



Independent Registered Auditor's Report

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

Report on the financial statements

We have audited the accompanying financial statements of ENERGA SA (hereinafter called "the Company"), Al. Grunwaldzka 472, Gdańsk, which comprise the statement of financial positions as at 31 December 2016, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the 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 Company's Management Board is responsible for the preparation of these financial statements, on the basis of correctly maintained books of account, 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 Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

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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 (cont.)

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

Opinion

In our opinion, the accompanying financial statements:

- a. give a true and fair view of the Company'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) and the Company's Memorandum of Association;
- c. have been prepared on the basis of correctly maintained books of account.

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Company's operations

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

The Company's Management Board is responsible for the preparation of the Report on the Company'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 Company's operations meets the requirements of the Accounting Act.

With respect to our audit of the financial statements, our responsibility was to read the Report on the Company'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 financial statements. Our responsibility was also to consider, based on the knowledge of the Company and its environment obtained during our audit, whether the Report on the Company's operations does not contain any material misstatements.

In our opinion, the information contained in the Report on the Company'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 financial statements. Further, based on the knowledge of the Company and its environment obtained during our audit we have not identified any material misstatements in the Report on the Company's operations.

With respect to our audit of the financial statements, our responsibility was also to read the Company's Statement of Corporate Governance, which is a separate part of the Report on the Company's operations. In our opinion, the Company 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 financial statements.



Independent Registered Auditor's Report (cont.)

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

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

Registered auditor's report on the audit of the 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 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 10 consecutively numbered pages and consists of:

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

I. General information about the Company

- a. ENERGA SA ("the Company") has its seat in Gdańsk, Grunwaldzka 472.
- b. The 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 Company was entered in the Commercial Register maintained by the District Court in Gdańsk with the reference number 0000271591.
- c. The Company was assigned a tax identification number (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 the Company's share capital amounted to PLN 4,522 million and consisted of 414,067,114 shares, with a nominal value of PLN 10,92 each. Total equity as at 31 December 2016 amounted to PLN 7,137 million.
- e. As at 31 December 2016, the 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. During the year the Company's operations comprised of holding activities.
- g. During the year the Management Board of the 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,
- b) Mariusz Rędaszka - Vice President for Financial Matters of the Management Board,

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

I. General information about the Company (cont.)

- 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,
 - 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,

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

I. General information about the Company (cont.)

- | | | | |
|----|-------------------|---|---|
| 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. |

h. The Company has the following related entities:

- | | | |
|---|---|------------|
| ENERGA-OPERATOR SA | - | Subsidiary |
| ENERGA-OBRÓT SA | - | Subsidiary |
| ENERGA Wytwarzanie SA | - | Subsidiary |
| ENERGA Informatyka i Technologie Sp. z o.o. | - | Subsidiary |
| ENERGA Centrum Usług Wspólnych Sp. z o.o. | - | Subsidiary |
| ENERGA Finance AB (publ) | - | Subsidiary |
| ENERGA Kogeneracja Sp. z o.o. | - | Subsidiary |
| Enspirion Sp. z o.o. | - | Subsidiary |
| Elektrownia Ostrołęka SA | - | Subsidiary |
| ENERGA Invest SA | - | Subsidiary |
| RGK Sp. z o.o. | - | Subsidiary |
| ENSA PGK1 Sp. z o.o. | - | Subsidiary |
| ENSA PGK2 Sp. z o.o. | - | Subsidiary |
| ENSA PGK3 Sp. z o.o. | - | Subsidiary |
| ENSA PGK4 Sp. z o.o. | - | Subsidiary |
| ENSA PGK5 Sp. z o.o. | - | Subsidiary |
| ENSA PGK6 Sp. z o.o. | - | Subsidiary |
| ENSA PGK7 Sp. z o.o. | - | Subsidiary |
| ENSA PGK8 Sp. z o.o. | - | Subsidiary |
| EOB PGK1 Sp. z o.o. | - | Subsidiary |
| EOB PGK2 Sp. z o.o. | - | Subsidiary |

and subsidiaries of the Entities listed above.

i. The 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 financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as of 2013.

The decision to prepare the Company's financial statements in accordance with these standards was made by the General Shareholders' Meeting in their Resolution passed on 18 October 2012.

j. As the parent company of the Group, the Company has also prepared consolidated financial statements according to IFRS as adopted by the European Union as at 29 March 2017. To better understand the Company's financial position and its results of operations as the Parent Company, the financial statements should be read in conjunction with the consolidated financial statements.

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

II. Information about the audit

- a. The audit of the financial statements 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 Borys Malinowski (no. 12798).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Company by Resolution No. 62/IV/2014 of the Supervisory Board dated 6 November 2014 in accordance with paragraph 16 of the Company's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity 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 following periods:
 - interim audit from 12 to 16 December 2016;
 - final audit from 13 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 financial statements, and to form the opinion in the Independent Registered Auditor's Report.

An audit was designed to obtain reasonable assurance whether the 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 financial statements.

Based on a professional judgement, the certain quantitative thresholds for materiality were determined and documented, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped 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 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
Registered auditor's report on the audit of the financial statements
for the year from 1 January to 31 December 2016

III. The Company's results, financial position and significant items of financial statements

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	11.073	10.865	208	1,9	77,0	86,6
Current assets	3.307	1.678	1.629	97,1	23,0	13,4
Total assets	14.380	12.543	1.837	14,6	100,0	100,0
LIABILITIES AND EQUITY						
Equity	7.137	6.525	612	9,4	49,6	52,0
Long-term liabilities	5.768	5.703	65	1,1	40,1	45,5
Short-term liabilities	1.475	315	1.160	368,3	10,3	2,5
Total liabilities and equity	14.380	12.543	1.837	14,6	100,0	100,0

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	68	60	8	13,3	100,0	100,0
Cost of sales	(51)	(55)	4	(7,3)	(75,0)	(91,7)
Gross profit on sales	17	5	12	240,0	25,0	8,3
Net profit	784	841	(57)	(6,8)	1.152,9	1.401,7

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	784	841	(57)	(6,8)	1.152,9	1.401,7
Other net comprehensive income	31	10	21	210,0	45,6	16,6
Total net comprehensive income	815	851	(36)	(4,2)	1.198,5	1.418,3

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

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

Selected ratios characterising the Company's financial position and results

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

	2016	2015	2014*
Profitability ratios			
- return on capital employed	11%	13%	11 %
Liability ratios			
- gearing	50%	48%	48%
- payables turnover	85 days	85 days	90 days
	31.12.2016	31.12.2015	31.12.2014*
Liquidity ratios			
- current ratio	2,2	5,3	5,4
- quick ratio	2,2	5,3	5,4

* - restated

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

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

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

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

The 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 financial statements.

- At the end of the financial year, the Company's total assets amounted to PLN 14,380 million. Total assets increased by PLN 1.837 million i.e. by 14,6% during the year. This increase was financed mainly by the increase of short-term liabilities by PLN 1.160 million and net profit of PLN 784 million. At the same time, the Company paid a dividend to the shareholders in the amount of PLN 203 million.
- The gearing ratio has increased from 48% at the end of previous financial year to 50% at the end of the financial year. The payables turnover ratio remained unchanged and amounted to 85 days.
- In 2016 dividend income amounted to PLN 874 million and decreased by PLN 40 million i.e. by 4,4% as compared to the previous financial year.
- Other comprehensive income amounted to PLN 31 million. The increase by PLN 21 million as compared to the previous financial year was mainly due to impact of valuation of derivatives.
- The Company's liquidity has changed. The current and quick ratios at the end of the financial year amounted to 2,2 (5,3 at the end of previous financial year).

The financial statements have been prepared on the assumption that the Company will continue in operation as a going concern.

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

IV. The independent registered auditor's statement

- a. The Management Board of the Company provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data 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 financial statements of the Company for the financial year from 1 January to 31 December 2015 were approved by Resolution No. 5 passed by the General Shareholders' Meeting on 24 June 2016 and filed with the National Court Register in Gdańsk on 6 July 2016.
- d. We have assessed the operation of the accounting system. Our assessment covered in particular:
 - the accuracy of the documentation relating to business transactions;
 - the fairness, accuracy and verifiability of the books of account, including computerised books of account;
 - the methods used for controlling access to data and the computerised data processing system;
 - the safeguarding of the accounting documentation, books of account, and financial statements.

This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing an overall and comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

- e. The notes to the financial statements present all significant information required by International Financial Reporting Standards as adopted by the European Union.
- f. The information in the Report on Company's operations for the year ended 31 December 2016 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2014, item 133 as amended) and is consistent with that presented in the financial statements.

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

V. Final information

This report has been prepared in connection with our audit of the financial statements of ENERGA SA, with its registered office in Gdańsk, Grunwaldzka 472 Street. The financial statements were signed by the Company's Management Board and the person entrusted with maintaining the books of account on 29 March 2017.

This report should be read in conjunction with the Independent Registered Auditor's Report dated 29 March 2017 to the General Shareholders' Meeting and the Supervisory Board of ENERGA SA, that includes the unqualified audit opinion on the said financial statements. The opinion on the 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 financial statements as a whole.

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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