



# Enea Group

**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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Enea S.A. (the "Parent Entity") with its registered office in Poznań, Górecka 1 Street (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other 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.

#### *Management's and Supervisory Board's Responsibility for the Consolidated Financial Statements*

Management of the Parent Entity is responsible for the preparation of consolidated 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 Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated 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 Parent Entity and members of the Supervisory Board are required to ensure that the consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the 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 consolidated financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated 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 Parent Entity, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements of Enea Group:

- give a true and fair view of the financial position of the Group 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; and
- comply, in all material respects, with applicable regulations that apply to the consolidated financial statements of the Group.

#### **Specific Comments on Other Legal and Regulatory Requirements**

##### *Report on the Parent Entity's and Group's Activities*

Management of the Parent Entity is responsible for the report on the Parent Entity's and Group's activities.

Our opinion on the consolidated financial statements does not cover the report on Enea S.A. 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 Enea S.A. 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 consolidated financial statements. Furthermore, based on our knowledge about the Group and its environment obtained in the audit, we have not identified material misstatements in the report on Enea S.A. 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 Enea S.A. 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 consolidated financial statements.

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



# Enea Group

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

**Financial year ended**

**31 December 2016**



## Enea Group

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

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## Contents

1.	General	3
1.1.	Identification of the Group	3
1.1.1.	Name of the Group	3
1.1.2.	Registered office of the Parent Company of the Group	3
1.1.3.	Registration of the Parent Entity in the register of entrepreneurs of the National Court Register	3
1.1.4.	Management of the Parent Entity	3
1.2.	Key Certified Auditor and Audit Firm Information	4
1.2.1.	Key Certified Auditor information	4
1.2.2.	Audit Firm information	4
1.3.	Prior period consolidated financial statements	4
1.4.	Audit scope and responsibilities	4
2.	Financial analysis of the Group	6
2.1.	Summary analysis of the consolidated financial statements	6
2.1.1.	Consolidated statement of financial position	6
2.1.2.	Consolidated statement of profit or loss and other comprehensive income	8
2.2.	Selected financial ratios	9
3.	Detailed report	10
3.1.	Accounting system	10
3.2.	Basis of preparation of the consolidated financial statements	10
3.3.	Method of consolidation	10
3.4.	Goodwill arising on consolidation	10
3.5.	Consolidation of equity and calculation of non-controlling interest	10
3.6.	Consolidation eliminations	11



## **Enea Group**

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

TRANSLATION

# **1. General**

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

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

Enea Group

### **1.1.2. Registered office of the Parent Company of the Group**

Górecka 1 Street  
60-201 Poznań

### **1.1.3. Registration of the Parent Entity 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 reporting period:	PLN 441,442,578.00

### **1.1.4. Management of the Parent Entity**

The Management Board is responsible for management of the Parent Entity.

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

- Mirośław 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 Mirośław Kowalik was appointed to the position of the President of the Management Board, effective from 7 January 2016.



## **Enea Group**

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

*TRANSLATION*

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 Audyty 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 Audyty 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 consolidated financial statements**

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

The consolidated financial statements were approved at the Ordinary General Meeting of the Parent Entity on 27 June 2016.

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

## **1.4. Audit scope and responsibilities**

The consolidated 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



**Enea Group**

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

*TRANSLATION*

10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance.

We audited the consolidated financial statements at the Group entities during the period from 6 to 10 February 2017 and from 13 to 17 February 2017.

Management of the Parent Entity is responsible for the preparation of consolidated 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 Parent Entity is also responsible for the report on the Group's activities.

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

The Management Board of the Parent Entity submitted a statement, dated as at the same date as this report, as to the preparation of the consolidated 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 consolidated financial statements.

All required statements, explanations and information were provided to us by Management of the Group 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 entities within the Group 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.



## Enea Group

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

TRANSLATION

## 2. Financial analysis of the Group

### 2.1. Summary analysis of the consolidated financial statements

#### 2.1.1. Consolidated statement of financial position

ASSETS	31.12.2016 PLN '000	% of total	31.12.2015 PLN '000	% of total
<b>Non-current assets</b>				
Property, plant and equipment	18 382 498	74.9	17 074 978	74.3
Perpetual usufruct of land	74 899	0.3	74 160	0.3
Intangible assets	370 638	1.5	272 116	1.2
Investment property	28 020	0.1	20 624	0.1
Investments in subsidiaries and jointly-controlled entities	2 518	0.0	748	0.0
Deferred tax assets	403 257	1.6	616 795	2.7
Financial assets available for sale	42 482	0.2	23 982	0.1
Financial assets measured at fair value through profit or loss	112	0.0	-	-
Derivatives	40 267	0.2	844	0.0
Trade and other receivables	30 690	0.1	28 323	0.1
Cash deposits at Mine Closure Fund	111 218	0.5	90 872	0.4
<b>Total non-current assets</b>	<b>19 486 599</b>	<b>79.4</b>	<b>18 203 442</b>	<b>79.2</b>
<b>Current assets</b>				
CO <sub>2</sub> emission rights	417 073	1.7	307 521	1.3
Inventories	448 941	1.8	649 509	2.8
Trade and other receivables	1 824 488	7.4	1 732 744	7.5
Current income tax assets	9 541	0.0	31 956	0.1
Financial assets held to maturity	478	0.0	479	0.0
Financial assets measured at fair value through profit or loss	4 852	0.0	222 011	1.0
Cash and cash equivalents	2 340 217	9.5	1 822 094	7.9
Assets classified as held for sale	4 330	0.0	19 240	0.1
<b>Total current assets</b>	<b>5 049 920</b>	<b>20.6</b>	<b>4 785 554</b>	<b>20.8</b>
<b>TOTAL ASSETS</b>	<b>24 536 519</b>	<b>100.0</b>	<b>22 988 996</b>	<b>100.0</b>



## Enea Group

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

TRANSLATION

EQUITY AND LIABILITIES	31.12.2016 PLN '000	% of total	31.12.2015 PLN '000	% of total
<b>Equity</b>				
Share capital	588 018	2.4	588 018	2.6
Share premium	3 632 464	14.8	3 632 464	15.8
Financial instruments revaluation reserve	744	0.0	814	0.0
Other capital	(25 652)	(0.1)	(45 883)	(0.2)
Reserve capital from valuation of hedging instruments	33 826	0.1	3 980	0.0
Retained earnings	7 946 612	32.4	7 158 352	31.1
<b>Total equity attributable to equity holders of the parent</b>	<b>12 176 012</b>	<b>49.6</b>	<b>11 337 745</b>	<b>49.3</b>
<b>Non-controlling interest</b>	<b>835 717</b>	<b>3.4</b>	<b>784 858</b>	<b>3.4</b>
<b>Total equity</b>	<b>13 011 729</b>	<b>53.0</b>	<b>12 122 603</b>	<b>52.7</b>
<b>Liabilities</b>				
Loans, borrowings and debt securities	6 275 644	25.6	5 933 360	25.8
Trade and other liabilities	48 373	0.2	16 527	0.1
Finance lease liabilities	2 997	0.0	992	0.0
Deferred income due to subsidies and connection fees and other	660 032	2.7	674 682	2.9
Deferred tax liabilities	191 798	0.8	388 117	1.7
Liabilities due to employee benefits	792 156	3.2	818 772	3.6
Financial liabilities measured at fair value through profit or loss	269	0.0	-	-
Provisions for other liabilities and charges	635 488	2.6	625 388	2.7
<b>Total non-current liabilities</b>	<b>8 606 757</b>	<b>35.1</b>	<b>8 457 838</b>	<b>36.8</b>
Loans, borrowings and debt securities	448 902	1.8	43 399	0.2
Trade and other liabilities	1 141 600	4.7	1 223 320	5.3
Finance lease liabilities	2 141	0.0	1 025	0.0
Deferred income due to subsidies and connection fees and other	84 150	0.3	83 666	0.4
Current income tax liabilities	32 071	0.1	87 022	0.4
Liabilities due to employee benefits	416 937	1.7	397 986	1.7
Liabilities due to an equivalent of the right to acquire shares free of charge	281	0.0	281	0.0
Financial liabilities measured at fair value through profit or loss	2 233	0.0	-	-
Provisions for other liabilities and charges	789 718	3.2	567 556	2.5
Liabilities related to non-current assets held for sale	-	-	4 300	0.0
<b>Total current liabilities</b>	<b>2 918 033</b>	<b>11.9</b>	<b>2 408 555</b>	<b>10.5</b>
<b>Total liabilities</b>	<b>11 524 790</b>	<b>47.0</b>	<b>10 866 393</b>	<b>47.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>24 536 519</b>	<b>100.0</b>	<b>22 988 996</b>	<b>100.0</b>



## Enea Group

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

TRANSLATION

### 2.1.2. Consolidated statement of profit or loss and other comprehensive income

	1.01.2016 - 31.12.2016	% of total sales	1.01.2015 - 31.12.2015	% of total sales
	PLN '000		PLN '000	
Sales revenue	11 513 305	102.3	10 081 083	102.4
Excise tax	(257 627)	2.3	(232 691)	2.4
<b>Net revenue</b>	<b>11 255 678</b>	<b>100.0</b>	<b>9 848 392</b>	<b>100.0</b>
Other operating revenue	144 038	1.3	99 102	1.0
Depreciation	(1 110 350)	9.9	(790 375)	8.0
Costs of employee benefits	(1 490 752)	13.2	(989 489)	10.0
Consumption of materials and supplies and costs of goods sold	(1 361 884)	12.1	(1 791 115)	18.2
Energy and gas purchase for sale	(4 074 797)	36.2	(3 282 923)	33.3
Transmission services	(860 991)	7.6	(769 503)	7.8
Other external services	(664 644)	5.9	(423 204)	4.3
Taxes and charges	(326 537)	2.9	(290 201)	2.9
Loss on sale and liquidation of property, plant and equipment	(30 662)	0.3	(9 148)	0.1
Impairment loss on non-financial non-current assets	(98 160)	0.9	(1 501 621)	15.2
Other operating expenses	(261 625)	2.3	(262 040)	2.7
<b>Operating profit/ (loss)</b>	<b>1 119 314</b>	<b>9.9</b>	<b>(162 125)</b>	<b>1.6</b>
Financial expenses	(127 010)	1.1	(81 751)	0.8
Financial revenue	76 350	0.7	84 497	0.9
Impairment of goodwill	-	-	(251 432)	2.6
Dividend income	148	0.0	1 833	0.0
<b>Profit/ (Loss) before tax</b>	<b>1 068 802</b>	<b>9.5</b>	<b>(408 978)</b>	<b>4.2</b>
Income tax	(219 889)	2.0	10 100	0.1
<b>Net profit/ (loss) for the period</b>	<b>848 913</b>	<b>7.5</b>	<b>(398 878)</b>	<b>4.1</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items that are or may be reclassified to profit or loss</i>				
Net change in fair value of financial assets available for sale	-	-	(21 048)	0.2
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	(12 854)	0.1
Valuation of hedging instruments	36 847	0.3	4 914	0.0
Other	(70)	0.0	(61)	0.0
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	9 431	0.1	(1 034)	0.0
Income tax	(1 793)	0.0	187	0.0
<b>Other comprehensive income for the period, net of income tax</b>	<b>37 414</b>	<b>0.3</b>	<b>(30 830)</b>	<b>0.3</b>
<b>Total comprehensive income for the period</b>	<b>886 327</b>	<b>7.9</b>	<b>(429 708)</b>	<b>4.4</b>
<b>Profit/ (Loss) attributable to:</b>				
Parent's shareholders	784 393		(434 857)	
Non-controlling interests	64 520		35 979	
<b>Total comprehensive income attributable to:</b>				
Parent's shareholders	823 949		(464 270)	
Non-controlling interests	62 378		34 562	
Net profit/ (loss) attributable to shareholders of the Parent	784 393		(434 857)	
Weighted average number of ordinary shares	441 442 578		441 442 578	
<b>Net earnings per share (in PLN per share)</b>	<b>1.78</b>		<b>(0.99)</b>	
<b>Diluted earnings per share (in PLN per share)</b>	<b>1.78</b>		<b>(0.99)</b>	



**Enea Group**

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

TRANSLATION

## 2.2. Selected financial ratios

	2016	2015	2014
<b>1. Return on sales</b>			
$\frac{\text{net profit} \times 100\%}{\text{net revenue}}$	7.5%	negative value	9.2%
<b>2. Return on equity</b>			
$\frac{\text{net profit} \times 100\%}{\text{equity} - \text{net profit}}$	7.0%	negative value	8.1%
<b>3. Debtors turnover</b>			
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{net revenue}}$	41 days	46 days	41 dni
<b>4. Debt ratio</b>			
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	47.0%	47.3%	33.4%
<b>5. Current ratio</b>			
$\frac{\text{current assets}}{\text{current liabilities}}$	1.7	2.0	2.0

- 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.



## **Enea Group**

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

*TRANSLATION*

### **3. Detailed report**

#### **3.1. Accounting system**

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

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.

Entities included in the Group apply common accounting principles consistent with the accounting principles applied by the Parent Entity.

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 Entity, appropriate adjustments to the financial statements of those entities were made to ensure consistency with the accounting principles applied by the Parent Entity.

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 Entity.

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

The consolidated financial statements of the Enea 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 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 55.2 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 55.7 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 Entity.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Entity's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Entity.

Only equity of subsidiaries arising after the Parent Entity obtained control of the subsidiary is included in the equity of the Group.



**Enea Group**

The report on the audit of the consolidated financial statements  
for the financial year ended 31 December 2016  
*TRANSLATION*

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 Enea S.A. and subsidiary entities and agreed with information received from the subsidiaries.

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