



Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board ENERGA SA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the ENERGA SA Group (hereinafter called "the Group"), having ENERGA SA, Al. Grunwaldzka 472, Gdańsk, as its parent company (hereinafter called "the Parent Company"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year from 1 January to 31 December 2016 and a summary of significant accounting policies and other explanatory notes.

Management and Supervisory Board's Responsibility

The Parent Company's Management Board is responsible for the preparation of these consolidated financial statements, on the basis of correctly maintained consolidation documentation, and their fair presentation in accordance with the International Financial Reporting Standards as adopted by the European Union and in accordance with the applicable regulations. The Parent Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board and Supervisory Board are obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2016, item 1047 as amended).

Auditor's Responsibility

Our responsibility was to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register (KRS) maintained by the District Court in Warsaw, with the reference number (KRS) 0000044655, and tax identification number (NIP) 526-021-02-28. Share capital amounts to PLN 10,363,900. Headquarters in Warsaw, Al. Armii Ludowej 14.



Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board ENERGA SA (cont.)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements:

- a. give a true and fair view of the Group's financial position as at 31 December 2016 and its financial performance and its cash flows for the year from 1 January to 31 December 2016, in accordance with the International Financial Reporting Standards as adopted by the European Union and the applicable accounting policies;
- b. comply in terms of form and content with the applicable laws, including the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions of recognizing as equal information required by the law of other state, which is not a member state ("the Decree" – Journal of Laws of 2014, item 133 as amended);
- c. have been prepared on the basis of correctly maintained consolidation documentation.

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Group's operations

Our opinion on the audit of the consolidated financial statements does not cover the Report on the Group's operations.

The Parent Company's Management Board is responsible for the preparation of the Report on the Group's operations in accordance with the Accounting Act and the Decree. Further, the Management Board and Supervisory Board are obliged to ensure that the Report on the Group's operations meets the requirements of the Accounting Act.

With respect to our audit of the consolidated financial statements, our responsibility was to read the Report on the Group's operations and consider whether the information included in this Report complies with the regulations of article 49 of the Accounting Act and the Decree and is consistent with the information in the related consolidated financial statements. Our responsibility was also to consider, based on the knowledge of the Group and its environment obtained during our audit, whether the Report on the Group's operations does not contain any material misstatements.

In our opinion, the information contained in the Report on the Group's operations for the year from 1 January to 31 December 2016 comply with the requirements of article 49 of the Accounting Act and the Decree and is consistent with the information in the audited consolidated financial statements. Further, based on the knowledge of the Group and its environment obtained during our audit we have not identified any material misstatements in the Report on the Group's operations.



Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board ENERGA SA (cont.)

With respect to our audit of the consolidated financial statements, our responsibility was also to read the Group's Statement of Corporate Governance, which is a separate part of the Report on the Group's operations. In our opinion, the Group included information in accordance with the scope defined in the Decree, and information as indicated in the Decree, complies with the applicable regulations and is consistent with the information contained in the consolidated financial statements.

Auditor conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o. Registered Audit Company No. 144:

Borys Malinowski

Key Registered Auditor
No. 12798

Gdańsk, 29 March 2017

ENERGA SA Group

Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

Translation note:

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Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

To the General Shareholders' Meeting and the Supervisory Board of ENERGA SA

This report contains 15 consecutively numbered pages and consists of:

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ENERGA SA Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

I. General information about the Group

- a. ENERGA SA ("the Parent Company") with its seat in Gdańsk, Grunwaldzka 472 is the parent company of the ENERGA SA Group ("the Group").
- b. The Parent Company was formed on the basis of a Notarial Deed drawn up on 6 December 2006 at the Notary Public's Office of Paweł Błaszczak in Warsaw and registered with Rep. A No. 20821/2006. On 8 January, the Parent Company was entered in the Commercial Register maintained by the District Court in Gdańsk with the reference number 0000271591.
- c. The Parent Company was assigned a tax identification (NIP) 957-09-57-722 for the purpose of making tax settlements and a REGON number 220353024 for statistical purposes.
- d. As at 31 December 2016 and until the date of this report Parent Company's share capital amounted to PLN 4,522 and consisted of 414,067,114 shares, with a nominal value of PLN 10,92 each.

- e. As at 31 December 2016, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
State Treasury	68.398.317	746.909.621,64	ordinary	64,1
	144.928.000	1.582.613.760,00	preference	
Other shareholders	200.740.797	2.192.089.503,24	ordinary	35,9
	414.067.114	4.521.612.884,88		100,0

- f. In the audited year, the Group's operations comprised of production, distribution and sales of electric and heat energy.
- g. During the audited year, the Management Board of the Parent Company comprised:
 - 1) from 1 January 2016 to 3 January 2016:
 - a) Roman Pionkowski - President of the Management Board,
 - b) Seweryn Kędra - Vice President for Financial Matters of the Management Board.
 - 2) from 4 January 2016 to dnia 1 February 2016:
 - a) Dariusz Kaśków - President of the Management Board,
 - b) Mariusz Rędaszka - Vice President for Financial Matters of the Management Board,
 - c) Roman Pionkowski - Vice President for Development Strategy Matters of the Management Board.
 - 3) from 1 February 2016 to 26 February 2016:
 - a) Dariusz Kaśków - President of the Management Board,

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ENERGA SA Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

I. General information about the Group (cont.)

- b) Mariusz Rędaszka - Vice President for Financial Matters of the Management Board,
- c) Roman Pionkowski - Vice President for Strategy Matters of the Management Board,
- d) Grzegorz Ksepko - Vice President for Corporate Matters of the Management Board.
- 4) from 26 February 2016 to 21 March 2016:
 - a) Dariusz Kaśków - President of the Management Board,
 - b) Mariusz Rędaszka - Vice President for Financial Matters of the Management Board,
 - c) Grzegorz Ksepko - Vice President for Corporate Matters of the Management Board.
- 5) from 21 March 2016 to 17 January 2017:
 - a) Dariusz Kaśków - President of the Management Board,
 - b) Mariusz Rędaszka - Vice President for Financial Matters of the Management Board,
 - c) Grzegorz Ksepko - Vice President for Corporate Matters of the Management Board,
 - d) Mariola Zmudzińska - Vice President for Investor Relations Matters of the Management Board,
 - e) Przemysław Piesiewicz - Vice President for Development Strategy Matters of the Management Board.
- 6) from 17 January 2017 to 10 February 2017:
 - a) Jacek Kościelniak - President of the Management Board,
 - b) Grzegorz Ksepko - Vice President for Corporate Matters of the Management Board,
 - c) Mariola Zmudzińska - Vice President for Investor Relations Matters of the Management Board.
- 7) from 11 February 2017 to 16 February 2017:
 - a) Jacek Kościelniak - Vice President for Financial Matters of the Management Board,
 - b) Grzegorz Ksepko - Vice President for Corporate Matters of the Management Board,
 - c) Mariola Zmudzińska - Vice President for Investor Relations Matters of the Management Board.
- 8) from 17 February 2017 to 1 March 2017:
 - a) Jacek Kościelniak - Vice President for Financial Matters of the Management Board,
 - b) Grzegorz Ksepko - Vice President for Corporate Matters of the Management Board.
- 9) from 1 March 2017 to 2 March 2017:
 - a) Jacek Kościelniak - Vice President for Financial Matters of the Management Board,
 - b) Grzegorz Ksepko - Vice President for Corporate Matters of the Management Board,

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ENERGA SA Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

I. General information about the Group (cont.)

- c) Alicja Klimiuk - Vice President for Operational Matters of the Management Board.
- 10) w okresie od dnia 2 marca 2017 r. do dnia sporządzenia niniejszego raportu z badania:
 - a) Daniel Obajtek - President of the Management Board,
 - b) Jacek Kościelniak - Vice President for Financial Matters of the Management Board,
 - c) Grzegorz Ksepko - Vice President for Corporate Matters of the Management Board,
 - d) Alicja Klimiuk - Vice President for Operational Matters of the Management Board.

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ENERGA SA Group
Registered auditor's report on the audit of the consolidated financial statements
for the year from 1 January to 31 December 2016

I. General information about the Group (cont.)

h. As at 31 December 2016, the ENERGA SA Group comprised the following entities:

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
ENERGA SA	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
ENERGA-OPERATOR SA	Subsidiary 100%	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
ENERGA-OPERATOR Eksploatacja Elbląg Sp. z o.o.	Subsidiary 100%	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
ENERGA-OPERATOR Eksploatacja Gdańsk Sp. z o.o.	Subsidiary 100%	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
ENERGA-OPERATOR Eksploatacja Kalisz Sp. z o.o.	Subsidiary 100%	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
ENERGA-OPERATOR Eksploatacja Płock Sp. z o.o.	Subsidiary 100%	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
ENERGA-OPERATOR Eksploatacja Słupsk Sp. z o.o.	Subsidiary 100%	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
ENERGA-OPERATOR Eksploatacja Toruń Sp. z o.o.	Subsidiary 100%	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
ENERGA-OPERATOR Techniczna Obsługa Odbiorców Sp. z o.o.	Subsidiary 100%	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
Przedsiębiorstwo Budownictwa Elektroenergetycznego ENBUD Słupsk Sp. z o.o.	Subsidiary 100%	Full	Biuro Ekspertyz i doradztwa finansowo-księgowego "FIN-EKSPERT" Sp. z o.o.	Unqualified	31 December 2016
Energetyka Kaliska- Usługi Techniczne Sp. z o.o.	Subsidiary 100%	Full	Continuum Consulting Group Poland Sp. z o.o.	Unqualified	31 December 2016
ZEP - Centrum Wykonawstwa Specjalistycznego Sp. z o.o.	Subsidiary 100%	Full	KPW AUDYTOR Sp. z o.o.	Unqualified	31 December 2016
Zakład Budownictwa Energetycznego Sp. z o.o.	Subsidiary 100%	Full	Kancelaria doradztwa podatkowego i audytu "Debet" Halina Kozak	Unqualified	31 December 2016

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ENERGA SA Group
Registered auditor's report on the audit of the consolidated financial statements
for the year from 1 January to 31 December 2016

I. General information about the Group (cont.)

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
ENERGA-OPERATOR Logistyka Sp. z o.o.	Subsidiary 100%	Full	KPW AUDYTOR Sp. z o.o.	Unqualified	31 December 2016
ENERGA-OBRÓT SA	Subsidiary 100%	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
ENERGA Obsługa i Sprzedaż Sp. z o.o.	Subsidiary 100%	Full	Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o.	Unqualified	31 December 2016
ENERGA Oświetlenie Sp. z o.o.	Subsidiary 100%	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
ENERGA SLOVAKIA s.r.o.	Subsidiary 100%	Full	BMB Leitner Bratislava s.r.o.	Unqualified	31 December 2016
Enspirion Sp. z o.o. (poprzednio: ENERGA Innowacje Sp. z o.o.)	Subsidiary 100%	Full	Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o.	Unqualified	31 December 2016
EOB PGK1 Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016
EOB PGK2 Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016
ENERGA Wytwarzanie SA	Subsidiary 100%	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
ENERGA Elektrownie Ostrołęka SA	Subsidiary (89,64%)	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
ENERGA Kogeneracja Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
ENERGA Ciepło Ostrołęka Sp. z o.o.	Subsidiary (100%)	Full	Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o.	Unqualified	31 December 2016
ENERGA Serwis Sp. z o.o.	Subsidiary (94,81%)	Full	Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o.	Unqualified	31 December 2016
ENERGA Ciepło Kaliskie Sp. z o.o.	Subsidiary (91,24%)	Full	Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o.	Unqualified	31 December 2016
ENERGA Invest SA	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2016
Elektrownia Ostrołęka SA	Subsidiary 100%	Full	Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o.	Unqualified	31 December 2016
AEGIR 4 Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016
Elektrownia CCGT Gdańsk Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016
Elektrownia CCGT Grudziądz Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016
ENERGA Centrum Usług Wspólnych Sp. z o.o.	Subsidiary 100%	Full	Wielkopolskie Centrum Audytorsko-Księgowe Sp. z o.o.	With emphasis of matter	31 December 2016

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ENERGA SA Group
Registered auditor's report on the audit of the consolidated financial statements
for the year from 1 January to 31 December 2016

I. General information about the Group (cont.)

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
ENERGA Finance AB (publ)	Subsidiary 100%	Full	PricewaterhouseCoopers AB	Unqualified	31 December 2016
ENERGA Informatyka i Technologie Sp. z o.o.	Subsidiary 100%	Full	Wielkopolskie Centrum Audytorsko-Księgowe Sp. z o.o.	Unqualified	31 December 2016
RGK Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016
ENSA PGK1 Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016
ENSA PGK2 Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016
ENSA PGK3 Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016
ENSA PGK4 Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016
ENSA PGK5 Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016
ENSA PGK6 Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016
ENSA PGK7 Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016
ENSA PGK8 Sp. z o.o.	Subsidiary 100%	Full	n/a	n/a	31 December 2016

n/a – not applicable

Additionally as at 31 December 2016 ENERGA SA Group has 16,6% shares in joint venture – Polska Grupa Górnicza Sp. z o.o. (“PGG”) with its registered office in Katowice.

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ENERGA SA Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

I. General information about the Group (cont.)

- i. During the financial year, the following changes took place in the scope of consolidation:
 - 1. As of 6 April 2016, ENERGA Kogeneracja Sp. z o.o. became the only shareholder of ENERGA Ciepło Ostrołęka Sp. z o.o. by purchasing 3 shares from a shareholder, a natural person.
 - 2. On 25 January 2016, the Court of Registration removed Zakład Energetyczny Toruń - ENERGOHANDEL Sp. z o.o. w likwidacji (in liquidation) from the National Court Register.
- j. The Parent Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

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ENERGA SA Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

II. Information about the audit

- a. The audit of the consolidated financial statements as at and for the year from 1 January to 31 December 2016 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, the Group's registered auditor Borys Malinowski (no. 12798).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Parent Company by Resolution No. 62/IV/2014 of the Supervisory Board of ENERGA SA dated 6 November 2014 in accordance with paragraph 17 of the Parent Company's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2016, item 1000 as amended).
- d. The audit was conducted in accordance with an agreement dated 18 July 2016, in the period from 20 February to 29 March 2017 (with intervals).
- e. An audit was conducted in accordance with International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. The scope of an audit was influenced by an application of materiality. In accordance with these auditing standards, the concept of materiality is applied by the auditor at the planning stage and when conducting the audit as well as to evaluate the effect of misstatements identified and adjusted (if any) on the consolidated financial statements, and to form the opinion in the Independent Registered Auditor's Report.

An audit was designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. The misstatements are considered to be material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

ENERGA SA Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

II. Information about the audit (cont.)

Based on a professional judgement, the certain quantitative thresholds for materiality were determined and documented, including the overall materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of the audit and the nature, timing and extent of the audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Therefore, all statements included in the Independent Registered Auditor's Report, including those related to the other legal and regulatory requirements, have been expressed considering the materiality determined in accordance with those auditing standards and the auditor's judgement.

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ENERGA SA Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016 (selected lines)

	31.12.2016 PLN mln	31.12.2015 PLN mln	Change		Structure	
			PLN mln	(%)	31.12.2016 (%)	31.12.2015 (%)
ASSETS						
Non-current assets	14.515	13.873	642	4,6	77,5	75,2
Current assets	4.216	4.583	(367)	(8,0)	22,5	24,8
Total assets	18.731	18.456	275	1,5	100,0	100,0
LIABILITIES AND EQUITY						
Share capital	8.777	8.770	7	0,1	46,9	47,6
Non-controlling interests	40	44	(4)	(9,1)	0,2	0,2
Long-term liabilities	7.417	7.402	15	0,2	39,6	40,1
Short-term liabilities	2.497	2.240	257	11,5	13,3	12,1
Total liabilities and equity	18.731	18.456	275	1,5	100,0	100,0

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year from 1 January to 31 December 2016 (selected lines)

	2016 PLN mln	2015 PLN mln	Change		Structure	
			PLN mln	(%)	2016 (%)	2015 (%)
Revenue	10.181	10.804	(623)	(5,8)	100,0	100,0
Costs of sales	(8.846)	(8.786)	(60)	0,7	(86,9)	(81,3)
Gross profit on sales	1.335	2.018	(683)	(33,8)	13,1	18,7
Net profit	147	840	(693)	(82,5)	1,4	7,8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year from 1 January to 31 December 2016 (selected lines)

	2016 PLN mln	2015 PLN mln	Change		Structure	
			PLN mln	(%)	2016 (%)	2015 (%)
Net profit/(loss)	147	840	(693)	(82,5)	1,4	7,8
Other net comprehensive income	63	17	46	270,6	0,6	0,1
Total net comprehensive income	210	857	(647)	(75,5)	2,0	7,9

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ENERGA SA Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

Selected ratios characterizing the Group's financial position and results

The following ratios characterise the Group's activities, results of operations during the year and its financial position as at the balance sheet date compared with previous years:

	2016	2015	2014*
*Asset ratios			
- receivables turnover	62 days	53 days	42 days
- inventory turnover	20 days	17 days	13 days
Profitability ratios			
- net profit margin	1%	8%	10%
- gross margin	7%	12%	14%
- return on capital employed	2%	10%	12%
Liability ratios			
- gearing	53%	52%	53%
- payables turnover	28 days	29 days	30 days
	31.12.2016	31.12.2015	31.12.2014 *
Liquidity ratios			
- current ratio	1,7	2,0	2,1
- quick ratio	1,5	1,8	2,0

* - restated

The above ratios have been calculated on the basis of the consolidated financial statements.

It was not the purpose of the audit to present the Group in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Group's operations and its circumstances.

Translation note:

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III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

The consolidated financial statements do not take into account the effects of inflation. The consumer price index (on a December to December basis) amounted to 0,8% in the audited year (-0,5% in the previous financial year).

The following comments are based on information obtained during the audit of the consolidated financial statements.

The factors described below had a significant impact on the Group's results of operations and on its financial position as at the balance sheet date:

- At the end of the financial year the Group's total assets amounted to PLN 18.731 million. During the year total assets increased by PLN 275 million i.e. by 1,5%. This increase was financed mainly by the increase of short-term liabilities by PLN 275 mln and net profit of PLN 147 million. At the same time, the Parent Company paid dividend to the shareholders in the amount of PLN 203 million.
- At the end of financial year the Group's non-current assets amounted to PLN 14.515 million. The increase of non-current assets by PLN 642 million in comparison to the previous financial year was mainly due to investment in Polska Grupa Górnictwa Sp. z o.o.
- Long term liabilities as at 31 December 2016 amounted to PLN 7.417 million and comprised mainly debt securities issued in the amount of PLN 3.086 million and loans and borrowings in the amount of PLN 2.639 million.
- Liability ratios and the structure of liabilities have changed. The gearing ratio increased from 52% at the end of the previous financial year to 53% at the end of the financial year. The payables turnover ratio decreased from 29 days to 28 days, respectively.
- The Group's core activities consisted of production, distribution and sale of electric and heat energy. Revenue amounted to PLN 10.181 million and decreased in comparison to the previous financial year by PLN 623 million i.e. by 5,8%.
- The cost of goods for resale and materials sold was the largest item of operating expenses and amounted to PLN 4.718 million in the financial year, which constituted 49,7% of operating expenses. The cost of goods for resale and materials sold decreased by PLN 242 million, i.e. by 4,9% , mainly due to a decrease in the sales of electric energy.
- Profitability measured with net profit amounted to 1% and was 7 percentage points lower than in the previous financial year.
- The Group's liquidity has changed. In the end of financial year the current and quick ratios amounted to 1,7 (2,0 in the previous financial year) and 1,5 (1,8 in the previous financial year) respectively.

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IV. The independent registered auditor's statements

- a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The consolidation of equity items and the determination of minority interests were carried out properly in all material respects.
- d. The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- e. The elimination of unrealized gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- f. The impact of the disposal or partial disposal of shares in subordinated entities was accounted for properly in all material respects, in accordance with IFRS as adopted by the European Union.
- g. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.
- h. The consolidated financial statements of the Group as at and for the year ended 31 December 2015 were approved by Resolution No. 25 passed by the General Shareholders' Meeting of the Parent Company on 24 June 2016 and filed with the National Court Register in Gdańsk on 6 July 2016.
- i. The notes to the consolidated financial statements, which include the introduction and additional notes and explanations present all the significant information in accordance with International Financial Reporting Standards adopted by the European Union.
- j. The information in the Report on Group's operations for the year from 1 January to 31 December 2016 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information to be provided by issuers of securities and conditions for recognizing as equivalent the information required by the provisions of law of a country not being a member state (Journal of Laws of 2014, item 133 as amended) and is consistent with that presented in the consolidated financial statements.

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V. Final information

This report has been prepared in connection with our audit of the consolidated financial statements of the ENERGA SA Group having ENERGA SA, Grunwaldzka 472, Gdańsk, as its Parent Company. The consolidated financial statements were signed by the Parent Company's Management Board on 29 March 2017.

This report should be read in conjunction with the Independent Registered Auditor's Report dated 29 March 2017 the General Shareholders' Meeting and the Supervisory Board of ENERGA SA, that includes the unqualified audit opinion on the said consolidated financial statements. The opinion on the consolidated financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Borys Malinowski

Key Registered Auditor
No. 12798

Gdańsk, 29 March 2017

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PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register (KRS) maintained by the District Court in Warsaw, with the reference number (KRS) 0000044655, and tax identification number (NIP) 526-021-02-28. Share capital amounts to PLN 10,363,900. Headquarters in Warsaw, Al. Armii Ludowej 14.