

**PGE Polska Grupa Energetyczna S.A.  
Group**

**Opinion and Report  
of the Independent Auditor  
Financial Year ended  
31 December 2015**

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**The opinion contains 7 pages  
The supplementary report contains 14 pages  
Opinion of the independent auditor  
and supplementary report on the audit  
of the consolidated financial statements  
for the financial year ended  
31 December 2015**



**KPMG Audyt**  
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*This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.*

## **OPINION OF THE INDEPENDENT AUDITOR**

*To the General Meeting of PGE Polska Grupa Energetyczna S.A.*

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the Group, whose parent company is PGE Polska Grupa Energetyczna S.A. (“the Company”) with its registered office in Warsaw, ul. Mysia 2 (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of PGE Polska Grupa Energetyczna S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

### *Basis for Opinion*

We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”) and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance („National Standards on Assurance”). We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants’ (“IFAC Code”), and we have fulfilled our other ethical responsibilities in accordance with the IFAC Code and the impartiality and independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2015, item 1011 with amendments). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

On terms agreed with the Management Board of PGE Polska Grupa Energetyczna S.A., our audit work has been undertaken so that we might state to the Company's shareholders key audit matters that we are required to state to them in an auditor's opinion and, in respect of reporting, as if International Standard on Auditing 700 (Revised January 2015) applied.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on them.

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## **1. Impairment of property, plant and equipment**

*The carrying amount of property, plant and equipment as at 31 December 2015: PLN 47,068 million; Impairment loss recognised in 2015: PLN 9,039 million.*

*We refer to the financial statements: Note 2.4 "Professional judgment of management and estimates", Note 3 "The analysis of impairment of property, plant and equipment, intangible assets and goodwill", Note 4.14 "Accounting principles applied – Impairment of non-financial assets", Note 5 "Changes of accounting principles and data presentation", Note 9 "Property, plant and equipment"*

<b>Key audit matter</b>	<b>Our response</b>
<p>Due to the unfavorable situation on the electric energy market in Poland which has resulted in, among others, decreasing electricity prices on the wholesale market, impairment tests of property, plant and equipment were performed by the Group in the Conventional Generation segment.</p> <p>Determining the recoverable amount of the assets requires a number of significant judgments and estimates, especially in respect of the amount of future cash flows and the applied discount rate. The projected operating cash flows are significantly influenced by long-term assumptions concerning prices of electricity, coal, gas, carbon dioxide emission rights and certificates of origin for electric energy. The price projections are exposed to significant variability due to changing market conditions and significant legislative changes in the energy related regulations, inter alia, on support for renewable energy sources and cogeneration and prospects for the capacity market. In addition, the estimates of future cash flows depend on the amount of expected</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Assessing internal controls designed for identification of impairment indicators and the appropriateness of the Group's judgment regarding identification of assets which may be impaired;</li> <li>• Evaluating the appropriateness of allocation of assets to cash generating units;</li> <li>• Critically assessing the Group's assumptions and estimates used to determine the recoverable amount of property, plant and equipment and consequently any impairment losses recognised. This included:               <ul style="list-style-type: none"> <li>- testing the Group's discounted cash flow model using our internal valuations specialists,</li> <li>- assessing macroeconomic assumptions (including those relating to discount rates) by comparing them against external sources of data,</li> </ul> </li> </ul>

compensation resulting from termination of long term contracts for the sale of capacity and electricity (refer to Key Audit Matter 3 "Compensation resulting from early termination of long term contracts for sale of capacity and electricity", below).

- challenging assumptions in respect of prices and volumes by comparing them to analyses prepared at the request of the Group by external experts, whose competence and independence we assessed;
- Evaluating the Group's analysis of the sensitivity of the impairment tests' results and the adequacy of disclosures in respect of the impairment.

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## 2. Provision for rehabilitation of post-exploitation mining properties

*Provision for rehabilitation of post-exploitation mining properties as at 31 December 2015: PLN 3,051 million.*

*We refer to the financial statements: Note 2.4 "Professional judgment of management and estimates", Note 4.10 "Accounting principles applied – Property, plant and equipment – Costs of rehabilitation of post-exploitation surface mining properties", Note 4.25 "Accounting principles applied – Provisions", Note 9 "Property, plant and equipment - Capitalization of changes in valuation of rehabilitation provision", Note 23.1 "Rehabilitation provision"*

### Key audit matter

The Group entities operating surface mines recognise provisions for costs of rehabilitation of post-exploitation mining properties. The provision is recognised in operating expenses for the portion attributable to the mined lignite and as an increase in the value of the corresponding component of property, plant and equipment in the part attributable to stripping cost. The estimation of the provision requires significant judgments and assumptions regarding the methods of rehabilitation, the timing of execution, the amount of anticipated costs, the inflation rate and the discount rate used to determine the present value of provisions. The provision is very sensitive to assumptions regarding inflation rates and discount rates.

### Our response

Our audit procedures included, among others:

- Challenging the Group's assumptions regarding the methods of rehabilitation, the timing of execution and the amount of anticipated costs by comparison to reports obtained by the Group from external experts, whose competence and independence we assessed;
- Assessing the appropriateness of adopted long-term inflation assumptions and the discount rate used to determine the provisions by comparing them against external sources of data;
- Evaluating the accounting treatment applied by the Group in the consolidated financial statements;
- Evaluating the completeness of the relevant disclosures.

### 3. Compensation resulting from early termination of long term contracts for sale of capacity and electricity (“LTC compensation”)

*Sales revenues in 2015: PLN 546 million; the carrying amount of the receivable and liability as at 31 December 2015: PLN 1,075 million and PLN 1,131 million, respectively.*

*We refer to the financial statements: Note 2.4 “Professional judgment of management and estimates”, Note 4.4 “Accounting principles applied – Revenues”, Note 7.1 “Sales revenues”, Note 27.1.1 “Financial receivables”, Note 27.1.5 “Trade and other financial liabilities”, Note 35.1 “Compensation resulting from termination of long term contracts LTC”.*

#### Key audit matter

The revenues from compensations recognised by the Group are based on the Group's interpretation of the Act dated 29 June 2007 on the principles for coverage of costs incurred due to early termination of long-term contracts for sales of capacity and electricity (“LTC Act”) and on a number of significant assumptions regarding future operating results and the anticipated outcome of disputes with the President of the Energy Regulatory Office with respect to settlement of LTC compensation for previous years. Changes in either the assumptions or interpretations applied, as well as final outcome of disputes with the President of the Energy Regulatory Office may lead to significant changes in the amount of compensations for LTC in relation to the amounts recognised in the consolidated financial statements.

#### Our response

Our audit procedures included, among others assessing the model used by the Group for determining the amount of income from LTC compensations, including:

- testing the model's compliance with accounting standards in terms of revenue recognition criteria and allocating revenues to periods to which they relate;
- testing the model's compliance with the LTC Act by comparing the applied interpretations of these regulations to external legal opinions obtained by the Group;
- evaluating the reasonableness of the assumptions that affect the Group's projected future operating results. The LTC model is based on the same assumptions as those applied in impairment tests (refer to our response to Key Audit Matter 1 “Impairment of property, plant and equipment”, above).

### *Management's and Supervisory Board's Responsibility*

Management of the parent company is responsible for the accuracy of the accounting records and the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and with other applicable regulations and preparation of the report on the Group's activities. Management of the parent company is also responsible for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management of the parent company is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management of the parent company either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

According to the Accounting Act, management of the parent company and members of the Supervisory Board are required to ensure that the consolidated financial statements and the report on the Group's activities are in compliance with the requirements set forth in the Accounting Act.

Members of the Supervisory Board are responsible for overseeing the Group's financial reporting process.

### *Auditor's Responsibility*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are derived from properly maintained accounting records and are free from material misstatement, whether due to fraud or error, and to issue an auditor's opinion and report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with National Standards on Assurance will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with National Standards on Assurance, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the parent company and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with members of the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide members of the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with members of the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's opinion unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Report on the Group's Activities*

As required under the Accounting Act, we report that the accompanying report on the PGE Polska Grupa Energetyczna S.A. Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Registration No. 3546  
ul. Inflancka 4A  
00-189 Warsaw

*Signed on the Polish original*

.....  
Marta Zemka  
Key Certified Auditor  
Registration No. 10427  
Limited Liability Partner  
with power of attorney

16 February 2016



**PGE Polska Grupa Energetyczna S.A.  
Group**

**Supplementary report  
on the audit of the  
consolidated financial  
statements  
Financial Year ended  
31 December 2015**

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**The supplementary report contains 14 pages  
The supplementary report on the audit of the  
consolidated financial statements  
for the financial year ended  
31 December 2015**

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## **1. General**

### **1.1 Identification of the Group**

#### **1.1.1 Name of the Group**

PGE Polska Grupa Energetyczna S.A. Group

#### **1.1.2 Registered office of the parent company of the Group**

ul. Mysia 2  
00-496 Warsaw

#### **1.1.3 Registration of the parent company in the register of entrepreneurs of the National Court Register**

Registration court: District Court for the Capital City of Warsaw in Warsaw,  
XII Commercial Department of the National Court Register  
Date: 5 November 2001  
Registration number: KRS 0000059307  
Share capital as at  
the end of reporting period: PLN 18,697,608,290.00

#### **1.1.4 Management of the parent company**

The Management Board is responsible for management of the parent company.

As at 31 December 2015, the Management Board of the parent company was comprised of the following members:

- Marek Woszczyk – President of the Management Board,
- Grzegorz Krystek – Vice President of the Management Board,
- Jacek Drozd – Vice President of the Management Board,
- Dariusz Marzec – Vice President of the Management Board.

On 29 January 2016 the Supervisory Board of the Company decided to recall Mr. Jacek Drozd – Vice President of the Management Board, and Mr. Dariusz Marzec – Vice President of the Management Board.

Additionally, on 29 January 2016 the Supervisory Board of the Company has temporarily delegated its member – Mr. Marek Pastuszko - to perform the duties of the Member of the Management Board of the Company.

## **1.2 Information about companies comprising the Group**

### **1.2.1 Companies included in the consolidated financial statements**

As at 31 December 2015, the following companies were consolidated by the Group:

Parent company:

- PGE Polska Grupa Energetyczna S.A.

Subsidiaries consolidated on the full consolidation basis:

- PGE Obrót S.A.,
- PGE Dystrybucja S.A.,
- PGE Górnictwo i Energetyka Konwencjonalna S.A.,
- PGE Energia Odnawialna S.A.,
- Exatel S.A.,
- PGE EJ1 Sp. z o.o.,
- Elbis Sp. z o.o.,
- PGE Systemy S.A.,
- PGE Energia Natury Sp. z o.o.,
- PGE Energia Natury PEW Sp. z o.o.,
- PGE Energia Natury Omikron Sp. z o.o.,
- Przedsiębiorstwo Transportowo-Sprzętowe „BETRANS” Sp. z o.o.
- „ELBEST” Sp. z o.o.
- Przedsiębiorstwo Usługowo-Produkcyjne „ELTUR-SERWIS” Sp. z o.o.,
- ENESTA Sp. z o.o.,
- ENERGO-TEL S.A.,
- RAMB Sp. z o.o.,
- PGE Trading GmbH,
- Energetyczne Systemy Pomiarowe Sp. z o.o.,
- Bio-Energia Sp. z o.o.,
- MEGAZEC Sp. z o.o.,
- „ELMEN” Sp. z o.o.,
- „Energoserwis – Kleszczów” Sp. z o.o.,
- EPORE Sp. z o.o.,
- Przedsiębiorstwo Usługowo-Produkcyjne „TOP SERWIS” Sp. z o.o.,
- Przedsiębiorstwo Transportowo-Usługowe „ETRA” Sp. z o.o.,
- PGE Obsługa Księgowo-Kadrowa Sp. z o.o.,
- Przedsiębiorstwo Wulkanizacji Taśm i Produkcji Wyrobów Gumowych BESTGUM POLSKA Sp. z o.o.,

- Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.,
- Elektrownia Wiatrowa Baltica-1 Sp. z o.o.,
- Elektrownia Wiatrowa Baltica-2 Sp. z o.o.,
- Elektrownia Wiatrowa Baltica-3 Sp. z o.o.,
- MegaSerwis Sp. z o.o.,
- PGE Dom Maklerski S.A.,
- PGE Sweden AB (publ),
- PGE Inwest 2 Sp. z o.o.,
- Elbest Security Sp. z o.o. (previously: PGE Inwest 3 Sp. z o.o.),
- PGE Inwest 4 Sp. z o.o.,
- PGE Inwest 5 Sp. z o.o.,
- PGE Inwest 6 Sp. z o.o.,
- PGE Inwest 7 Sp. z o.o.,
- PGE Inwest 8 Sp. z o.o.,
- PGE Inwest 9 Sp. z o.o.,
- PGE Inwest 10 Sp. z o.o.,
- PGE Inwest 11 Sp. z o.o.,
- PGE Inwest 12 Sp. z o.o.,
- PGE Inwest 13 Sp. z o.o.,
- PGE Inwest 14 Sp. z o.o.,
- PGE Inwest 15 Sp. z o.o.,
- PGE Inwest 16 Sp. z o.o.

The following subsidiaries were consolidated until the date control by the parent company ceased:

- Przedsiębiorstwo Produkcyjno-Handlowe EKTO Sp. z o.o. – subject to consolidation for the period from 1 January 2015 to 22 July 2015.

### **1.2.2 Entities excluded from consolidation**

As at 31 December 2015, the following subsidiaries of the Group were not consolidated:

- PTE Nowy Świat S.A.,
- ELKOM Sp. z o.o.

### **1.3 Key Certified Auditor and Audit Firm Information**

#### **1.3.1 Key Certified Auditor information**

Name and surname: Marta Zemka  
Registration number: 10427

#### **1.3.2 Audit Firm information**

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Address of registered office: ul. Inflancka 4A, 00-189 Warsaw  
Registration number: KRS 0000339379  
Registration court: District Court for the Capital City of Warsaw in Warsaw, XII Commercial Department of the National Court Register  
NIP number: 527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

### **1.4 Prior period consolidated financial statements**

The consolidated financial statements for the financial year ended 31 December 2014 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k and received an unmodified opinion.

The consolidated financial statements were approved at the General Meeting of the parent company on 24 June 2015.

The consolidated financial statements were submitted to the Registry Court on 1 July 2015.

### **1.5 Audit scope and responsibilities**

This report was prepared for the General Meeting of PGE Polska Grupa Energetyczna S.A. with its registered office in Warsaw, ul. Mysia 2 and relates to the consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The consolidated financial statements were audited in accordance with the contract dated 4 November 2014, concluded on the basis of the resolution of the Supervisory Board dated 9 September 2014 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”) and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance.

We audited the consolidated financial statements at the Group companies during the period from 16 November 2015 to 25 November 2015 and from 18 January 2016 to 12 February 2016.

Management of the parent company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Group's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the consolidated financial statements.

The Management Board of the parent company submitted a statement, dated as at the same date as this report, as to the true and fair presentation of the accompanying consolidated financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All required statements, explanations and information were provided to us by Management of the parent company and all our requests for documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2015, item 1011 with amendments).

## **1.6 Information on audits of the financial statements of the consolidated companies**

### **1.6.1 Parent company**

The separate financial statements of the parent company for the year ended 31 December 2015 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., certified auditor number 3546, and received an unmodified opinion.

## 1.6.2 Other consolidated entities

<b>Entity's name</b>	<b>Authorised auditor</b>	<b>Financial year end</b>	<b>Type of auditor's opinion</b>
PGE Obrót S.A.	Ernst & Young Polska Spółka z ograniczoną odpowiedzialnością sp.k.	31.12.2015	Unmodified opinion.
PGE Dystrybucja S.A.	Ernst & Young Polska Spółka z ograniczoną odpowiedzialnością sp.k.	31.12.2015	Unmodified opinion.
PGE Górnictwo i Energetyka Konwencjonalna S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	Unmodified opinion.
PGE Energia Odnawialna S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	Unmodified opinion.
Exatel S.A.	Ernst & Young Polska Spółka z ograniczoną odpowiedzialnością sp.k.	31.12.2015	Unmodified opinion.
PGE EJ1 Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	Unmodified opinion.
Elbis Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
PGE Systemy S.A.	Ernst & Young Polska Spółka z ograniczoną odpowiedzialnością sp.k.	31.12.2015	Unmodified opinion.
PGE Energia Natury Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	Unmodified opinion.
PGE Energia Natury PEW Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	Unmodified opinion.
PGE Energia Natury Omikron Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	Unmodified opinion.
Przedsiębiorstwo Transportowo-Sprzętowe „BETRANS” Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
„ELBEST” Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
Przedsiębiorstwo Usługowo-Produkcyjne „ELTUR-SERWIS” Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
ENESTA Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
ENERGO-TEL S.A.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
RAMB Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
PGE Trading GmbH	MSW GmbH Wirtschaftsprüfungsgesellschaft	31.12.2015	In the course of audit.
Energetyczne Systemy Pomiarowe Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
Bio-Energia S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	Unmodified opinion.
MEGAZEC Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
„ELMEN” Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
„Energoserwis – Kleszczów” Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.





**PGE Polska Grupa Energetyczna S.A. Group**  
*The supplementary report on the audit of the consolidated financial statements  
for the financial year ended 31 December 2015*  
TRANSLATION

EPORE Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
Przedsiębiorstwo Usługowo-Produkcyjne „TOP SERWIS” Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
Przedsiębiorstwo Transportowo-Usługowe „ETRA” Sp. z o.o.,	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
PGE Obsługa Księgowo-Kadrowa Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	Unmodified opinion.
Przedsiębiorstwo Wulkanizacji Taśm i Produkcji Wyrobów Gumowych BESTGUM POLSKA Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	In the course of audit.
Elektrownia Wiatrowa Baltica-1 Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	Unmodified opinion.
Elektrownia Wiatrowa Baltica-2 Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	Unmodified opinion.
Elektrownia Wiatrowa Baltica-3 Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	Unmodified opinion.
MegaSerwis Sp. z o.o.	PKF CONSULT Sp. z o.o. Sp.k.	31.12.2015	Unmodified opinion.
PGE Dom Maklerski S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	Unmodified opinion.
PGE Sweden AB	KPMG AB, Sweden	31.12.2015	Unmodified opinion.
PGE Inwest 2 Sp. z o.o.	Not audited.	31.12.2015	Not audited.
Elbest Security Sp. z o.o. (dawniej: PGE Inwest 3 Sp. z o.o.)	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k.	31.12.2015	Unmodified opinion.
PGE Inwest 4 Sp. z o.o.	Not audited.	31.12.2015	Not audited.
PGE Inwest 5 Sp. z o.o.	Not audited.	31.12.2015	Not audited.
PGE Inwest 6 Sp. z o.o.	Not audited.	31.12.2015	Not audited.
PGE Inwest 7 Sp. z o.o.	Not audited.	31.12.2015	Not audited.
PGE Inwest 8 Sp. z o.o.	Not audited.	31.12.2015	Not audited.
PGE Inwest 9 Sp. z o.o.	Not audited.	31.12.2015	Not audited.
PGE Inwest 10 Sp. z o.o.	Not audited.	31.12.2015	Not audited.
PGE Inwest 11 Sp. z o.o.	Not audited.	31.12.2015	Not audited.
PGE Inwest 12 Sp. z o.o.	Not audited.	31.12.2015	Not audited.
PGE Inwest 13 Sp. z o.o.	Not audited.	31.12.2015	Not audited.
PGE Inwest 14 Sp. z o.o.	Not audited.	31.12.2015	Not audited.
PGE Inwest 15 Sp. z o.o.	Not audited.	31.12.2015	Not audited.
PGE Inwest 16 Sp. z o.o.	Not audited.	31.12.2015	Not audited.

## 2 Financial analysis of the Group

### 2.1 Summary analysis of the consolidated financial statements

#### 2.1.1 Consolidated statement of financial position

ASSETS	31.12.2015		31.12.2014		01.01.2014	
	PLN '000 000	% of total	PLN '000 000	% of total	PLN '000 000	% of total
			<i>restated*</i>		<i>restated*</i>	
<b>Non-current assets</b>						
Property, plant and equipment	47,068	76.8	49,738	75.1	46,127	75.3
Investment property	30	0.1	33	-	22	-
Intangible assets	904	1.5	763	1.2	718	1.2
Financial receivables	142	0.2	125	0.2	492	0.8
Derivatives	43	0.1	4	-	-	-
Available-for-sale financial assets	15	-	15	-	25	-
Shares in associates accounted for under the equity method	8	-	9	-	9	-
Other non-current assets	1,063	1.7	1,228	1.9	644	1.1
Deferred tax assets	313	0.5	383	0.6	302	0.5
<b>Total non-current assets</b>	<b>49,586</b>	<b>80.9</b>	<b>52,298</b>	<b>79.0</b>	<b>48,339</b>	<b>78.9</b>
<b>Current assets</b>						
Inventories	1,959	3.2	2,175	3.3	1,684	2.8
CO <sub>2</sub> emission rights for own use	2,172	3.5	1,552	2.3	1,404	2.3
Income tax receivables	101	0.2	46	0.1	9	-
Derivatives	7	-	11	-	104	0.2
Trade and other financial receivables	3,748	6.1	3,515	5.3	3,533	5.8
Available-for-sale financial assets	4	-	16	-	9	-
Other current assets	599	1.0	380	0.6	210	0.3
Cash and cash equivalents	3,104	5.1	6,196	9.4	5,952	9.7
Assets classified as held-for-sale	16	-	16	-	8	-
<b>Total current assets</b>	<b>11,710</b>	<b>19.1</b>	<b>13,907</b>	<b>21.0</b>	<b>12,913</b>	<b>21.1</b>
<b>TOTAL ASSETS</b>	<b>61,296</b>	<b>100.0</b>	<b>66,205</b>	<b>100.0</b>	<b>61,252</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>						
			<i>restated*</i>		<i>restated*</i>	
<b>Equity</b>						
Share capital	18,698	30.5	18,698	28.2	18,698	30.5
Hedging reserve	(21)	0.0	(61)	0.1	-	-
Foreign exchange differences from translation of foreign entities	(1)	0.0	(1)	0.0	-	-
Reserve capital	13,009	21.2	9,231	14.0	8,941	14.6
Other capital reserves	-	-	-	-	50	0.1
Retained earnings	8,636	14.1	16,901	25.5	15,851	25.9
<b>Equity attributed to equity holders of the parent company</b>	<b>40,321</b>	<b>65.8</b>	<b>44,768</b>	<b>67.6</b>	<b>43,540</b>	<b>71.1</b>
Non-controlling interests	96	0.1	116	0.2	268	0.4
<b>Total equity</b>	<b>40,417</b>	<b>65.9</b>	<b>44,884</b>	<b>67.8</b>	<b>43,808</b>	<b>71.5</b>
<b>Non-current liabilities</b>						
Non-current provisions	6,044	9.9	6,099	9.2	4,766	7.8
Loans, borrowings, bonds and lease	5,118	8.3	4,688	7.1	1,994	3.3
Derivatives	55	0.1	84	0.1	-	-
Deferred tax liabilities	852	1.4	2,090	3.2	1,702	2.8
Deferred income and government grants	1,192	1.9	1,158	1.8	1,181	1.9
Other financial liabilities	34	0.1	16	-	11	-
<b>Total non-current liabilities</b>	<b>13,295</b>	<b>21.7</b>	<b>14,135</b>	<b>21.3</b>	<b>9,654</b>	<b>15.8</b>
<b>Current liabilities</b>						
Current provisions	1,809	2.9	2,070	3.1	2,435	4.0
Loans, borrowings, bonds and lease	291	0.5	357	0.6	528	0.9
Derivatives	34	0.1	37	0.1	24	-
Trade and other financial liabilities	3,945	6.4	3,132	4.7	2,879	4.7
Income tax liabilities	5	-	81	0.1	155	0.3
Deferred income and government grants	112	0.2	142	0.2	151	0.2
Other current non-financial liabilities	1,388	2.3	1,367	2.1	1,618	2.6
<b>Total current liabilities</b>	<b>7,584</b>	<b>12.4</b>	<b>7,186</b>	<b>10.9</b>	<b>7,790</b>	<b>12.7</b>
<b>Total liabilities</b>	<b>20,879</b>	<b>34.1</b>	<b>21,321</b>	<b>32.2</b>	<b>17,444</b>	<b>28.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>61,296</b>	<b>100.0</b>	<b>66,205</b>	<b>100.0</b>	<b>61,252</b>	<b>100.0</b>

\* For information regarding restatement of comparative figures please refer to note 5 of the consolidated financial statements

## 2.1.2 Consolidated statement of comprehensive income

	1.01.2015 - 31.12.2015 PLN '000 000	% of total sales	1.01.2014 - 31.12.2014 PLN '000 000 <i>restated*</i>	% of total sales
<b>STATEMENT OF PROFIT OR LOSS</b>				
Sales revenues	28,542	100.0	28,143	100.0
Cost of goods sold	(30,066)	105.3	(21,735)	77.2
<b>Gross profit/(loss) on sales</b>	<b>(1,524)</b>	<b>5.3</b>	<b>6,408</b>	<b>22.8</b>
Distribution and selling expenses	(1,408)	4.9	(1,540)	5.5
General and administrative expenses	(825)	2.9	(831)	3.0
Other operating income	431	1.5	1,554	5.5
Other operating expenses	(263)	0.9	(495)	2.3
<b>Operating profit/(loss)</b>	<b>(3,589)</b>	<b>12.6</b>	<b>5,096</b>	<b>18.1</b>
Financial income	156	0.5	385	1.4
Financial expenses	(323)	1.1	(868)	3.1
<b>Profit/(loss) before tax</b>	<b>(3,756)</b>	<b>13.2</b>	<b>4,613</b>	<b>16.4</b>
Current income tax	(461)	1.6	(560)	2.0
Deferred income tax	1,180	4.1	(396)	1.4
<b>Net profit/(loss) for the reporting period</b>	<b>(3,037)</b>	<b>10.6</b>	<b>3,657</b>	<b>13.0</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items, which may be reclassified to profit or loss, including:</b>				
Valuation of hedging instruments	49	0.2	(75)	0.3
Foreign exchange differences from translation of foreign entities	-	-	(1)	0.0
Deferred tax	(9)	0.0	14	0.0
<b>Items, which will not be reclassified to profit or loss, including:</b>				
Actuarial gains and losses from valuation of provisions for employee benefits	15	0.1	(397)	1.4
Deferred tax	(3)	0.0	75	0.3
<b>Other comprehensive income for the reporting period, net</b>	<b>52</b>	<b>0.2</b>	<b>(384)</b>	<b>1.4</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(2,985)</b>	<b>10.5</b>	<b>3,273</b>	<b>11.6</b>
<b>Net profit/(loss) attributable to:</b>				
- equity holders of the parent company	(3,032)		3,638	
- non-controlling interests	(5)		19	
<b>Comprehensive income attributable to:</b>				
- equity holders of the parent company	(2,980)		3,255	
- non-controlling interests	(5)		18	
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity holders of the parent company (in PLN)	(1.62)		1.95	

\* For information regarding restatement of comparative figures please refer to note 5 of the consolidated financial statements

## 2.2 Selected financial ratios

	2015	2014	2013
		<i>restated*</i>	<i>restated*</i>
<b>1. Return on sales</b>			
<u>profit for the period x 100%</u> sales revenues	negative value	13.0%	13.2%
<b>2. Return on equity</b>			
<u>profit for the period x 100%</u> equity - profit for the period	negative value	8.9%	10.0%
<b>3. Debtors' days</b>			
<u>average trade receivables (gross) x 365 days</u> sales revenues	34 days	36 days	34 days
<b>4. Debt ratio</b>			
<u>liabilities x 100%</u> equity and liabilities	34.1%	32.2%	28.5%
<b>5. Current ratio</b>			
<u>current assets</u> current liabilities	1.5	1.9	1.7

*\* For information regarding restatement of comparative figures please refer to note 5 of the consolidated financial statements*

- Sales revenues include revenues from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, with no deduction made for allowances.

### **3 Detailed report**

#### **3.1 Accounting principles**

The parent company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the parent company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

In view of the fact that not all entities being part of the Group apply common accounting principles consistent with the accounting principles applied by the parent company, appropriate adjustments to the financial statements of those entities were made to ensure consistency with the accounting principles applied by the parent company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the parent company.

#### **3.2 Basis of preparation of the consolidated financial statements**

The consolidated financial statements of the PGE Polska Grupa Energetyczna S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements of the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 No. 169, item 1327 with amendments).

#### **3.3 Method of consolidation**

The method of consolidation is described in note 4.1 of the notes to the consolidated financial statements.

#### **3.4 Goodwill arising on consolidation**

The method of calculating goodwill arising on consolidation is described in note 2.4 of the notes to the consolidated financial statements.

#### **3.5 Consolidation of equity and calculation of non-controlling interest**

The share capital of the Group is equal to the share capital of the parent company.

Only equity of subsidiaries arising after the parent company obtained control of the subsidiary is included in the equity of the Group.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

### **3.6 Consolidation eliminations**

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of PGE Polska Grupa Energetyczna S.A. (or subsidiaries) and agreed with information received from the subsidiaries.

### **3.7 Notes to the consolidated financial statements**

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. This information should be read in conjunction with the consolidated financial statements.

### **3.8 Report of the Management Board of the parent company on the Group's activities**

The report of the Management Board of the parent company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Registration No. 3546  
ul. Inflancka 4A  
00-189 Warsaw

*Signed on the Polish original*

.....  
Marta Zemka  
Key Certified Auditor  
Registration No. 10427  
Limited Liability Partner  
with power of attorney

16 February 2016