

PGE Polska Grupa Energetyczna S.A.

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

OPINION OF THE INDEPENDENT AUDITOR

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

Opinion on the Separate Financial Statements

Opinion

We have audited the accompanying separate financial statements of PGE Polska Grupa Energetyczna S.A., with its registered office in Warsaw, ul. Mysia 2 (“the Company”), which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, the statement of changes in equity and the 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 separate financial statements of PGE Polska Grupa Energetyczna S.A.:

- give a true and fair view of the financial position of the Company as at 31 December 2016 and of 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;
- comply, in all material respects, with the applicable regulations and the provisions of the Company’s 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.

Basis for Opinion

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 (IAASB) as adopted by the resolution dated 10 February 2015 of 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’ 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. 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on them.

1. Impairment of shares in subsidiaries and non-current financial receivables

Net book value of shares in subsidiaries as at 31 December 2016: PLN 29,678 million, net book value of non-current financial receivables as at 31 December 2016: PLN 8,848 million, accumulated impairment loss on non-current financial assets as at 31 December 2016: PLN 5,971 million, including inter alia the accumulated impairment loss on the investment in PGE Obrót S.A. of PLN 5,536 million, the accumulated impairment loss on shares in AWSA Holland II BV of PLN 115 million and the accumulated loss on bonds issued by Autostrada Wielkopolska S.A. ("AWSA") of PLN 297 million;

We refer to the financial statements: Note 2.4 "Professional judgment of management and estimates", Note 3.8. "Significant accounting principles applied – Financial assets", Note 5.3 „Financial income and expenses", Note 9.1 "Impairment loss of non-current financial assets", Note 19.1.1 "Trade and other financial receivables", Note 20.5.1. „Credit risk – Trade and other financial receivables".

Key audit matter

The PGE Group primarily operates on the domestic electricity market. Consequently, the projected operating cash flows of the PGE S.A.'s subsidiaries are significantly influenced by long-term assumptions concerning prices of electricity and heat, coal, gas, carbon dioxide emission rights and certificates of origin for electric energy, which are characterised by significant variability due to changing market conditions and significant legislative changes in regulations related to the energy sector, inter alia, on support for renewable energy sources and cogeneration, principles regarding construction and taxation of wind farms and prospects for the capacity market. Therefore, the estimation of future operating cash flows is a complex process and requires subjective judgments. The estimates of the recoverable amount of the assets of PGE S.A.'s subsidiaries directly impact the assessment of the recoverable amount of stocks and shares in these companies, bonds acquired and loans granted.

The analysis of the impairment of bonds acquired, issued by entities that are not part of the PGE Group, is exposed to the inherent uncertainty in the assessment of the financial position of these entities due to difficulty in obtaining complete and current information on such. In addition, the bonds held in AWSA are exposed to further uncertainty as a result in a dispute between the Polish Government and AWSA, and the outcome of the proceedings before the European Commission on unlawful state aid.

Our response

Our audit procedures in respect of shares in subsidiaries, acquired bonds issued by these entities and loans granted to these entities included, among others:

- evaluating the reasonableness of the Company's judgments as to the existence of impairment indicators, and consequently, the requirement to perform related impairment tests;
- critically assessing the Company's assumptions and estimates used to determine the recoverable amount of shares in subsidiaries and consequently any impairment losses recognized, including:
 - testing the Company's discounted cash flow model, with the support of our internal valuations specialists;
 - assessing macroeconomic assumptions (including those relating to discount rates) by comparing them against external sources of data;
 - challenging assumptions in respect of prices and volumes.

Our audit procedures in respect of acquired bonds issued by entities that are not part of the PGE Group included, among others, evaluating the reasonableness of management's judgments as to the existence of objective evidence that an impairment loss has been incurred, including an analysis of publicly available information concerning financial assets for which the risk of impairment has been identified (e.g. analysis of financial information and information about the status of disputes).

Management's and Supervisory Board's Responsibility

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.

In preparing the financial statements, management of the Company is responsible for assessing the Company'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 Company either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate 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.

Specific Comments on Other Legal and Regulatory Requirements

Management Board's report on activities of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group

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

Our opinion on the separate financial statements does not cover the report on the Company'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 Management Board's report on activities of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group includes the information required by Art. 49 of the Accounting Act and the Decree and the information is consistent, in all material respects, 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 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 Management Board's report on activities of PGE Polska Grupa Energetyczna S.A. and the PGE Capital Group, 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 25 of the accompanying separate financial statements comprising the statement of financial position as at 31 December 2016 and profit or loss account for the 12 month reporting period then ended, separately for each activity, i.e. trading in electricity, trading in gas, other activities and unallocated items of the Company 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 expenses to each activity (jointly referred to as “regulatory financial information”) has been prepared by management in accordance with basis for preparation described in Notes 2 and 25 of the accompanying separate financial statements 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.

In our opinion, the regulatory financial information of PGE Polska Grupa Energetyczna S.A. as at 31 December 2016 and for the 12 month reporting period then ended has been prepared, in all material respects, in accordance with the basis for preparation described in Notes 2 and 25 of the accompanying separate financial statements, and article 44 point 2 of the Act.

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.

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

7 March 2017 r.



PGE Polska Grupa Energetyczna S.A.

Report on the audit

of the separate financial statements

Financial year ended

31 December 2016

PGE Polska Grupa Energetyczna S.A.

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

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

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PGE Polska Grupa Energetyczna S.A.

The report on the audit of the separate financial statements
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1. General

1.1. General information about the Company

1.1.1. Company name

PGE Polska Grupa Energetyczna S.A.

1.1.2. Registered office

ul. Mysia 2
00-496 Warszawa

1.1.3. Registration 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 the reporting period:	PLN 19,165,048,497.25

On 5 September 2016 the General Meeting of PGE Polska Grupa Energetyczna S.A. adopted resolution on the increase of the Company's share capital from PLN 18,697,608,209.00 to PLN 19,165,048,497.25 i.e. by PLN 467,440,207.25 from the Company's reserve capital by increasing the nominal value of series A, B, C, D shares from PLN 10.00 to PLN 10.25. The increase of share capital was registered in National Court Register on 25 November 2016.

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:

- Henryk Baranowski – President of the Management Board,
- Bolesław Jankowski – Vice President of the Management Board,
- Marek Pastuszko – Vice President of the Management Board,
- Ryszard Wasilek – Vice President of the Management Board,
- Emil Wojtowicz – Vice President of the Management Board,
- Paweł Śliwa – Vice President of the Management Board,
- Marta Gajęcka – Vice President of the Management Board.

During the period from 1 January 2016 to 31 December 2016 the following changes occurred in the composition of the Management Board:

- on 29 January 2016 the Supervisory Board recalled Mr. Jacek Drozd and Dariusz Marzec from the position of Vice Presidents of the Management Board of the Company. Additionally, on 29 January 2016 the Supervisory Board has temporarily delegated its member – Mr. Marek Pastuszko – to perform the duties of Member of the Management Board of the Company for the period of three months.
- on 25 February 2016 the Supervisory Board appointed Mr. Marek Pastuszko to the position of Vice President of the Management Board of the Company.



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- on 26 February 2016 the Supervisory Board appointed Mr. Emil Wojtowicz to the position of Vice President of the Management Board of the Company effective on 15 March 2016 and Mr. Ryszard Wasilek to the position of Vice President of the Management Board of the Company effective on 7 March 2016.
- on 2 March 2016 Mr. Marek Woszczyk and Mr. Grzegorz Krystek resigned from the Management Board effective on 30 March 2016.
- on 22 March 2016 the Supervisory Board appointed four Members of the Management Board effective on 31 March 2016: Mr. Henryk Baranowski was appointed to the position of President of the Management Board, Ms. Marta Gajęcka, Mr. Bolesław Jankowski and Mr. Paweł Śliwa, who resigned from the position of the Supervisory Board Member on that day, were appointed to the positions of Vice Presidents of the Management Board.

After the reporting date, the Supervisory Board decided to recall all Management Board's members on 13 February 2017. At the same time, the Supervisory Board appointed the following individuals to the 10th term of Management Board effective on 14 February 2017: Mr. Henryk Baranowski to the position of President of the Management Board; Mr. Bolesław Jankowski, Mr. Wojciech Kowalczyk, Mr. Marek Pastuszko, Mr. Paweł Śliwa, Mr. Ryszard Wasilek and Mr. Emil Wojtowicz to the positions of Vice-Presidents of the Management Board.

1.2. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname: Marta Zemka
Registration number: 10427

1.2.2. 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 into the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

1.3. Prior period separate 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 General Meeting on 28 June 2016 where it was resolved to distribute the net profit for the prior financial year of PLN 1,767,999,316.86 as follows:

- PLN 467,440,207.25 to be paid as a dividend,
- PLN 1,300,559,109.61 to reserve capital.

The separate financial statements were submitted to the Registration Court on 4 July 2016.



PGE Polska Grupa Energetyczna S.A.

The report on the audit of the separate financial statements
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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 Shareholders' Meeting dated 3 August 2010.

The separate 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 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 21 November 2016 to 25 November 2016 and from 23 January 2017 to 7 March 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.



PGE Polska Grupa Energetyczna S.A.

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2. Financial analysis of the Company

2.1. Summary analysis of the separate financial statements

2.1.1. Statement of financial position

	31.12.2016	% of total	31.12.2015	% of total
	PLN '000 000		PLN '000 000	
Non-current assets				
Property, plant and equipment	186	0,4	189	0,5
Intangible assets	5	-	7	-
Financial receivables	8 848	19,8	6 053	15,3
Derivatives	356	0,8	43	0,1
Available-for-sale financial assets and shares accounted for using the equity method	6	-	3	-
Shares in subsidiaries	29 678	66,5	29 469	74,5
Deferred tax assets	-	-	24	0,1
Total non-current assets	39 079	87,5	35 788	90,5
Current assets				
Inventories	76	0,2	191	0,5
Trade and other receivables	3 474	7,8	1 043	2,6
Derivatives	9	-	7	-
Other current assets	81	0,2	419	1,1
Income tax receivable	-	-	79	0,2
Cash and cash equivalents	1 932	4,3	2 013	5,1
Total current assets	5 572	12,5	3 752	9,5
TOTAL ASSETS	44 651	100,0	39 540	100,0
	31.12.2016	% of total	31.12.2015	% of total
	PLN '000 000		PLN '000 000	
Equity				
Share capital	19 165	42,9	18 698	47,3
Hedging reserve	149	0,3	(17)	0,1
Reserve capital	13 730	30,8	13 009	32,9
Retained earnings	1 594	3,6	1 764	4,5
Total equity	34 638	77,6	33 454	84,6
Liabilities				
Non-current provisions	22	-	21	-
Loans, borrowings, bonds, cash pooling	8 854	19,8	4 216	10,7
Derivatives	23	0,1	43	0,1
Deferred tax liability	33	0,1	-	-
Total non-current liabilities	8 932	20,0	4 280	10,8
Current provisions	30	0,1	34	0,1
Loans, borrowings, bonds, cash pooling	704	1,6	1 255	3,2
Derivatives	-	-	34	0,1
Trade and other payables	189	0,4	307	0,8
Income tax payable	4	-	-	-
Other current non-financial liabilities	154	0,3	176	0,4
Total current liabilities	1 081	2,4	1 806	4,6
Total liabilities	10 013	22,4	6 086	15,4
TOTAL EQUITY AND LIABILITIES	44 651	100,0	39 540	100,0



PGE Polska Grupa Energetyczna S.A.

The report on the audit of the separate financial statements
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2.1.2. Statement of profit or loss and other comprehensive income

	1.01.2016 - 31.12.2016 PLN '000 000	% of total sales	1.01.2015 - 31.12.2015 PLN '000 000	% of total sales
CONTINUING OPERATIONS				
Sales revenues	10 847	100,0	10 929	100,0
Cost of goods sold	(10 157)	93,6	(10 012)	91,6
Gross profit on sales	690	6,4	917	8,4
Distribution and selling expenses	(46)	0,4	(37)	0,3
General and administrative expenses	(142)	1,3	(164)	1,5
Other operating income	1	-	8	0,1
Other operating expenses	(8)	0,1	(9)	0,1
Results from operating activities	495	4,6	715	6,5
Finance income	1 439	13,2	1 285	11,8
Finance costs	(260)	2,4	(210)	1,9
Profit before tax	1 674	15,4	1 790	16,4
Current income tax	(58)	0,5	(34)	0,3
Deferred income tax	(18)	0,2	12	0,1
Profit for the period	1 598	14,7	1 768	16,2
OTHER COMPREHENSIVE INCOME				
Items, which may be reclassified to profit or loss, including:				
Valuation of hedging instruments	205	1,9	52	0,5
Deferred tax	(39)	0,3	(9)	0,1
Items, which will not be reclassified to profit or loss, including:				
Actuarial gains and losses from valuation of provisions for employee benefits	-	-	(1)	-
Deferred tax	-	-	-	-
Other comprehensive income for the reporting period, net	166	1,6	42	0,4
Total comprehensive income	1 764	16,3	1 810	16,6
Net profit and diluted net profit per share (in PLN)	0,85		0,95	



PGE Polska Grupa Energetyczna S.A.

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2.2. Selected financial ratios

	2016	2015	2014
1. Return on sales			
$\frac{\text{profit for the period} \times 100\%}{\text{revenue}}$	14.7%	16.2%	56.4%
2. Return on equity			
$\frac{\text{profit for the period} \times 100\%}{\text{equity} - \text{profit for the period}}$	4.8%	5.6%	19.7%
3. Debtors' days			
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{revenue}}$	20 days	21 days	26 days
4. Debt ratio			
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	22.4%	15.4%	11.4%
5. Current ratio			
$\frac{\text{current assets}}{\text{current liabilities}}$	5.2	2.1	10.3

- Sales revenues include revenues from sales of 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.



PGE Polska Grupa Energetyczna S.A.

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

TRANSLATION

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
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

7 March 2017