven by higher gas prices. The higher prices of domestically produced gas transferred between the Exploration and Production segment and the Trade and Storage segment were a direct effect of the rise in average monthly prices quoted on the POLPX (up 387% year on year in the first quarter of 2022), by reference to which the transfer price in transactions between the segments is set;
 - PLN 614m (149%) increase in revenue from crude oil and NGL sales, mainly due to an 80% year-on-year rise in the average price of Brent crude (in PLN) in the three months, with a 27% concurrent year-on-year rise in the volume of crude oil and NGL sold in the first quarter of 2022;
- PLN 826m (112%) year-on-year increase in operating expenses, caused mainly by:
 - decrease in the cost of wells written off by PLN 73m (compared with PLN 260m in the corresponding period of the previous year), with a concurrent reversal of impairment losses on property, plant and equipment under construction of PLN 52m (compared with impairment losses of PLN 269m reversed in the corresponding period of the previous year).
 - increase in the tax on extraction of certain minerals by PLN 121m (286%). The increase in the amount of tax paid on crude oil and natural gas extraction was mainly attributable to a rise in the average gas and oil prices.

Trade and Storage

In the first quarter of 2022, the segment's operating result was a loss of PLN 263m, which represents a decline of PLN 701m year on year, from operating profit of PLN 438m recorded in the first quarter of 2021. A similar decline (of PLN 706m) occurred in EBITDA, which stood at PLN -214m. The segment's total revenue was PLN 44,804m, having increased by a record amount of PLN 33,316m (290%) year on year. The segment's operating expenses were PLN 45,076m, that is PLN 34,017m (308%) more year on year, negatively affecting performance.

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

- a surge in spot contract prices of gas on the POLPX (387%) and TTF (445%), reflected in the value of domestically produced gas transferred from the Exploration and Production segment to the Trade and Storage segment;
- PLN +56m reversal of a gas inventory write-down; in the first quarter of 2021, the write-down reversal was PLN +9m;
- net gain/(loss) on measurement and exercise of hedging instruments taken to profit or loss:
 - recognised in revenue of PLN -867m (first quarter of 2021: PLN -175m);
 - recognised in cost of gas sold as a reduction of procurement cost of PLN 113m (first quarter of 2021: PLN 149m);
 - recognised in net other expenses at PLN 305m (first quarter of 2021: PLN -54m);
- compensation from the Price Difference Payment Fund received by PGNiG Obrót Detaliczny; amount recognised in revenue for the current period: PLN 1,060m;
- in March 2022, PGNiG sold emergency stocks of natural gas worth PLN 5,955bn to the Government Agency for Strategic Reserves in favour of the State Treasury. Gain on the sale was fully recognised in the first quarter of 2022, while the payment for gas will be settled in instalments, by August 31st 2022.

Distribution

In the first quarter of 2022, the Distribution segment's operating profit was PLN 687m, down PLN 29m (4%) year on year. This decline translated into a decrease in EBITDA, which was PLN 1,000m at the end of the first quarter of 2022, PLN 11m (1%) less year on year.

The segment's performance was driven by the following factors:

- 5% increase in revenue (PLN 1,754m vs PLN 1,669 in the corresponding period of the previous year), driven mainly by a 3.6% average increase in the tariff for gas fuel distribution services (effective as of January 1st 2022);
- 7%, or approximately 312 mcm, year-on-year decrease in the distribution volume, mainly due to a 1.7°C increase in the average temperature in the first quarter of 2022 compared with the first quarter of 2021;
- net income/cost of system balancing, which amounted to PLN -34m in the first quarter of 2022, compared with PLN -12m in the corresponding period of the previous year.

Generation

In the first quarter of 2022, the segment recorded a loss of PLN 85m, relative to a profit of PLN 174m in the corresponding period of the previous year. EBITDA was positive at PLN 464m, which means that it was slightly better (up by PLN 1m) than at the end of the first quarter of 2021.

The segment's operating expenses in the reporting period amounted to PLN 2,306m, up by PLN 1,383m (150%). The segment's expenses rose mainly as a result of an increase in the cost of gas used to generate electricity and heat, which rose on higher revenue, and an increase in depreciation and amortisation expense.

The Generation segment's depreciation and amortisation expense rose to PLN 549m and was higher by PLN 260m (90%) relative to the first quarter of 2021 due largely to a PLN 233m (113%) increase in the costs of redemption CO₂ allowances.

The segment's revenue in the reporting period was PLN 2,221m, up by PLN 1,124m (102%) year on year. As regards the level of revenue, the key contributing factors included:

- PLN 911m (281%) increase in revenue from sales of electricity, mainly as a consequence of higher selling prices and sales volumes.
- PLN 168m (26%) increase in revenue from sales of heat, with higher average temperature in the period (+1.7°C) and comparable volumes year on year, on account of higher selling prices reflecting the 2021 tariff amendments.

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

The Group has noted significant fluctuations in gas fuel prices on European exchange markets, including the Polish Power Exchange (POLPX), Title Transfer Facility in the Netherlands and Gaspool in Germany. There are multiple reasons behind the price fluctuations, including geopolitical factors. Key factors include the European gas storage volumes being lower than in previous years, the post-pandemic economic recovery driving up demand, the armed conflict in Ukraine, the weather conditions and fluctuations in gas supply, especially from the eastern direction.

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

Any near-term changes in gas prices will additionally depend on decisions to suspend Russian gas supplies to individual countries. On April 27th 2022, Gazprom halted supplies to Poland as a result of PGNiG S.A.'s refusal to pay for the natural gas received from Gazprom in Russian roubles. At present, it is difficult to predict how the Russian Federation's requirement that payment liabilities for natural gas be settled in roubles will translate into potential decisions of other countries or of Russia itself to suspend supplies. However, limited supplies from Russia may significantly affect the prices of natural gas on energy commodity exchanges.

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

- The armed conflict in Ukraine and potential supply constraints resulting from the imposition of an embargo on gas imports from Russia or any restrictions imposed by Russia itself on natural gas supplies;
- The extent of gas price volatility in the energy markets triggered by the energy crisis;
- Conditions prevailing on the currency markets, commodity markets (prices of crude oil), energy markets (prices of electricity), as well as fluctuations in the market prices of certificates of origin and CO₂ emission allowances;
- Position of the President of URE on gas fuel sale and distribution tariffs and heat sale tariffs;
- Weather conditions;
- Regulations governing support programmes for electricity from high-efficiency co-generation and renewable sources;
- Margin requirements for trades executed on energy exchanges and financial hedging instruments.

3. Notes to the interim condensed consolidated financial statements

3.1 Deferred tax

	Deferred tax assets	Deferred tax liabilities	Set-off of assets and liabilities	Assets after set-off	Liabilities after set-off	Net effect of changes in the period
As at Jan 1 2021	1,783	3,969	(1,741)	42	2,228	
Increase	2,516	2,895	-	-	-	(379)
Decrease	(85)	(1,095)	-	-	-	1,010
Currency translation differences	25	106	-	-	-	(81)
As at Dec 31 2021	4,526	8,604	(3,032)	1,494	5,572	(1,892)
As at Jan 1 2022	4,526	8,604	(3,032)	1,494	5,572	
Increase	1,714	1,511	-	-	-	203
Decrease	(85)	(651)	-	-	-	566
Currency translation differences	38	233	-	-	-	(195)
As at Mar 31 2022	6,193	9,697	(3,855)	2,338	5,842	574

3.2 Impairment losses/write-downs

	Property, plant and equipment	Intangible assets	Assets held for sale	Equity-accounted investees	Other (non-current) assets	Inventories	Receivables	Other (current) assets	Total
As at Jan 1 2021	5,704	86	1	1,355	176	100	811	41	8,274
Increase taken to profit or loss	974	11	-	66	2	133	290	4	1,480
Decrease taken to profit or loss	(1,983)	(19)	-	(404)	(1)	(22)	(198)	(2)	(2,629)
Used	(87)	-	-	-	-	-	(30)	-	(117)
Transfers	(26)	-	27	-	301	-	(302)	-	-
Other changes	43	3	-	-	-	2	424	-	472
As at Dec 31 2021	4,625	81	28	1,017	478	213	995	43	7,480
As at Jan 1 2022	4,625	81	28	1,017	478	213	995	43	7,480
Increase taken to profit or loss	1	-	-	58	2	52	310	2	425
Decrease taken to profit or loss	(56)	-	-	-	(2)	(107)	(69)	-	(234)
Used	(17)	-	-	-	-	-	(5)	-	(22)
Changes in the Group	(21)	-	-	-	-	-	(1)	-	(22)
Transfers	22	-	(24)	-	266	-	(264)	-	-
Other changes	(88)	1	-	-	-	-	32	-	(55)
As at Mar 31 2022	4,466	82	4	1,075	744	158	998	45	7,572

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

Impairment of non-financial assets

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

As at March 31st 2022, the Company did not identify any indications of the need to carry out impairment tests with respect to property, plant and equipment under construction and the right to use hydrocarbon production assets. As a result, impairment losses on non-financial assets remained unchanged relative to those presented in the full-year report for 2021.

Trade and other receivables

The economic effects of COVID-19, combined with the impact of other economic factors affecting international markets, are reflected in the quality of the Group's portfolio of financial assets and may affect the collectability of its trade and other receivables. Such impact will vary depending on the sector of the economy in which the trading partners operate. The models adopted by the Group use adjusted probability of default by trading partners based on market expectations implied by prices of Credit Default Swaps (CDS).

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

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

As at reporting date, the prices of CDS, based on which the Group adjusts the probability of default, were higher than at the end of 2021. 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 the effect of future factors (including COVID-19) was changed relative to the adjustments recognised at the end of 2021.

Based on the analyses, as at March 31st 2022 the estimated effect of future factors (including COVID-19) on impairment losses on the PGNiG Group's trade receivables was their increase by PLN 29m.

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
As at Jan 1 2021	3,129	116	66	3,311
Recognised provision capitalised in cost of property, plant and equipment	(384)	32	-	(352)
Recognised provision taken to profit or loss	31	9	1	41
Used	(34)	-	-	(34)
Provision reversal taken to profit or loss	(68)	(55)	(47)	(170)
Exchange differences on translating foreign operations	41	-	-	41
Changes in the Group	427	-	-	427
As at Dec 31 2021	3,142	102	20	3,264
As at Jan 1 2022	3,142	102	20	3,264
Recognised provision capitalised in cost of property, plant and equipment	4	-	-	4
Recognised provision taken to profit or loss	6	-	-	6
Other increases – Extraction Facilities Decommissioning Fund	1	-	-	1
Used	(6)	-	-	(6)
Provision reversal taken to profit or loss	(15)	(1)	(1)	(17)
Exchange differences on translating foreign operations	45	-	-	45
Transfer to other provisions	(118)	-	-	(118)
As at Mar 31 2022	3,059	101	19	3,179

3.3.2 Other provisions

	Provision for certificates of origin and energy efficiency certificates	Provision for liabilities associated with exploration work abroad	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Other provisions	Total
As at Jan 1 2021	275	175	6	18	450	924
Increase taken to profit or loss	310	-	-	8	322	640
Decrease taken to profit or loss	(8)	-	-	(8)	(345)	(361)
Used	(238)	-	(6)	-	(5)	(249)
Changes in the Group	-	-	-	-	54	54
Other changes	3	14	-	-	(3)	14
As at Dec 31 2021	342	189	-	18	473	1,022
As at Jan 1 2022	342	189	-	18	473	1,022
Increase taken to profit or loss	102	-	-	1	89	192
Decrease taken to profit or loss	(1)	-	-	(2)	(38)	(41)
Used	-	-	-	-	(4)	(4)
Transfer to other provisions	-	-	-	-	118	118
Changes in the Group	-	-	-	-	(1)	(1)
Other changes	1	6	-	-	16	23
As at Mar 31 2022	444	195	-	17	653	1,309

3.4 Revenue

	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Revenue from contracts with customers	47,199	14,722
Poland	39,329	13,101
Germany	2,812	558
United Kingdom	2,110	112
The Netherlands	1,939	474
Austria	545	12
Switzerland	142	121
Pakistan	70	51
US	-	157
Other	252	136
Revenue excluded from the scope of IFRS 15	200	(169)
Poland	200	(169)
Total revenue	47,399	14,553

Following the invasion of Ukraine by the Russian Federation on February 24th 2022 and the imposition of sanctions on the Russian Federation and Belarus by the EU and the US, the Group analysed the revenue generated in the countries involved in the conflict: in the first quarter of 2022, the PGNiG Group's revenue generated in the Russian Federation and in Ukraine was PLN 9m and PLN 2m, respectively, while in the corresponding period of 2021 the respective amounts were: PLN 3m and PLN 19m (in 2022 and 2021, the Group did not generate any revenue in Belarus).

For a structure of revenue by product within the respective segments, see [Note 2.4](#).

3.5 Operating expenses (selected items)

	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Cost of gas	(34,266)	(8,543)
Gas fuel	(34,379)	(8,692)
Cost of transactions hedging gas prices	113	149
Other raw materials and consumables used	(1,184)	(1,090)
Fuels for electricity and heat generation	(334)	(376)
Electricity for trading	(709)	(589)
Other raw materials and consumables used	(141)	(125)
Employee benefits expense	(887)	(837)
Salaries and wages	(599)	(576)
Social security contributions	(113)	(105)
Long-term employee benefits	(33)	(17)
Other employee benefits expense	(142)	(139)
Other services	(780)	(404)
Regasification services	(94)	(85)
Repair and construction services	(31)	(43)
Mineral resources production services	(125)	(67)
Rental services	(27)	(20)
Other services	(503)	(189)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	(18)	16
Cost of exploration and evaluation assets written-off	(73)	(260)
Impairment losses on property, plant and equipment	55	276
Total	(37,135)	(10,858)

3.6 Other income and expenses

	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Compensation, penalties, and fines received	13	9
Exchange differences related to operating activities	(82)	186
Measurement and exercise of derivative financial instruments	257	(167)
Change in inventory write-downs	55	4
Change in impairment losses on trade and other receivables	(48)	11
Provision for decommissioning, restoration and environmental remediation costs	11	2
Change in provision for certificates of origin and energy efficiency certificates	(101)	(97)
Provision for CO ₂ emission allowances	(50)	(13)
Change in other provisions	(5)	(42)
Change in products	415	383
Change in underlift/ overlift	220	144
Cost of merchandise and materials sold	(302)	(65)
Other income and expenses	(64)	(39)
Total other income and expenses	319	316

3.7 Net finance income/(costs)

	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Interest on debt (including fees)	(89)	(4)
Interest on lease liabilities	(24)	(19)
Foreign exchange differences	(12)	36
Measurement and exercise of derivative financial instruments not designated for hedge accounting	2	9
Fair value measurement of financial assets	-	4
Impairment loss on loans	(192)	(89)
Other net finance costs (income)	25	6
Total net finance costs	(290)	(57)

3.8 Income tax

	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Reconciliation of effective tax rate		
Profit before tax	7,722	2,380
Corporate income tax at the 19% statutory rate applicable in Poland	(1,467)	(452)
Deductible temporary differences with respect to which no deferred tax was recognised	(2,162)	(181)
Income tax expense disclosed in the statement of profit or loss	(3,629)	(633)
Including:		
Current tax expense	(3,864)	(428)
Deferred tax expense	235	(205)
Effective tax rate	47%	27%

3.9 Property, plant and equipment

	As at Mar 31 2022	As at Dec 31 2021
Land	130	130
Buildings and structures	23,684	23,338
Plant and equipment	15,487	15,601
Vehicles and other	1,450	1,425
Total own tangible assets	40,751	40,494
Right-of-use asset – land	2,747	2,655
Right-of-use asset – buildings and structures	280	287
Right-of-use asset – plant and equipment	182	189
Right-of-use asset – vehicles and other	25	27
Total right-of-use assets	3,234	3,158
Tangible exploration and evaluation assets under construction	2,495	2,476
Other tangible assets under construction	4,291	4,064
Total property, plant and equipment	50,771	50,192

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

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

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

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

3.10 Derivative financial instruments

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

In the case of the Parent, all eligible transactions in the period January 1st–March 31st 2022 were accounted for using cash flow hedge accounting. The Company was party to CCIRS transactions, which are not designated for hedge accounting,

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

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

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

Income and expenses related to assets and liabilities under derivative financial instruments		3 months ended Mar 31 2022		3 months ended Mar 31 2021		
Item of statement of profit or loss and statement of comprehensive income	Item referenced in Note / additional explanations	Notes	Derivative financial instruments not designated for hedge accounting	Derivative financial instruments designated for cash flow hedge accounting	Derivative financial instruments not designated for hedge accounting	Derivative financial instruments designated for cash flow hedge accounting
Effect on statement of profit or loss						
Net finance costs	Measurement and exercise of derivative financial instruments not designated for hedge accounting	Note 3.7	2	-	9	-
Other income and expenses	Measurement and exercise of derivative financial instruments not designated for hedge accounting	Note 3.6	257	-	(167)	-
Revenue	Reclassification from other comprehensive income	Note 3.4.1.	-	(867)	-	(175)
Cost of gas sold	Reclassification from other comprehensive income	Note 3.5	-	113	-	149
			259	(754)	(158)	(26)
Effect on other comprehensive income						
	Gains/(losses) on measurement of derivative instruments designated for cash flow hedge accounting (effective portion)			(4,294)		113
	Reclassification of derivative instruments measurement to profit or loss upon exercise (cash flow hedges)			867		175
				(3,427)		288
	Effect on comprehensive income		259	(4,181)	(158)	262
	Change in equity recognised in inventories, gross			619		(172)

The effective hedge taken to equity over its lifetime is, once realised, reclassified to initial cost of gas inventory or is taken to profit or loss on gas sales.

The result reclassified to gas inventory has an effect on profit or loss when the gas inventory is released for sale.

Effect of hedging transactions on gas inventory	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Effect of hedging transactions on gas inventory at beginning of period *		(611)
Reclassification from equity of changes in value of hedging instruments		619
Recognition as expense in current period due to release of gas inventory for sale**		113
Effect of hedging transactions on gas inventory at end of period*		121

* Negative value means a decrease in the cost of gas inventory (decrease in the carrying amount), while positive value means an increase in the cost of gas inventory (increase in the carrying amount).

** Positive value means a decrease in the cost of gas in the statement of profit or loss (positive effect on profit or loss), while negative value means an increase in the cost of gas in the statement of profit or loss (negative effect on profit or loss).

The tables below present the Group companies' derivative transactions as at March 31st 2022.

Derivative instruments designated for hedge accounting	As at Mar 31 2022						As at Dec 31 2021		
	Notional amount (million)	Exercise price (exercise price range)	Weighted average exercise price	Fair value			Notional amount (million)	Fair value	
				up to 1 year	over 1 to 2 years	over 2 years		up to 1 year	over 1 year
Derivative instruments used to hedge currency risk in gas purchase and sale contracts									
Forwards									
USD	USD 245	3.6600-3.9956	3.7713	110	-	-	USD 478	149	-
USD	USD 46	4.2604-4.3037	4.2820	(5)	-	-	USD 140	(1)	-
EUR/USD	EUR 187	1.1258-1.2484	1.2030	58	-	-	EUR 735	9	172
EUR/USD	EUR 448	1.1703-1.2575	1.2187	-	134	-	-	-	-
EUR/USD	EUR 113	1.1860-1.2391	1.2211	-	-	26	-	-	-
EUR/USD	-	-	-	-	-	-	EUR 13	(1)	-
Currency swap									
EUR	EUR 265	4.9385-5.1830	5.0942	61	-	-	EUR 45	1	1
EUR	EUR 180	5.0655-5.2210	5.1434	-	20	-	-	-	-
EUR	EUR 418.5	4.4752-4.7503	4.6415	(84)	-	-	EUR 718	(24)	(66)
EUR	EUR 154	4.6440-4.9895	4.7877	-	(27)	-	-	-	-
				140	127	26		133	107
Derivative instruments used to hedge gas purchase and selling prices									
TTF swap DA	1 MWh	44.70-84.40	71.16	313	-	-	3 MWh	763	-
TTF swap MA	1 MWh	45.00-48.50	46.67	-	-	14	-	-	-
TTF swap DA	9 MWh	60.85-123.50	82.32	1,596	-	-	2 MWh	105	-
TTF swap MA	9 MWh	12.52-105.94	25.91	(3,685)	-	-	52 MWh	(824)	(3,691)
TTF swap DA	33 MWh	15.01-48.50	20.19	-	(6,652)	(1,154)	-	-	-
TTF swap MA	10 MWh	17.20-48.50	20.92	-	-	-	-	-	-
TTF swap MA	0.1 MWh	123.50	123.50	(3)	-	-	6 MWh	(1,026)	-
BRENT Swap	1 bbl	43.58-43.87	43.68	280	-	-	2 bbl	207	-
HH NYMEX	50 mmBtu	2.24-4.76	2.80	599	-	-	-	-	-
HH NYMEX	115 mmBtu	2.46-3.70	2.77	-	597	-	171 mmBtu	60	424
HH NYMEX	36 mmBtu	2.52-3.33	2.86	-	-	104	-	-	-
HH NYMEX	-	-	-	-	-	-	29 mmBtu	-	(36)
				(900)	(6,055)	(1,036)		(715)	(3,303)
			Total	(760)	(5,928)	(1,010)	Total	(582)	(3,196)
	Including:	Assets		3,016	751	144	Assets	1,294	597
		Liabilities		3,776	6,679	1,154	Liabilities	1,876	3,793

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 Mar 31 2022						As at Dec 31 2021		
	Type of derivative instrument	Notional amount (million)	Fair value			Notional amount (million)	Fair value		
			up to 1 year	over 1 to 2 years	over 2 years		up to 1 year	over 1 year	
Derivative instruments hedging interest rate risk and currency risk									
CCIRS									
NOK	NOK 3,818	(215)	-	-	NOK 3,818	-	(141)		
Forwards									
EUR	EUR 171	20	1	-	EUR 206	15	-		
EUR	EUR 256	(17)	(1)	-	EUR 142	(4)	-		
EUR/USD	-	-	-	-	EUR/USD 204	3	-		
EUR/USD	EUR/USD 15	(3)	(2)	(1)	EUR/USD 15	(1)	(3)		
USD	USD 105	(7)	-	-	-	-	-		
Currency swap									
EUR	EUR 192	35	-	-	EUR 503	35	-		
EUR	EUR 190	(23)	-	-	EUR 338	(36)	-		
		(210)	(2)	(1)		12	(144)		
Derivative instruments used as economic hedges of electricity purchase prices									
Forwards									
electricity – POLPX	1 MWh	369	-	-	1 MWh	442	-		
electricity – POLPX	8 MWh	(335)	(28)	(10)	6 MWh	(308)	(2)		
electricity – OTC	0.1 MWh	89	11	-	0.2 MWh	79	13		
electricity – OTC	0.3 MWh	(310)	(13)	-	0.4 MWh	(256)	(31)		
Futures									
electricity – EEX AG	0.3 MWh	281	13	-	0.4 MWh	230	32		
electricity – EEX AG	0.1 MWh	(60)	(11)	-	0.1 MWh	(55)	(12)		
		34	(28)	(10)		132	-		
Derivative instruments used to hedge gas purchase and selling prices									
Forwards									
gas – OTC	67 MWh	2,591	533	4	78 MWh	1,652	482		
gas – OTC	14 MWh	(3,570)	(716)	(32)	16 MWh	(2,179)	(599)		
Futures									
gas – POLPX	3 MWh	714	133	27	2 MWh	352	68		
gas – POLPX	0.3 MWh	(8)	(11)	-	0.2 MWh	(15)	-		
gas – ICE ENDEX B.V.	1 MWh	195	15	9	1 MWh	157	15		
gas – ICE ENDEX B.V.	1 MWh	(74)	(4)	(8)	0.4 MWh	(40)	(5)		
gas – POWERNEXT SA	2 MWh	559	90	10	2 MWh	317	84		
gas – POWERNEXT SA	1 MWh	(408)	(39)	(11)	2 MWh	(238)	(45)		
Swap									
HH NYMEX	10 mmBtu	29	15	-	3 mmBtu	7	1		
HH NYMEX	-	-	-	-	6 mmBtu	(5)	(7)		
BRENT	0.2 Bbl	(45)	-	-	0.3 Bbl	(31)	-		
TTF swap DA	16 MWh	4,861	-	-	14 MWh	2,463	90		
TTF swap DA	17 MWh	(7,092)	-	-	28 MWh	(4,991)	(230)		
TTF swap MA	2 MWh	330	-	-	4 MWh	436	-		
TTF swap MA	4 MWh	(658)	-	-	1 MWh	(34)	-		
		(2,576)	16	(1)		(2,149)	(146)		
Derivative instruments used to hedge oil prices									
Futures									
Crude oil – ICE Futures Europe	0.01 Bbl	-	-	-	0.01 Bbl	1	-		
Crude oil – ICE Futures Europe	0.01 Bbl	-	-	-	0.01 Bbl	(1)	-		
		-	-	-		-	-		
Derivative instruments used to hedge purchase prices of CO₂ emission allowances									
Forwards									
1 t	(90)	-	-	-	1 t	(93)	-		
Futures	0.1 t	-	(3)	-	1 t	87	-		
Futures	5 t	95	-	-	-	-	-		
		5	(3)	-		(6)	-		
Derivative instruments used to hedge share purchase prices									
Options	6.625 million shares	1	2	15	6.625 million shares	1	15		
Total		(2,746)	(15)	3	Total	(2,010)	(275)		
Including:					Including:				
Assets		10,169	813	66	Assets	6,278	799		
Liabilities		12,915	828	63	Liabilities	8,288	1,074		

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 Mar 31 2022	As at Dec 31 2021
	Estimated amount	
Grants awarded*	137	144
Other contingent assets	13	13
Total	150	157

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

Contingent liabilities	As at Mar 31 2022	As at Dec 31 2021
	Estimated amount	
Guarantees and sureties	8,628	8,276
Promissory notes	558	558
Other	-	14
Total	9,186	8,848

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

The change in contingent liabilities under sureties and guarantees issued in the reporting period was principally due to new guarantees issued in foreign currencies (EUR and USD) as security for gas supplies, totalling PLN 1,520m (as translated at the exchange rates quoted by the NBP for March 31st 2022), with the concurrent expiry of some of the previously issued guarantees.

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 Mar 31 2022		As at Dec 31 2021	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Derivative instruments	5,479	9,480	3,910	5,058
	5,479	9,480	3,910	5,058
Financial liabilities				
Derivative instruments	6,567	18,848	4,873	10,158
	6,567	18,848	4,873	10,158

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 5th 2022	PGNiG S.A.	On January 5th 2022, PGNiG SA entered into an overdraft facility agreement with Societe Generale SA Oddział w Polsce, securing additional short-term financing of PLN 750m for up to nine months from the agreement date.
January 31st 2022	PGNiG S.A.	<p>On January 31st 2022, PGNiG received a decision of the President of the Office of Competition and Consumer Protection to approve concentration consisting in the establishment by ORLEN Południe and PGNiG of a joint venture, i.e. PGNiG SPV 7 Sp. z o.o., which will be involved in the acquisition and construction of biomethane units; development of technologies used to produce biomethane; as well as production, marketing and use of biomethane in various areas of PGNiG's and the ORLEN Group's operations.</p> <p>ORLEN Południe S.A. and PGNiG S.A. will hold 51% and 49% of shares in the joint venture, respectively.</p>
February 23rd 2022	PGNiG S.A.	On February 23rd 2022, PGNiG S.A. entered into credit facility agreements with a bank syndicate of Bank of China Limited, acting through Bank of China Limited Luxembourg Branch, and Bank of China (Europe) S.A., acting through Bank of China (Europe) S.A. Branch in Poland for an amount of PLN 1,200m, and with banks: Deutsche Bank Polska S.A. for an amount of PLN 400m and Credit Agricole Bank Polska S.A. for an amount of PLN 200m, thus raising additional short-term financing for up to nine months from the agreement date.
February 24th 2022	PGNiG S.A.	<p>On February 24th 2022, the Russian Federation invaded Ukraine.</p> <p>In Ukraine the PGNiG Group operates through the PGNiG SA Representative Office in Kiev, the Exalo Drilling Group (Exalo Drilling Ukraine LLC) and LLC Karpatgazvydobuvannya (exploration and production activities carried out in cooperation with ERU Management Services). As at the date of this Report, the value of assets engaged in Ukraine did not represent a material part of the Group's total assets. Employees of the PGNiG Group and their families have been evacuated from areas at risk of being affected by the military conflict.</p> <p>For more information on the impact of the invasion on the Group's business, see the Directors' Report on the operations of the PGNiG Group and PGNiG S.A. for 2021.</p>
February 28th 2022	Elektrociepłownia Stalowa Wola S.A.	<p>On February 28th 2022, Elektrociepłownia Stalowa Wola S.A. (ECSW) and Abener Energia S.A. signed an annex (the Annex) to the settlement agreement of December 31st 2021 defining the terms on which ECSW and Abener Energia will settle their mutual claims arising from all court and arbitration proceedings between the parties conducted in connection with the contract to construct a CCGT unit (the Settlement).</p> <p>Pursuant to the Annex, the deadline for the performance of Abener Energia's obligations, the non-performance of which would be a condition precedent to the termination of the Settlement, including the submission of apostilled documents confirming the consent of the pledgees (whose pledges encumber the claims due to Abener Energia under the Arbitration Court Judgment) to the conclusion of the Annex has been extended from February 28th 2022 to March 7th 2022.</p> <p>Under the Annex Abener Energia is required to provide an unconditional and irrevocable consent of the judicial authority, court commissioner, administrator or other competent authority designated by the Spanish court conducting insolvency proceedings against Abengoa S.A., to execute and perform this Annex by March 4th 2022.</p> <p>ECSW is required to submit a resolution of its supervisory board approving the execution of the Annex by March 4th 2022.</p>

		<p>PGNiG indirectly holds a 50% equity interest in ECSW through its subsidiary PGNiG TERMIKA S.A.</p> <p>On March 8th 2022, the Management Board of PGNiG S.A. was notified that the terms of the settlement had been fulfilled and the parties proceeded to execute the Settlement.</p>
<p>March 4th 2022</p>	<p>PGNiG S.A.</p>	<p>On March 4th 2022, PGNiG S.A. passed a resolution to approve the execution by the Company of an agreement on engaging the Government Agency for Strategic Reserves (GASR) to perform tasks related to maintaining emergency stocks of natural gas (the Agreement).</p> <p>Pursuant to Art. 70c.3.1 of the Act of February 16th 2007 on Stocks of Crude Oil, Petroleum Products and Natural Gas, and on the Rules to Be Followed in the Event of Threat to National Fuel Security or Disruptions on the Petroleum Market (the "Act"), upon execution of the Agreement the GASR will purchase from PGNiG, for the State Treasury, natural gas held as emergency stocks at the price specified in the Act, and will assume PGNiG's rights and obligations under storage contracts with the storage system operator with respect to emergency stocks.</p> <p>Gas will be sold to RARS for the purpose of maintaining mandatory stocks at the price specified in the Act, corresponding to the arithmetic mean of settlement prices under supply contracts planned in Q2 and Q3 2022, as quoted in the last 30 calendar days immediately preceding the date of transfer of ownership of natural gas, published on the website of the company operating the Polish Power Exchange. Pursuant to the Act of January 26th 2022 on Special Solutions for the Protection of Gas Fuel Customers in View of the Situation on the Gas Market, GASR's expenditure on the activity referred to in Art. 70c.3.1 of the Act is capped at PLN 6bn in 2022.</p> <p>Energy companies operating in Poland, whose business consists in gas trading with foreign partners, and entities importing natural gas are required to maintain emergency stocks of natural gas in an amount equal to at least 30-day average daily imports.</p>
<p>March 7th 2022</p>	<p>PGNiG Obrót Detaliczny Sp. z o.o.</p>	<p>On March 7th 2022, PGNiG Obrót Detaliczny Sp. z o.o. received a tranche of compensation (PLN 1.255bn) from the Price Difference Payment Fund pursuant to Art. 8.1 of the Act of January 26th 2022 on Special Solutions for the Protection of Gas Fuel Consumers in View of the Situation on the Gas Market (the Compensation).</p> <p>Between March 7th and April 4th 2022, the company received total compensation payments of PLN 2.193bn.</p> <p>For the amount of compensation recognised in revenue for the current reporting period, see Note 2.4.</p>
<p>March 16th 2022</p>	<p>PGNiG S.A.</p>	<p>On March 16th 2022, the Company's Management Board received a positive conditional decision of the President of UOKiK to approve the merger with PKN ORLEN S.A. (ORLEN).</p> <p>The approval granted by the Polish antitrust authority is subject to the condition that PGNiG and ORLEN will implement a remedial measure involving their commitment to sell the controlling interest in the subsidiary Gas Storage Poland sp. z o.o. of Dębogórze (GSP) to an independent investor within 12 months from the date of the Company's merger with ORLEN, within the meaning of Art. 493.2 of the Commercial Companies Code. Among the commitments proposed to be made by the Company and ORLEN is the one to execute an agreement, for a period of at least ten years, designating GSP or its legal successor as the operator of the gas fuel storage system owned by the entity formed through the merger of PGNiG and ORLEN. Currently, GSP is the operator of the gas fuel storage system in storage facilities owned by PGNiG.</p>
<p>March 18th 2022</p>	<p>PGNiG S.A.</p>	<p>On March 18th 2022, PGNiG executed an agreement engaging the Government Agency for Strategic Reserves (GASR) to perform tasks related to maintaining emergency stocks of natural gas for the period from March 18th to September 30th 2022, with an option to extend its effective term until September 30th 2023 (the Agreement).</p> <p>Under the Agreement, PGNiG sold to GASR in favour of the State Treasury 10,063,104 MWhm of natural gas constituting emergency stocks, with a value of PLN 5,955m. Pursuant to the authorisations under the Act of January 26th 2022 on Special Solutions</p>

		<p>for the Protection of Gas Fuel Customers in View of the Situation on the Gas Market, GASR will pay the price in instalments, by August 31st 2022.</p> <p>The agreement also contains provisions stipulating PGNiG's obligation to repurchase natural gas in the event that the emergency stocks are released.</p>
March 25th 2022	PGNiG S.A.	On March 25th 2022, Paweł Majewski resigned as President of the PGNiG Management Board with effect from April 8th 2022.
March 30th 2022	PGNiG S.A.	<p>On March 30th 2022, the Company submitted an order for regasification services in Phase 1 of the FSRU Open Season procedure carried out by the Transmission System Operator Gaz-System S.A. (Gaz-System).</p> <p>The purpose of the FSRU Open Season is to gauge the level of market demand for the capacity of a Floating Storage Regasification Unit (FSRU) by soliciting binding orders for long-term provision of regasification services.</p> <p>The project to which the FSRU Open Season relates will involve the deployment in the Gdańsk area of a FSRU vessel capable of unloading, storing and regasifying LNG and conducting the regasification process at the rate of up to 6.1 bcm of gaseous fuel per year. The provision of regasification services would commence on January 1st 2028 subject to a positive final investment decision being taken by Gaz-System and timely completion of the project.</p> <p>The FSRU Open Season is to attract binding orders from participants in Phase 1 enabling entry into Order to Proceed agreements, which would be the basis for an initial investment decision and the start of Phase 2 of the procedure, involving allocation of the regasification capacity among the participants and a final investment decision.</p>

4.2 Shares held by management and supervisory personnel

The holdings of PGNiG shares by the management and supervisory personnel have not changed since the date of issue of the consolidated full-year report for 2021.

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

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

	Number of shares, options at the date of issue of the previous interim report	Acquisition	Increase due to change of composition	Disposal	Decrease due to change of composition	Number of shares, options at the date of issue of this interim report**
Management staff	-	-	-	-	-	-
Supervisory staff	9,500	-	-	-	-	9,500
Mieczysław Kawecki	9,500	-	-	-	-	9,500

* As at the date of this interim report.

4.3 Dividend paid (declared)

On May 10th 2022, the Management Board of PGNiG S.A. resolved to recommend that the General Meeting, having received a relevant assessment from the Supervisory Board, allocate the entire net profit for 2021 of PLN 5,121m to increase the Company's statutory reserve funds.

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 (resulting from a prior period adjustment) 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.

4.4 Issue, redemption, and repayment of debt securities

PGNiG S.A. has entered into an agreement on a debt securities programme (up to PLN 5bn). The agreement was not performed in the reporting period. For detailed information, see the full-year consolidated financial statements for the period ended December 31st 2021.

4.5 Seasonality

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

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

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

4.6 Material court, arbitration and administrative proceedings

For a detailed description of all material court, arbitration, or administrative proceedings, see the Directors' Report on the operations of the PGNiG Group and PGNiG S.A. in 2021.

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

Subject of the
 dispute and parties to the
 proceedings

Description

<p>NS2 AG derogation proceedings</p> <p>Parties to the proceedings: PGNiG, PST, NS2 AG, BNetzA, Higher Regional Court in Düsseldorf, Federal Court of Justice</p>	<p>On January 10th 2020, Nord Stream 2 AG applied to the German regulator Federal Network Agency (BNetzA, Bundesnetzagentur) for a derogation from the provisions of the Gas Directive (2009/73/EC), as amended in 2019. The German company invoked Article 49a of the Directive despite failing to meet one of the conditions under the law regarding the need for the pipeline to be completed on May 23rd 2019 (the date of the amendment's entry into force). On February 19th 2020, PGNiG S.A. and PGNiG Supply&Trading GmbH (PST) filed a request to be permitted to join the proceedings conducted by BNetzA. On March 18th 2020, the German regulator granted the request. On May 15th 2020, the regulator announced that it had rejected Nord Stream 2 AG's application. Consistent with the position presented by PGNiG S.A. and PST, BNetzA concluded that the pipeline was not completed on May 23rd 2019. On June 15th 2020, Nord Stream 2 AG appealed BNetzA's decision to the Higher Regional Court in Düsseldorf and filed a statement of reasons for the appeal on September 14th 2020. On July 30th 2020, PGNiG S.A. and PST filed a letter of accession to the case as active participants, and on January 14th 2021 they filed a pleading stating their position on the case.</p> <p>On March 25th 2021 Nord Stream 2 AG submitted a response to BNetzA's reply, in which it responded to the arguments put forward by the German regulator, PGNiG S.A. and PST, while on June 14th 2021 PGNiG S.A. and PST submitted a response to that pleading.</p> <p>On June 30th 2021, a hearing was held before the Higher Regional Court of Düsseldorf, which dismissed Nord Stream 2 AG's appeal by its judgment of August 25th 2021. Subsequently, on September 21st 2021, Nord</p>
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	<p>Stream 2 AG filed a cassation complaint with the Federal Court of Justice. On March 7th 2022, PGNiG S.A. and PST responded to the complaint.</p>
<p>NS2 AG certification proceedings</p> <p>Parties to the proceedings: PGNiG, PST, NS2 AG, BNetzA, German Federal Ministry of Economy and Climate Protection</p>	<p>On June 11th 2021, Nord Stream 2 AG applied to the German regulator BNetzA to be certified as an Independent Transmission Operator (ITO) of the Nord Stream 2 pipeline. On September 8th 2021, the application was supplemented, which resulted in the formal initiation of the procedure. On July 30th 2021, PGNiG S.A. and PST filed an application to join the certification procedure. On September 21st 2021, BNetzA agreed that the two companies could join the certification procedure. On October 20th 2021, both companies submitted their position pointing to an expected adverse impact of the Nord Stream 2 pipeline on the supply security, especially if Nord Stream 2 AG is certified as ITO. On November 16th 2021, BNetzA gave notice of suspension of the certification procedure. The reason for the suspension was that the Swiss company Nord Stream 2 AG did not at that moment meet the certification criteria as an independent operator. On November 24th 2021, PGNiG S.A. and PST submitted their position on the matter, adducing a number of formal and substantive arguments concerning failure of Nord Stream 2 AG and its subsidiary to meet the conditions necessary for certification under the ITO model. On February 22nd 2022, the Federal Ministry of Economy and Climate Protection announced that it had revoked its previous opinion on the deemed lack of an adverse impact of Nord Stream 2 AG on the supply security. A positive opinion of the Ministry is a prerequisite for the certification of the applicant as ITO.</p>
<p>Arbitration proceedings concerning a reduction of contractual price of gas</p> <p>Parties to the proceedings: PGNiG PAO Gazprom/ OOO Gazprom Eksport</p>	<p>PAO Gazprom/OOO Gazprom Eksport (Gazprom) filed two petitions with the Stockholm Court of Appeals with respect to arbitration proceedings instigated by PGNiG against PAO Gazprom/OOO Gazprom Eksport concerning a change of the contractual price of gas supplied by the supplier under the Yamal Contract:</p> <ol style="list-style-type: none"> 1. The first petition, of October 2nd 2018, was for reversal of the Arbitration Tribunal's partial award of June 29th 2018. The Stockholm Court of Appeals, by its judgment of December 23rd 2020, dismissed the petition filed by PAO Gazprom/OOO Gazprom Eksport for reversal of the Ad Hoc Arbitration Tribunal's partial award of June 29th 2018. 2. The second petition, of May 29th 2020, was for reversal of the Arbitration Tribunal's final award of March 30th 2020. The Stockholm Court of Appeals, by its judgment of March 9th 2022, dismissed Gazprom's petition for reversal of the Ad Hoc Arbitration Tribunal's final award of March 30th 2020 as unfounded in its entirety and ordered Gazprom to reimburse the legal representation costs to PGNiG. The judgment is not final. In accordance with the Swedish Arbitration Act, the Stockholm Court of Appeals authorised the lodging of an appeal against the award with the Supreme Court, determining that the case was precedential. <p>On April 11th 2022, the Company was notified by the Stockholm Court of Appeals that Gazprom had not filed a cassation appeal against the award within the prescribed time limit, which means that the judgment of the Stockholm Court of Appeals of March 9th 2022, dismissing Gazprom's petition for reversal of the Arbitration Tribunal's final award of March 30th 2020 issued in the arbitration proceedings instigated by PGNiG S.A. against Gazprom concerning a reduction of the contract price for gas supplied under the Yamal Contract, became final.</p>
<p>Arbitration proceedings concerning a change of the contractual price terms</p> <p>Parties to the proceedings: PAO Gazprom / OOO Gazprom Eksport, PGNiG S.A.</p>	<p>On January 14th 2022, PGNiG S.A. received from PAO Gazprom/OOO Gazprom Eksport a call for arbitration before the Ad Hoc Arbitration Tribunal in Stockholm, including a request to change the price terms of gas supplied by Gazprom under the contract of September 25th 1996 for the supply of natural gas to the Republic of Poland (the Yamal Contract). The Gazprom Call contains a request to increase the contract price as part of Gazprom's request to renegotiate the contract price of December 8th 2017 ("Gazprom 2017 Request") and Gazprom's request to renegotiate the contract price of November 9th 2020 ("Gazprom 2020 Request"). Gazprom 2017 Request was submitted in response to PGNiG's request of November 1st 2017 for a reduction of the contract price ("PGNiG 2017 Request"), while Gazprom 2020 Request was submitted in response to PGNiG's request of November 1st 2020 for a reduction of the contract price, subsequently modified by PGNiG on October 28th 2021 ("PGNiG 2020/2021 Request").</p> <p>On March 2nd 2022, the Company submitted a response to Gazprom's call for arbitration in which it rejected all of Gazprom's claims on substantive and procedural grounds.</p> <p>The case is pending.</p>
<p>Gazprom's call for arbitration regarding EuRoPol GAZ</p> <p>Parties to the proceedings: PGNiG, EuRoPol GAZ, PJSC Gazprom</p>	<p>On January 31st 2022, PGNiG received from an attorney-in-fact acting for Gazprom a call for arbitration in accordance with the UNCITRAL Arbitration Rules, including a demand that PGNiG recognises:</p> <ol style="list-style-type: none"> 1. the right of Gazprom as a shareholder to receive dividends from profits of EuRoPol GAZ s.a. (EPG) of Warsaw, and 2. the rights under the corporate governance rules vested in Gazprom and the members of the EPG management board appointed by Gazprom.

<p>Arbitration Institute of the Stockholm Chamber of Commerce</p>	<p>The second respondent named in the Gazprom Call, in addition to PGNiG, is EPG.</p> <p>PGNiG holds, directly and indirectly through its subsidiary GAS-TRADING S.A., 51.18% of shares in EPG, while 48.82% of shares are held by Gazprom. The amount of EPG's earnings retained from previous years, available for distribution to shareholders, is PLN 1.74bn.</p> <p>On March 2nd 2022, PGNiG submitted a response to Gazprom's call for arbitration in which it rejected all of Gazprom's claims on substantive and procedural grounds. On April 5th 2022, the Company received a letter from the Arbitration Institute of the Stockholm Chamber of Commerce to the effect that the proceedings instigated by Gazprom had been discontinued following withdrawal of Gazprom's call for arbitration.</p>
<p>Arbitration proceedings concerning payment of interest related to the retroactive price cut</p> <p>Parties to the proceedings: PGNiG S.A., PAO Gazprom / OOO Gazprom Eksport</p>	<p>On March 31st 2022, PGNiG S.A. sent to Gazprom a call for arbitration concerning its claim for interest on amounts overpaid by PGNiG S.A. for natural gas supplied in the period November 2014 – February 2020. PGNiG is awaiting Gazprom's response to the call for arbitration. The case is pending.</p>

4.7 Settlements related to court proceedings

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

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

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

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

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

4.10 Related-party transactions

The Group's related parties include entities in which the PGNiG Group holds equity interests (entities jointly controlled by the Group, the Group's associates, the Group's subsidiaries which are not consolidated due to immateriality), companies in which the State Treasury holds an equity interest (subsidiaries, jointly controlled entities and associates), as well as the Group's key management personnel (i.e. members of the Management and Supervisory Boards of the Parent).

The State Treasury is the entity having control of the Group.

4.10.1 Related-party transactions with entities in which the PGNiG Group holds equity interests

	3 months ended Mar 31 2022			3 months ended Mar 31 2021		
	Joint ventures and associates	Other related parties	Total	Joint ventures and associates	Other related parties	Total
Turnover and revenue/expenses for the period						
Sales	420	31	451	140	5	145
Purchases	(607)	(35)	(642)	(196)	(47)	(243)

	As at Mar 31 2022			As at Dec 31 2021		
	Joint ventures and associates	Other related parties	Total	Joint ventures and associates	Other related parties	Total
Amounts receivable/payable at end of the period						
Trade and other receivables	316	26	342	280	7	287
Loans	365	81	446	425	81	506
Trade and other payables	318	15	333	252	15	267

'Sales' refer to revenue, including mainly revenue from sales of gas fuel and electricity. 'Purchases' refer to purchases of services, merchandise, materials, property, plant and equipment under construction and inventories.

The year-on-year increase in turnover recorded in the first quarter of 2022 was attributable, among other things, to higher sales to and purchases from Elektrociepłownia Stalowa Wola S.A. (a joint venture).

4.10.2 Transactions with entities in which the State Treasury holds equity interests

	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Turnover for the period		
Revenue	19,303	6,205
Expenses	(11,116)	(1,048)

	As at Mar 31 2022	As at Dec 31 2021
Amounts receivable/payable at end of the period		
Receivables	2,199	3,515
Liabilities	105	37

Transactions with entities in which the State Treasury holds equity interests (and has control or joint control of, or significant influence on, such entities) are mainly transactions executed in the course of the Group's day-to-day operations, i.e. natural gas trading, sale of crude oil, and sale of electricity. The year-on-year increase in turnover in the first quarter of 2022 was, among other things, a result of higher selling prices of gas fuel, the main product sold by the PGNiG Group to entities in which the State Treasury holds equity interests.

4.10.3 Transactions with key management personnel of the PGNiG Group

The PGNiG Group re-considered the application of the definition of 'key management personnel of the PGNiG Group', concluding that such personnel comprised members of the Management Board and Supervisory Board of the PGNiG Group's Parent, i.e. PGNiG S.A. The previous approach was that 'key management personnel of the PGNiG Group' comprised not only members of the Management Board and Supervisory Board of PGNiG S.A. as the Group's Parent, but also members of the management boards and supervisory boards of PGNiG S.A.'s subsidiaries.

4.10.3.1 Remuneration of key management personnel of the PGNiG Group

	3 months ended Mar 31 2022			3 months ended Mar 31 2021		
	Management Board	Supervisory Board	Total	Management Board	Supervisory Board	Total
Parent*						
Short-term employee benefits	1.3	0.2	1.5	1.3	0.2	1.5
Termination benefits	-	-	-	0.1	-	0.1
Total	1.3	0.2	1.5	1.4	0.2	1.6

* Where applicable, the amounts are given in gross values, i.e. inclusive of VAT

4.10.3.2 Other transactions with key management personnel of the PGNiG Group

Other transactions between the PGNiG Group and its key management personnel were mainly purchases of gas fuel for those persons' private needs. The amounts involved were not material.

4.10.4 Transactions concluded on non-arm's length terms

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

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

The PGNiG Management Board has not published any forecasts of the PGNiG Group's financial results for 2022.

4.12 Events subsequent to the reporting date

Date	Company	Event
April 7th 2022	PGNiG S.A.	At its meeting held on April 7th 2022, the PGNiG Supervisory Board resolved to appoint Iwona Waksmundzka-Olejniczak as President of the PGNiG Management Board for the Management Board's 6th term ending January 10th 2023, with effect from April 9th 2022.
April 26th 2022	PGNiG S.A.	<p>On April 12th 2022, the PGNiG Management Board resolved to continue to settle PGNiG's liabilities for gas supplied by PAO Gazprom and OOO Gazprom Eksport (Gazprom) under contract No. 2102-14/RZ-1/25/96 of September 25th 1996 for the supply of natural gas to the Republic of Poland (the Yamal Contract) in accordance with its existing terms, and to refuse to agree to the settlement of PGNiG's liabilities for gas supplied by Gazprom under the Yamal Contract as required under the Russian Federation's Presidential Decree No. 172 of March 31st 2022 on the special procedure for the fulfilment by foreign buyers of their obligations to Russian natural gas suppliers (the Decree). This means that the Company rejected the possibility of making final payments for gas supplied in Russian roubles from PGNiG's bank accounts that would have to be opened with AO Gazprombank.</p> <p>The Decree prohibits supplies of natural gas to foreign buyers from countries 'hostile to the Russian Federation' (including Poland) if payments for natural gas supplied to those countries starting from April 1st 2022 are made in a manner contrary to the provisions of the Decree.</p> <p>On April 26th 2022, PGNiG received a notice from OOO Gazprom Eksport stating that gas supplies to the Republic of Poland from PAO Gazprom and OOO Gazprom Eksport under contract No. 2102-14/RZ-1/25/96 of September 25th 1996 for the supply of natural gas to the Republic of Poland through the cross-border points of GCP Gaz-System/UA TSO (on the Polish-Ukrainian border), and Vysokoye, Teterovka and Kondratki (on the Polish-Belarusian border) would be completely halted as of 08:00 a.m. Polish time on April 27th 2022.</p> <p>As stated in Gazprom's notice, the supplies would be halted as a result of a prohibition imposed on Gazprom under the Decree, in connection with PGNiG's decision to</p>

	<p>continue to settle its liabilities for gas supplied by Gazprom under the Yamal Contract based on its existing terms and refusal to make final payments in Russian roubles.</p> <p>In the Company's opinion, the halt of natural gas supplies constitutes a breach of the Yamal Contract and therefore the Company will take appropriate steps to make Gazprom resume performance under the Yamal Contract. At the same time, the Company reserves the right to claim redress for the halt of natural gas supplies and will exercise all its contractual rights and legal remedies in doing so.</p>
<p>May 16th 2022</p>	<p>PGNiG S.A.</p> <p>On May 16th, 2022 the PGNiG Management Board signed an agreement setting out the key terms of the possible long-term contract for the supply of liquefied natural gas ("LNG") with Sempra Infrastructure Partners.</p> <p>Under the agreement, the parties will negotiate the provisions of the binding 20-year contract for the purchase of 3 million tonnes of LNG annually (approx. 4.05 billion cubic meters of natural gas after regasification annually). Potential deliveries may be further traded by the Company on international markets and will be made on a free-on-board basis.</p> <p>Potential deliveries from Sempra Infrastructure Partners are to be made via the liquefaction terminals: Cameron LNG in Louisiana or Port Arthur LNG in Texas, with the first LNG deliveries expected not earlier than in 2027.</p> <p>The pricing formula is linked to the US Henry Hub gas price plus a liquefaction fee. The signed agreement does not constitute PGNiG's obligation to sign a final LNG purchase contract.</p>

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

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

5. Quarterly financial data of PGNiG S.A.

5.1 Interim condensed separate financial statements

Separate statement of profit or loss	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Revenue from sales of gas	24,812	5,821
Other revenue	3,344	1,389
Revenue	28,156	7,210
Cost of gas sold	(21,138)	(4,437)
Other raw materials and consumables used	(1,724)	(781)
Employee benefits expense	(206)	(205)
Transmission, distribution and storage services	(233)	(231)
Other services	(520)	(426)
Depreciation and amortisation expense	(217)	(203)
Taxes and charges	(306)	(185)
Other income and expenses	(750)	(15)
Work performed by the entity and capitalised	3	2
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	53	275
Finance income	50	119
Interest income calculated using the effective interest rate	162	51
Finance costs	(156)	(127)
Revaluation of financial assets	(206)	(98)
Profit before tax	2,968	949
Income tax	(466)	(219)
Net profit	2,502	730
Weighted average number of ordinary shares (million)	5,778	5,778
Basic and diluted earnings per share (PLN)	0.43	0.13
Separate statement of comprehensive income		
	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Net profit	2,502	730
Hedge accounting	(3,427)	288
Deferred tax	651	(55)
Other comprehensive income subject to reclassification to profit or loss	(2,776)	233
Other comprehensive income, net	(2,776)	233
Total comprehensive income	(274)	963
Separate statement of cash flows		
	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Cash flows from operating activities		
Net profit	2,502	730
Depreciation and amortisation expense	217	203
Interest and dividends	(72)	(43)
Net gain/(loss) on investing activities	191	(175)
Other non-cash adjustments	1,739	(66)
Income tax paid	(613)	(307)
Income tax expense recognised in profit or loss for the period	466	219
Movements in working capital	(2,311)	809
Net cash from operating activities	2,119	1,370
Cash flows from investing activities		
Payments for tangible exploration and evaluation assets	(142)	(131)
Payments for other property, plant and equipment and intangible assets	(99)	(119)
Loans	(1,585)	(68)
Payments for derivative financial instruments	(12)	(11)
Payments for shares in related entities	(21)	(7)
Other cash used in investing activities	(7)	(4)
Repayments of loans	825	454
Proceeds from derivative financial instruments	10	10
Interest received	33	36
Proceeds from sale of shares in associates	44	-
Proceeds from sale of property, plant and equipment and intangible assets	-	3
Net cash from investing activities	(954)	163
Cash flows from financing activities		
Other cash generated by financing activities	2	1
Repayment of borrowings	(4,300)	-
Interest paid	(62)	(17)
Repayment of lease liabilities	(6)	(6)
Net cash from financing activities	(4,366)	(22)
Net cash flows	(3,201)	1,511
Cash and cash equivalents at beginning of the period	14,002	7,534
Cash and cash equivalents at end of the period	10,801	9,045
including restricted cash	2,913	1,083

Restricted cash

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

Cash pooling

As at March 31st 2022, the Group was a party to two cash pooling agreements:

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

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

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

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

Reconciliation of cash and cash equivalents disclosed in the statement of cash flows with cash and cash equivalents disclosed in the statement of financial position	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Cash and cash equivalents at end of the period in the statement of cash flows	10,801	9,045
Opening balance of net exchange differences on cash	159	(152)
Opening balance of inflows/outflows of cash under cash pooling arrangement	(5,827)	(1,051)
Opening balance of impairment losses on cash	(3)	(2)
Net exchange differences in the period	(164)	333
Changes in impairment losses on cash	(1)	(1)
Inflows/(outflows) of cash under cash pooling arrangement in the period	1,508	21
Cash at end of the period in the statement of financial position	6,473	8,193

Separate statement of financial position	As at Mar 31 2022	As at Dec 31 2021
Assets		
Property, plant and equipment	11,855	11,961
Licences, mining rights and rights to geological information	117	123
Deferred tax assets	1,963	1,260
Shares	10,534	10,514
Derivative financial instruments	926	688
Loans	7,314	6,817
Purchased debt instruments	396	394
Other assets	442	402
Non-current assets	33,547	32,159
Inventories	5,082	7,729
Receivables	12,396	8,866
Cash pooling receivables	4,542	5,970
Derivative financial instruments	9,815	6,283
Loans	387	262
Purchased debt instruments	8	8
Other assets	158	83
Cash and cash equivalents	6,473	8,330
Current assets	38,861	37,531
TOTAL ASSETS	72,408	69,690
Equity and liabilities		
Share capital and share premium	7,518	7,518
Capital reserve	1,867	1,867
Hedging reserve	(6,873)	(4,598)
Accumulated other comprehensive income	(10)	(10)
Retained earnings	33,294	30,793
Total equity	35,796	35,570
Financing liabilities	302	308
Derivative financial instruments	7,878	4,175
Employee benefit obligations	331	331
Provision for well decommissioning costs and other environmental liabilities	1,978	1,982
Other provisions	5	5
Grants	413	420
Other liabilities	33	49
Non-current liabilities	10,940	7,270
Financing liabilities	5,727	10,020
Derivative financial instruments	13,231	8,829
Trade and tax payables	5,915	7,279
Cash pooling liabilities	193	166
Employee benefit obligations	146	131
Provision for well decommissioning costs and other environmental liabilities	68	68
Other provisions	309	291
Other liabilities	83	66
Current liabilities	25,672	26,850
TOTAL LIABILITIES	36,612	34,120
TOTAL EQUITY AND LIABILITIES	72,408	69,690

Separate statement of changes in equity

	Share capital and share premium	Capital reserve	Hedging reserve	Accumulated other comprehensive income	Retained earnings	Total equity
As at Jan 1 2021	7,518	1,867	(17)	(23)	26,885	36,230
Net profit	-	-	-	-	730	730
Other comprehensive income, net	-	-	233	-	-	233
Total comprehensive income	-	-	233	-	730	963
Change in equity recognised in inventories	-	-	(140)	-	-	(140)
As at Mar 31 2021	7,518	1,867	76	(23)	27,615	37,053
As at Jan 1 2022	7,518	1,867	(4,598)	(10)	30,793	35,570
Net profit	-	-	-	-	2,502	2,502
Other comprehensive income, net	-	-	(2,776)	-	-	(2,776)
Total comprehensive income	-	-	(2,776)	-	2,502	(274)
Change in equity recognised in inventories	-	-	501	-	-	501
As at Mar 31 2022	7,518	1,867	(6,873)	(10)	33,294	35,796

5.2 Notes to the interim condensed separate financial statements

Deferred tax

	Credited/Charged			As at Dec 31 2021	Credited/Charged		As at Mar 31 2022
	As at Jan 1 2021	Net profit/(loss)	Other comprehensive income		Net profit/(loss)	Other comprehensive income	
Deferred tax assets							
Employee benefit obligations	77	(1)	(3)	73	(2)	-	71
Provision for well decommissioning costs	254	(19)	-	235	1	-	236
Other provisions	29	3	-	32	15	-	47
Measurement of derivatives	186	2,179	-	2,365	1,599	-	3,964
Impairment losses on property, plant and equipment	158	(71)	-	87	(10)	-	77
Unused tax losses of the Pakistan Branch	20	(16)	-	4	-	-	4
Inventories	9	20	-	29	(10)	-	19
Other	14	126	-	140	(92)	-	48
Total	747	2,221	(3)	2,965	1,501	-	4,466
Deferred tax liabilities							
Difference between depreciation rates for property, plant and equipment	357	106	-	463	9	-	472
Measurement of derivatives	199	2,094	(1,074)	1,219	1,309	(534)	1,994
Other	36	(13)	-	23	14	-	37
Total	592	2,187	(1,074)	1,705	1,332	(534)	2,503
Set-off of assets and liabilities	(592)	-	-	(1,705)	-	-	(2,503)
After set-off							
Assets	155	-	-	1,260	-	-	1,963
Net effect of changes in the period		34	1,071	-	169	534	

Impairment losses/write-downs

	Property, plant and equipment, licences, mining rights and rights to geological information	Right-of-use assets	Other assets	Loans	Shares	Inventories	Receivables	Cash pooling receivables	Purchased debt instruments	Total
As at Jan 1 2021	4,726	57	59	132	2,771	46	344	1	39	8,175
Increase taken to profit or loss	925	34	1	479	6	128	313	29	-	1,915
Transfers	-	-	76	-	(77)	-	1	-	-	-
Decrease taken to profit or loss	(1,844)	(10)	(2)	(59)	-	(20)	(242)	(1)	-	(2,178)
Other changes	(84)	(3)	-	-	-	-	-	-	-	(87)
As at Dec 31 2021	3,723	78	134	552	2,700	154	416	29	39	7,825
Increase taken to profit or loss	-	-	-	230	1	52	60	4	-	347
Transfers	-	-	(3)	-	-	-	3	-	-	-
Decrease taken to profit or loss	(54)	-	(77)	(15)	-	(107)	(66)	(5)	-	(324)
Other changes	(128)	-	-	-	-	-	-	-	-	(128)
As at Mar 31 2022	3,541	78	54	767	2,701	99	413	28	39	7,720

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

Impairment of non-financial assets

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

As at March 31st 2022, the Company did not identify any indications of the need to carry out impairment tests with respect to property, plant and equipment under construction and the right to use hydrocarbon production assets. As a result, impairment losses on non-financial assets remained unchanged relative to those presented in the accounting records as at December 31st 2021.

Trade and other receivables

The economic effects of COVID-19, combined with the impact of other economic factors affecting international markets, are reflected in the quality of the Company's portfolio of financial assets and may affect the collectability of its trade receivables. Such 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 year end 2021. 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 the effect of future factors (including COVID-19) was changed relative to the adjustments recognised at the end of 2021.

The expected credit loss on current and non-current trade and other receivables was estimated at PLN 388m, including PLN 38m on non-impaired receivables. The amount of PLN 8m reflects the estimated effect of future factors (including COVID-19) on the collectability of trade and other receivables at the reporting date and the related expected credit loss in future periods. The expected credit loss is PLN 3m lower than the expected credit loss on trade and other receivables estimated at the end of 2021.

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 767m, of which PLN 18m reflects the effect, estimated as at the reporting date, of COVID-19 on the probability of future default by the counterparties. As at March 31st 2022, the expected credit loss on loans, calculated for a 12-month period, was PLN 276m. The total expected credit loss for loans is higher by PLN 215m compared to the expected credit loss for loans as at December 31st 2021.

Provisions

	Provision for well decommissioning costs and other environmental liabilities	Provision for certificates of origin and energy efficiency certificates	Provision for liabilities associated with exploration work abroad	Provision for UOKiK fine	Provision for claims under extra-contractual use of land	Provision for financial guarantees	Other provisions	Total
As at Jan 1 2021	2,449	66	175	6	5	7	20	2,728
Recognised provision capitalised in cost of property, plant and equipment	(298)	-	-	-	-	-	-	(298)
Recognised provision taken to profit or loss	21	52	15	-	-	3	9	100
Used	(33)	(31)	-	(6)	-	-	-	(70)
Provision reversal taken to profit or loss	(89)	(4)	-	-	(1)	(1)	(19)	(114)
As at Dec 31 2021	2,050	83	190	-	4	9	10	2,346
Recognised provision capitalised in cost of property, plant and equipment	4	-	-	-	-	-	-	4
Recognised provision taken to profit or loss	6	10	6	-	-	1	7	30
Used	(6)	-	-	-	-	-	-	(6)
Provision reversal taken to profit or loss	(9)	-	-	-	-	(6)	-	(15)
Other changes	1	-	-	-	-	-	-	1
As at Mar 31 2022	2,046	93	196	-	4	4	17	2,360

Revenue

	Total		Domestic sales		Export sales	
	3 months ended Mar 31 2022	3 months ended Mar 31 2021	3 months ended Mar 31 2022	3 months ended Mar 31 2021	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Revenue from sales of gas, including:	24,812	5,821	24,189	5,574	623	247
Revenue from contracts with customers IFRS 15	25,680	5,996	25,057	5,749	623	247
High-methane gas	24,362	5,511	23,820	5,316	542	195
Nitrogen-rich gas	1,067	428	1,003	377	64	51
LNG	251	57	234	56	17	1
Excluded from the scope of IFRS 15	(868)	(175)	(868)	(175)	-	-
Adjustment to gas sales due to hedging transactions - IFRS 9	(868)	(175)	(868)	(175)	-	-
Other revenue, including:	3,344	1,389	3,132	1,226	212	163
Revenue from contracts with customers IFRS 15	3,206	1,242	2,994	1,079	212	163
Crude oil and natural gasoline	515	300	374	200	141	100
Sales of electricity	1,736	737	1,736	737	-	-
Propane-butane	29	20	29	20	-	-
Helium	54	51	11	4	43	47
CO ₂ emission allowances	753	40	753	40	-	-
Other	119	94	91	78	28	16
Excluded from the scope of IFRS 15	138	147	138	147	-	-
Right to use storage facilities - IFRS 16	134	143	134	143	-	-
Other income from operating leases - IFRS 16	4	4	4	4	-	-
Total revenue	28,156	7,210	27,321	6,800	835	410

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.

In the first quarter of 2022, we saw a continued strong increase in the prices of energy commodities, which started in 2021 driven by a rapid economic recovery across the world attributable to deferred demand resulting from the COVID-19 pandemic. Record high price rises were recorded particularly on the European gas market, where increased demand was met with supply barriers, including reduced volumes of gas transmitted from Russia, LNG supplies being redirected to the competing Asian market and historically low gas stocks held in European storage facilities. Soaring gas prices have not only become a factor hampering Poland's consumption growth, as was the case in the second half of 2021, but have also led to a 13.1% decline in Polish demand for gas relative to the corresponding period of the previous year. This was a result of increased exposure to contracts based on prices quoted on commodity exchanges during the crisis escalation, as well as the effect of Russia's aggression against Ukraine, which further aggravated the gas crisis in Europe. In addition, the decline in Polish gas consumption was driven by a 2.3°C increase in the average air temperature relative to the first quarter of 2021 (adjusted for the weather conditions, the decline in gas demand was approximately 5.4% year on year).

In the case of gas sales through POLPX, the Company's first quarter 2022 deliveries by volume fell 8.8% year on year.

Operating expenses (selected items)

	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Cost of gas sold	(21,138)	(4,437)
Gas fuel	(21,138)	(4,437)
Other raw materials and consumables used	(1,724)	(781)
Electricity for trading	(1,677)	(743)
Other raw materials and consumables used	(47)	(38)
Employee benefits expense	(206)	(205)
Salaries and wages	(132)	(125)
Social security contributions	(24)	(24)
Other employee benefits expense	(44)	(48)
Provisions for employee benefits	(6)	(8)
Transmission, distribution and storage services	(233)	(231)
Other services	(520)	(426)
Regasification services	(94)	(85)
Cost of dry wells written off	(73)	(260)
Repair and construction services	(8)	(5)
Geological and exploration services	(13)	(10)
Mineral resources production services	(7)	(4)
Well abandonment services	(7)	(2)
IT services	(16)	(17)
Other services related to gas trading	(256)	-
Other services	(46)	(43)
Depreciation and amortisation expense	(217)	(203)
Depreciation of non-leased assets	(212)	(199)
Depreciation of the right of use	(5)	(4)
Recognition and reversal of impairment losses on property, plant and equipment, intangible assets, rights-of-use assets	53	275
Impairment losses on property, plant and equipment and rights-of-use assets	53	275
Total	(23,985)	(6,008)

Other income and expenses (selected items)

	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Measurement and exercise of derivative financial instruments	392	(64)
Change in inventory write-downs	55	6
Change in provision for well decommissioning costs and other provisions related to environmental protection	3	1
Change in provision for certificates of origin and energy efficiency certificates	(10)	(6)
Cost of merchandise and materials sold	(991)	(45)
- including the amount of value of CO ₂ emission allowances sold	(991)	(44)
Change in other provisions	(7)	(28)
Net exchange differences related to operating activities	(258)	68
Other	66	53
Total other income and expenses	(750)	(15)

Finance income and costs (selected items)

	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Finance income		
Foreign exchange gains	23	116
Gain on disposal of investments	16	-
Other finance income	11	3
Total finance income	50	119
Finance costs		
Loss on measurement and exercise of forward contracts	(77)	(115)
Debt-related interest and fees	(74)	(6)
- including interest on lease liabilities	(3)	(1)
Other	(5)	(6)
Total finance costs	(156)	(127)

Income tax

	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Reconciliation of effective tax rate		
Profit before tax	2,968	949
Corporate income tax at the applicable 19% statutory rate	(564)	(180)
Non-taxable income/(Non-deductible expenses)	98	(39)
Corporate income tax at the effective tax rate	(466)	(219)
Current tax expense	(635)	(172)
Deferred tax expense	169	(47)
Effective tax rate	16%	23%

Property, plant and equipment

	As at Mar 31 2022	As at Dec 31 2021
Land	21	20
Buildings and structures	6,913	6,992
Plant and equipment	1,905	1,958
Vehicles and other	87	86
Total tangible	8,926	9,056
Tangible exploration and evaluation assets under construction	2,133	2,117
Other tangible assets under construction	474	466
Total tangible assets under construction	2,607	2,583
Perpetual usufruct of land (PWUG)	245	245
Right-of-use asset – plots/land	53	50
Right-of-use asset – buildings and structures	9	10
Right-of-use asset – plant and equipment	1	1
Right-of-use asset – vehicles and others	14	16
Total right-of-use assets	322	322
Total property, plant and equipment	11,855	11,961

Hedge accounting

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

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

Type of hedging instrument	Notional amount*	Carrying amount at Mar 31 2022		Period when cash flow will occur and affect the financial result	Change in fair value of hedging instrument used as basis for recognising hedge ineffectiveness in a given period	Hedging gains or losses for reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss (since the inception of the hedging relationship)	Amount reclassified from cash flow hedging reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
		Assets	Liabilities						
CASH FLOW HEDGES									
CURRENCY RISK									
Forward contracts for currency purchase (USD/PLN)	1,214	110	5	up to 12 months	131	(17)	-	Not applicable**	Not applicable
Forward contracts to purchase USD for EUR (EUR/USD)	3,799	217	-	up to 3 years	217	36	1	-	Revenue from sales of gas
Average rate forwards (EUR/PLN)	4,735	81	110	up to 3 years	(38)	59	-	19	Revenue from sales of gas
COMMODITY PRICE RISK									
Basis swap contracts for gas price indices	409	77	53	1–3 months	94	(233)	-	(71)	Revenue from sales of gas
Swap contracts for gas price indices	33,632	1,845	11,440	up to 3 years	(12,049)	(5,161)	-	920	Revenue from sales of gas
Swap contracts for HH price indices	4,735	1,301	-	up to 3 years	1,320	873	-	Not applicable**	Not applicable
Swap contracts for petroleum product price indices	511	280	-	up to 12 months	355	148	-	Not applicable**	Not applicable
Total	49,035	3,911	11,608		(9,970)	(4,295)	1	868	

* 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 Dec 31 2021		Period when cash flow will occur and affect the financial result	Change in fair value of hedging instrument used as basis for recognising hedge ineffectiveness in a given period	Hedging gains or losses for reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss (since the inception of the hedging relationship)	Amount reclassified from cash flow hedging reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
		Assets	Liabilities						
CASH FLOW HEDGES									
CURRENCY RISK									
Forward contracts for currency purchase (USD/PLN)	2,507	149	2	Up to 12 months	221	247	-	Not applicable**	Not applicable
Forward contracts to purchase USD for EUR (EUR/USD)	3,690	181	1	up to 3 years	174	216	-	(1)	Revenue from sales of gas
Average rate forwards (EUR/PLN)	3,507	2	90	up to 3 years	(133)	(41)	-	36	Revenue from sales of gas
COMMODITY PRICE RISK									
Basis swap contracts for gas price indices	445	327	-	1–3 months	(258)	(231)	-	584	Revenue from sales of gas
Swap contracts for gas price indices	21,497	541	5,540	up to 4 years	(5,070)	(5,116)	1	78	Revenue from sales of gas
Swap contracts for HH price indices	3,035	484	36	up to 3 years	465	460	2	Not applicable**	Not applicable
Swap contracts for petroleum product price indices	507	207	-	Up to 12 months	421	304	-	Not applicable**	Not applicable
Total	35,188	1,891	5,669		(4,180)	(4,161)	3	697	

* Not all instruments were fully designated for hedge accounting.

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

Cash flow hedges

Hedged items as at Mar 31 2022	Change in value of hedged item used as basis for recognising hedge ineffectiveness in given period	Balance of cash flow hedging reserve for continuing hedges	Balance remaining in cash flow hedging reserve in respect of all hedging relationships for which hedge accounting is no longer applied
CURRENCY RISK			
Natural gas (USD/PLN)	(131)	105	-
Natural gas (EUR/USD)	(216)	216	-
Natural gas (EUR/PLN)	38	(15)	(4)
COMMODITY PRICE RISK			
Gas contracts indexed to European gas price indices (daily or monthly)	11,955	(9,517)	(870)
Gas contracts indexed to monthly HH price indices	(1,320)	1,314	6
Gas contracts indexed to monthly petroleum product indices	(355)	280	-
TOTAL	9,971	(7,617)	(868)

Hedged items as at Dec 31 2021	Change in value of hedged item used as basis for recognising hedge ineffectiveness in given period	Balance of cash flow hedging reserve for continuing hedges	Balance remaining in cash flow hedging reserve in respect of all hedging relationships for which hedge accounting is no longer applied
CURRENCY RISK			
Natural gas (USD/PLN)	(221)	147	-
Natural gas (EUR/USD)	(174)	180	-
Natural gas (EUR/PLN)	133	(75)	(22)
COMMODITY PRICE RISK			
Gas contracts indexed to European gas price indices (daily or monthly)	5,330	(4,644)	(1,916)
Gas contracts indexed to monthly HH price indices	(462)	448	(1)
Gas contracts indexed to monthly petroleum product indices	(421)	207	-
TOTAL	4,185	(3,737)	(1,939)

Reconciliation of hedging reserve

	2022	2021
Gross amount at beginning of the period	(5,676)	(21)
Net amount at beginning of the period	(4,598)	(17)
CURRENCY RISK		
Hedging gains or losses recognised in other comprehensive income during reporting period	78	422
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	19	35
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	(25)	(66)
Gross hedging reserve	72	391
Deferred tax on settlement and measurement of hedging instruments	(14)	(74)
Net hedging reserve	58	317
COMMODITY PRICE RISK		
Hedging gains or losses recognised in other comprehensive income during reporting period	(4,373)	(4,584)
Amount reclassified from cash flow hedging reserve to statement of profit or loss as reclassification adjustment	849	662
Amount transferred from cash flow hedging reserve and recognised as adjustment to carrying amount of inventories	644	(2,124)
Gross hedging reserve	(2,880)	(6,046)
Deferred tax on settlement and measurement of hedging instruments	547	1,149
Net hedging reserve	(2,333)	(4,897)
Gross amount at end of the period	(8,484)	(5,676)
Net amount at end of the period	(6,873)	(4,598)

Management Board of PGNiG S.A.

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Vice President of the Management Board Artur Cieřlik -----

Vice President of the Management Board Robert Perkowski -----

Vice President of the Management Board Arkadiusz Sekćciński -----

Vice President of the Management Board Przemysław Waćlawski -----

Vice President of the Management Board Magdalena Zegarska -----

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.

Warsaw, May 17th 2022