



Enea S.A.

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2016**



KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
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OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Enea S.A.

Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of Enea S.A., with its registered office in Poznań, Górecka 1 Street ("the Company"), which comprise the separate statement of financial position as at 31 December 2016, the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management's and Supervisory Board's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation, on the basis of properly maintained accounting records, of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union and with other applicable regulations. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2016, item 1047 with amendments) ("the Accounting Act"), Management of the Company and members of the Supervisory Board are required to ensure that the financial statements are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility is 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 resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance. 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 our 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, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 of the Company, 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 opinion.

Opinion

In our opinion, the accompanying separate financial statements of Enea S.A.:

- give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2016 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union;
- comply, in all material respects, with the applicable regulations and the provisions of the Company's separate articles of association that apply to the Company's financial statements; and
- have been prepared from accounting records, that, in all material respects, have been properly maintained.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Company's and Enea Group's Activities

Management of the Company is responsible for the report on the Company's and Enea Group's activities.

Our opinion on the separate financial statements does not cover the report on the Company's and Enea Group's activities.

As required by the Accounting Act, and 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 of information required by the laws of a non-member state (Official Journal from 2014, item 133 with amendments) (the "Decree") we report that the accompanying report on the Company's and Enea Group's activities includes the information required by Art. 49 of the Accounting Act and the Decree and the information is consistent, in all material respect, with the separate financial statements. Furthermore, based on our knowledge about the Company and its environment obtained in the audit, we have not identified material misstatements in the report on the Company's and Enea Group's activities.

As required by the Accounting Act and the Decree we report that the statement of corporate governance, which is a separate part of the report on the Company's and Enea Group's activities, includes the information required by paragraph 91 subparagraph 5 point 4 letter a, b, j and k of the Decree. Furthermore we report that the information identified in paragraph 91 subparagraph 5 point 4 letter c, d, e, f, h and i of the Decree, included in the statement of corporate governance, in all material respects:

- has been prepared in accordance with the applicable regulations; and
- is consistent with the information contained in the separate financial statements.

Requirement of the energy law

The regulatory financial information presented in note 45 of the financial statement comprising the balance sheet as at 31 December 2016 and profit and loss account for the 12 month reporting period then ended, separately for each activity of the Company (trade of gaseous fuels, other activity) and other explanatory information comprising a summary of significant accounting policies and the supplementary information and explanations, including allocation principles for assets and liabilities, revenues and costs to each activity (jointly referred to as "regulatory financial information") has been prepared by management in accordance with basis for preparation described in Note 45 to fulfill the requirements of article 44 of the Energy Act dated 10 April 1997 (Official Journal from 2012, item 1059 with amendments) (the "Act"), including within the scope of avoiding discrimination of customers and cross- subsidisation between activities.

The content of the regulatory financial information is determined by regulations of the Act. Our audit did not include an assessment of the adequacy of the information required by law for preparation of the regulatory financial information, particularly within the scope of avoiding discrimination of customers and cross-subsidisation between activities.

In our opinion, the regulatory financial information as at 31 December 2016 and for the year then ended has been prepared, in all material respects, in accordance with the basis for preparation described in Note 45 and article 44 point 2 of the Act.

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

Signed on the Polish original

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Marek Gajdziński
Key Certified Auditor
Registration No. 90061
Limited Liability Partner with power of attorney

29 March 2017



Enea S.A.

**Report on the audit
of the separate financial statements**

**Financial year ended
31 December 2016**



Enea S.A.

The report on the audit of the separate financial statements
for the financial year ended 31 December 2016

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The report on the audit of the separate financial statements
for the financial year ended 31 December 2016

TRANSLATION

1. General

1.1. General information about the Company

1.1.1. Company name

Enea S.A.

1.1.2. Registered office

Górecka 1
60-201 Poznań

1.1.3. Registration in the register of entrepreneurs of the National Court Register

Registration court:	District Court in Poznań, Nowe Miasto i Wilda, VIII Commercial Department of the National Court Register
Date:	21 May 2001
Registration number:	KRS 0000012483
Share capital as at the end of the reporting period:	PLN 441,442,578.00

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

As at 31 December 2016, the Management Board of the Company was comprised of the following members:

- Miroslaw Kowalik – President of the Management Board,
- Piotr Adamczak – Member of the Management Board responsible for Commercial Affairs,
- Mikołaj Franzkowiak – Member of the Management Board responsible for Financial Affairs,
- Wiesław Piosik – Member of the Management Board responsible for Corporate Affairs.

According to the resolution no. 62/IX/2015 of the Supervisory Board dated 30 December 2015, Mrs Dalida Gepfert was dismissed from the position of the Member of the Management Board responsible for Financial Affairs, effective from 7 January 2016.

According to the resolution no. 63/IX/2015 of the Supervisory Board dated 30 December 2015, Mr Grzegorz Kinelski was dismissed from the position of the Member of the Management Board responsible for Commercial Affairs, effective from 7 January 2016.

According to the resolution no. 64/IX/2015 of the Supervisory Board dated 30 December 2015, Mr Wiesław Piosik was revoked to temporary perform the duties of the President of the Management Board, effective from 7 January 2016.

According to the resolution no. 65/IX/2015 of the Supervisory Board dated 30 December 2015, Mr Miroslaw Kowalik was appointed to the position of the President of the Management Board, effective from 7 January 2016.



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According to the resolution no. 66/IX/2015 of the Supervisory Board dated 30 December 2015, Mr Wiesław Piosik was appointed to the position of the Member of the Management Board responsible for Corporate Affairs, effective from 7 January 2016.

According to the resolution no. 68/IX/2015 of the Supervisory Board dated 30 December 2015, Mr Sławomir Brzeziński, the Member of the Supervisory Board, was delegated to temporarily perform the duties of the Member of the Management Board responsible for Commercial Affairs, effective from 7 January 2016 till the appointment of the Member of the Management Board responsible for Commercial Affairs.

According to the resolution no. 18/IX/2016 of the Supervisory Board dated 21 January 2016, Mr Mikołaj Franzkowiak was appointed to the position of the Member of the Management Board responsible for Financial Affairs, effective from 15 February 2016.

According to the resolution no. 19/IX/2016 of the Supervisory Board dated 21 January 2016, Mr Piotr Adamczak was appointed to the position of the Member of the Management Board responsible for Commercial Affairs, effective from 15 February 2016.

1.2. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname: Marek Gajdziński
Registration number: 90061

1.2.2. Audit Firm information

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address of registered office: 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 into the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

1.3. Prior period financial statements

The separate financial statements as at and for the financial year ended 31 December 2015 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unmodified opinion.

The separate financial statements were approved at the Ordinary General Meeting on 27 June 2016, where it was resolved to cover the net loss for the prior financial year of PLN 1,116,888,000.00 from retaining earnings.

The separate financial statements were submitted to the Registration Court on 6 July 2016.

1.4. Audit scope and responsibilities

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of Extraordinary General Meeting dated 10 August 2005.



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The separate financial statements were audited in accordance with the contract dated 6 May 2015, concluded on the basis of the resolution of the Supervisory Board dated 18 December 2014 on the appointment of the auditor.

We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2016, item 1047 with amendments) ("the Accounting Act") and International Standards on Auditing as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance.

We audited the separate financial statements at the Company during the period from 24 to 28 October 2016, from 19 to 22 December 2016 and from 23 January to 3 February 2017.

Management of the Company is responsible for the preparation, on the basis of properly maintained accounting records, of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations. Management of the Company is also responsible for the Report on the Company's activities.

Our responsibility is to express an opinion and to prepare a report on the audit of the separate financial statements based on our audit.

Management of the Company submitted a statement, dated as at the same date as this report, as to the preparation of the separate financial statements that give a true and fair view, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate financial statements.

All required statements, explanations and information were provided to us by Management of the Company and all our requests for additional 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 are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants' as adopted by the resolution of National Council of Certified Auditors dated 13 June 2011 ("IESBA 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 2016, item 1000) and have fulfilled other ethical responsibilities in accordance with these regulations and the IESBA Code.

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The report on the audit of the separate financial statements
for the financial year ended 31 December 2016

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2. Financial analysis of the Company

2.1. Summary analysis of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2016 PLN '000	% of total	31.12.2015 PLN '000	% of total
Non-current assets				
Property, plant and equipment	29 063	0.2	30 699	0.2
Perpetual usufruct of land	1 970	0.0	1 998	0.0
Intangible assets	4 814	0.0	4 005	0.0
Investment property	15 405	0.1	15 955	0.1
Investments in subsidiaries and jointly-controlled entities	9 448 433	51.9	8 323 493	49.4
Deferred tax assets	48 562	0.3	63 316	0.4
Financial assets available for sale	41 902	0.2	23 402	0.1
Intercompany bonds	5 136 547	28.2	5 339 352	31.7
Derivatives	40 267	0.2	844	0.0
Trade and other receivables	145 111	0.8	73 557	0.4
Total non-current assets	14 912 074	81.9	13 876 621	82.4
Current assets				
Inventories	84 984	0.5	152 318	0.9
Trade and other receivables	1 119 479	6.1	1 141 808	6.8
Intercompany bonds	486 566	2.7	55 033	0.3
Financial assets measured at fair value through profit or loss	-	-	215 488	1.3
Cash and cash equivalents	1 614 822	8.9	1 397 632	8.3
Assets classified as held for sale	-	-	8 410	0.1
Total current assets	3 305 851	18.1	2 970 689	17.6
TOTAL ASSETS	18 217 925	100.0	16 847 310	100.0
EQUITY AND LIABILITIES				
	31.12.2016 PLN '000	% of total	31.12.2015 PLN '000	% of total
Equity				
Share capital	588 018	3.2	588 018	3.5
Share premium	4 627 673	25.4	4 627 673	27.5
Reserve capital from valuation of hedging instruments	33 826	0.2	3 980	0.0
Reserve capital	2 640 358	14.5	2 640 358	15.7
Retained earnings	3 050 604	16.8	2 427 976	14.4
Total equity	10 940 479	60.1	10 288 005	61.1
Liabilities				
Loans, borrowings and debt securities	5 918 322	32.5	5 187 381	30.8
Finance lease liabilities	510	0.0	-	-
Employee benefits	49 060	0.3	55 265	0.3
Provisions for other liabilities and charges	4 146	0.0	10 905	0.1
Total non-current liabilities	5 972 038	32.8	5 253 551	31.2
Loans, borrowings and debt securities	136 206	0.8	31 905	0.2
Trade and other payables	667 226	3.7	582 824	3.5
Finance lease liabilities	262	0.0	43	0.0
Current income tax liabilities	31 564	0.2	85 363	0.5
Liabilities due to employee benefits	20 050	0.1	16 486	0.1
Liabilities due to cash settled share-based payments	281	0.0	281	0.0
Other financial liabilities	166 653	0.9	327 318	1.9
Provisions for other liabilities and charges	283 166	1.6	261 534	1.6
Total current liabilities	1 305 408	7.2	1 305 754	7.8
TOTAL EQUITY AND LIABILITIES	18 217 925	100.0	16 847 310	100.0



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The report on the audit of the separate financial statements
for the financial year ended 31 December 2016

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2.1.2. Separate statement of profit or loss and other comprehensive income

	1.01.2016 - 31.12.2016 zł '000	% of total sales	1.01.2015 - 31.12.2015 zł '000	% of total sales
PROFIT OR LOSS				
Net sales revenue				
Sales revenue	5 678 726	104.7	5 662 671	104.3
Excise tax	(257 374)	4.7	(232 447)	4.3
	<u>5 421 352</u>	<u>100.0</u>	<u>5 430 224</u>	<u>100.0</u>
Other operating revenue	27 697	0.5	18 334	0.3
Depreciation	(3 459)	0.1	(5 657)	0.1
Costs of employee benefits	(55 751)	1.0	(48 968)	0.9
Consumption of materials and supplies and costs of goods sold	(2 416)	0.0	(1 866)	0.0
Energy and gas purchase for sale	(3 577 904)	66.0	(3 622 261)	66.7
Transmission and distribution services	(1 498 807)	27.7	(1 482 852)	27.3
Other external services	(162 450)	3.0	(146 305)	2.7
Taxes and charges	(3 103)	0.1	(3 134)	0.1
Profit/(loss) on sale and liquidation of property, plant and equipment	(1)	0.0	1 754	0.0
Other operating expenses	(36 873)	0.7	(56 985)	1.1
	<u>(5 313 067)</u>	<u>98.0</u>	<u>(5 347 940)</u>	<u>98.5</u>
Profit on sales	108 285	2.0	82 284	1.5
Financial expenses	(200 231)	3.7	(2 215 946)	40.8
Financial revenue	190 159	3.5	173 521	3.2
Dividend income	548 874	10.1	874 236	16.1
Profit / (Loss) before income tax	647 087	11.9	(1 085 905)	20.0
Income tax	(26 844)	0.5	(30 983)	0.6
Profit / (Loss) for the period	620 243	11.4	(1 116 888)	20.6
OTHER COMPREHENSIVE INCOME				
<i>Items that are or may be reclassified to profit or loss</i>				
Valuation of hedging instruments	36 847	0.7	4 914	0.1
Income tax	(7 001)	0.1	(934)	0.0
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurement of defined benefit plan	2 945	0.1	7 240	0.1
Income tax	(560)	0.0	(1 375)	0.0
Other comprehensive income for the period, net of income tax	32 231	0.6	9 845	0.2
Total comprehensive income for the period	652 474	12.0	(1 107 043)	20.4
Earnings attributable to the Company's shareholders	620 243		(1 116 888)	
Weighted average number of ordinary shares	441 442 578		441 442 578	
Basic earnings per share	1.41		(2.53)	
Diluted earnings per share (PLN)	1.41		(2.53)	



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The report on the audit of the separate financial statements
for the financial year ended 31 December 2016

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2.2. Selected financial ratios

	2016	2015	2014
1. Return on sales			
$\frac{\text{profit for the period}}{\text{net revenue}} \times 100\%$	11.4%	negative value	13.7%
2. Return on equity			
$\frac{\text{profit for the period}}{\text{equity - profit for the period}} \times 100\%$	6.0%	negative value	6.4%
3. Debtors' days			
$\frac{\text{average trade receivables (gross)}}{\text{revenue}} \times 365 \text{ days}$	53 days	51 days	51 days
4. Debt ratio			
$\frac{\text{liabilities}}{\text{equity and liabilities}} \times 100\%$	39.9%	38.9%	21.9%
5. Current ratio			
$\frac{\text{current assets}}{\text{current liabilities}}$	2.5	2.3	3.1

- Revenue includes revenue 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.



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The report on the audit of the separate financial statements
for the financial year ended 31 December 2016

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3. Detailed report

3.1. Accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

On the basis of the work performed, we have not identified any material irregularities in the accounting system which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

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

Signed on the Polish original

.....
Marek Gajdziński
Key Certified Auditor
Registration No. 90061
Limited Liability Partner with power of attorney

29 March 2017