



Giełda Papierów Wartościowych w Warszawie S.A. Group

Opinion and Report

of the Independent Auditor

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.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Giełda Papierów Wartościowych w Warszawie S.A.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Giełda Papierów Wartościowych w Warszawie S.A. with its registered office in Warsaw, ul. Książęca 4 ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, 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.

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.

TRANSLATION

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 Giełda Papierów Wartościowych w Warszawie S.A. 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 Group's Activities

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

Our opinion on the consolidated financial statements does not cover the report on the Group's activities.

TRANSLATION

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 Giełda Papierów Wartościowych w Warszawie S.A. Group activities 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 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 the 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 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
ul. Inflancka 4A
00-189 Warsaw

Signed on the Polish original

.....
Miroslaw Matusik
Key Certified Auditor
Registration No. 90048
Limited Liability Partner with power of attorney

27 February 2017



Giełda Papierów Wartościowych w Warszawie S.A. Group

Report on the audit

of the consolidated financial statements

Financial year ended

31 December 2016



Giełda Papierów Wartościowych w Warszawie S.A. 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	5
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 comprehensive income	7
2.2.	Selected financial ratios	8
3.	Detailed report	9
3.1.	Accounting system	9
3.2.	Basis of preparation of the consolidated financial statements	9
3.3.	Method of consolidation	9
3.4.	Goodwill arising on consolidation	9
3.5.	Consolidation of equity and calculation of non-controlling interest	9
3.6.	Consolidation eliminations	10



Giełda Papierów Wartościowych w Warszawie S.A. 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

Giełda Papierów Wartościowych w Warszawie S.A. Group

1.1.2. Registered office of the Parent Company of the Group

ul. Książęca 4
00-498 Warsaw

1.1.3. Registration of the Parent Entity 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:	17 January 2002
Registration number:	KRS 0000082312
Share capital as at the end of reporting period:	PLN 41,972,000.00

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:

- Małgorzata Zaleska – President of the Management Board,
- Paweł Dziekoński – Vice President of the Management Board,
- Michał Cieciorński – Vice President of the Management Board,
- Dariusz Kułakowski – Member of the Management Board.

According to the resolution of the General Meeting dated 12 January 2016, Ms. Małgorzata Zaleska was appointed to the position of President of the Management Board.

On 16 March 2016, Mr. Karol Pótorak resigned from the position of Vice President of the Management Board.

According to the resolution of the Supervisory Board dated 16 March 2016, Mr. Paweł Dziekoński was appointed to the position of Vice President of the Management Board.

On 23 May 2016, Mr. Grzegorz Zawada resigned from the position of Vice President of the Management Board.

According to the resolution of the Supervisory Board dated 23 May 2016, Mr. Michał Cieciorński was appointed to the position of Member of the Management Board.

According to the resolution of the Supervisory Board dated 16 December 2016, Mr. Jacek Fotek was appointed to the position of Vice President of the Management Board. Till the date of this report, the Polish Financial Supervision Authority (KNF) has not as yet approved the above change in the Management Board.



Giełda Papierów Wartościowych w Warszawie S.A. Group

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

TRANSLATION

According to the resolution of the Extraordinary General Meeting dated 4 January 2017, Mrs. Małgorzata Zaleska was recalled from the position of President of the Management Board. As of the date of this report, the Polish Financial Supervision Authority (KNF) has not as yet approved the above change in the Management Board.

According to the resolution of the Extraordinary General Meeting dated 4 January 2017, Mr. Rafał Antczak was appointed to the position of President of the Management Board. As of the date of this report, the Polish Financial Supervision Authority (KNF) has not as yet approved the above change in the Management Board.

1.2. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname: Mirośław Matusik
Registration number: 90048

1.2.2. Audit Firm information

Name: KPMG Audyty 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 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 General Meeting of the Parent Entity on 22 June 2016.

Due to a change in the principles applied with respect to the value added tax applicable to a part of services rendered by a subsidiary of Giełda Papierów Wartościowych w Warszawie S.A., Towarowa Giełda Energii S.A., as described in note 31 to the consolidated financial statements as at and for the year ended 31 December 2016, the respective comparative figures as of and for the year ended 31 December 2015 have been restated in those financial statements.

The consolidated financial statements were submitted to the Registration Court on 1 July 2016.



Giełda Papierów Wartościowych w Warszawie S.A. Group

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

TRANSLATION

1.4. Audit scope and responsibilities

The consolidated financial statements were audited in accordance with the contract dated 21 October 2015, concluded on the basis of the resolution of the Supervisory Board dated 2 July 2015 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 consolidated financial statements at the Group entities during the period from 23 January to 24 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.



Giełda Papierów Wartościowych w Warszawie S.A. 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	31.12.2014 PLN '000 (*)	% of total
Non-current assets						
Property, plant and equipment	119,130	10.3	125,229	11.7	119,762	11.3
Intangible assets	273,815	23.7	261,728	24.4	261,019	24.7
Investments in associates	197,231	17.0	188,570	17.6	188,104	17.8
Deferred tax assets	1,809	0.2	-	-	-	-
Available-for-sale financial assets	288	-	282	-	207	-
Prepayments	5,014	0.4	4,836	0.4	3,618	0.3
Total non-current assets	597,287	51.6	580,645	54.1	572,710	54.1
Current assets						
Inventories	57	-	135	-	120	-
Income tax receivable	428	-	369	-	8,378	0.8
Trade and other receivables	113,262	9.8	131,557	12.3	76,301	7.3
Available-for-sale financial assets	-	-	-	-	10,503	1.0
Assets classified as held for sale	-	-	-	-	812	0.1
Cash and cash equivalents	446,814	38.6	360,393	33.6	389,042	36.8
Total current assets	560,561	48.4	492,454	45.9	485,156	45.9
TOTAL ASSETS	1,157,848	100.0	1,073,099	100.0	1,057,866	100.0
EQUITY AND LIABILITIES						
Equity						
Equity attributable to equity holders of the parent						
Share capital	63,865	5.5	63,865	6.0	63,865	6.1
Other reserve capital	1,184	0.1	1,455	0.1	1,930	0.2
Retained earnings	679,678	58.7	647,326	60.3	627,657	59.3
Total equity attributable to equity holders of the parent	744,727	64.3	712,646	66.4	693,452	65.6
Non-controlling interest	525	-	546	0.1	1,116	0.1
Total equity	745,252	64.3	713,192	66.5	694,568	65.7
Non-current liabilities						
Liabilities on bonds issue	123,459	10.7	243,800	22.7	244,078	23.1
Employee benefits	1,832	0.2	4,046	0.4	5,562	0.5
Finance lease liabilities	32	-	84	-	205	-
Accruals and deferred income	6,200	0.5	-	-	-	-
Deferred tax liabilities	9,675	0.8	11,000	1.0	9,578	0.9
Other non-current liabilities	2,224	0.2	-	-	-	-
Total non-current liabilities	143,422	12.4	258,930	24.1	259,423	24.5
Current liabilities						
Liabilities on bonds issue	122,882	10.6	682	0.1	-	-
Trade payables	6,387	0.6	8,597	0.8	10,017	1.0
Employee benefits	8,114	0.7	9,457	0.9	9,911	0.9
Finance lease liabilities	62	-	55	-	154	-
Corporate income tax payable	16,154	1.4	2,833	0.3	1,250	0.1
Accruals and deferred income	7,144	0.6	7,263	0.7	5,115	0.5
Provisions for other liabilities and charges	333	-	621	-	1,346	0.1
Other current liabilities	108,098	9.4	71,469	6.6	75,807	7.2
Liabilities related to assets classified as held for sale	-	-	-	-	275	-
Total current liabilities	269,174	23.3	100,977	9.4	103,875	9.8
Total liabilities	412,596	35.7	359,907	33.5	363,298	34.3
TOTAL EQUITY AND LIABILITIES	1,157,848	100.0	1,073,099	100.0	1,057,866	100.0

(*) data restated



Giełda Papierów Wartościowych w Warszawie S.A. 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 comprehensive income

	1.01.2016 - 31.12.2016 PLN '000	% of total sales	1.01.2015 - 31.12.2015 PLN '000 (*)	% of total sales
Revenue	310,862	100.0	327,890	100.0
Operating expenses	(150,155)	48.3	(174,391)	53.2
Other income	1,736	0.6	1,962	0.6
Other expenses	(4,553)	1.5	(2,151)	0.7
Operating profit	157,890	50.8	153,310	46.8
Finance income	12,950	4.2	9,941	3.0
Finance expenses	(12,079)	3.9	(12,117)	3.7
Share of profit/(loss) of associates	3,518	1.1	(1,530)	0.5
Profit before tax	162,279	52.2	149,604	45.6
Income tax expense	(31,145)	10.0	(28,062)	8.6
Profit for the period	131,134	42.2	121,542	37.1
OTHER COMPREHENSIVE INCOME				
Net change in fair value of available-for-sale financial assets	-	-	(294)	0.1
Effective portion of changes in fair value of cash flow hedges	-	-	100	-
Cash flow hedges reclassified to profit or loss	163	0.1	-	-
Profit/(loss) from the valuation of available for sale financial assets attributable to the associate	(514)	0.2	(405)	0.1
Items that can be transferred to profit or loss	(351)	0.1	(599)	0.2
Post-employment provisions actuarial gains/(losses)	79	-	125	-
Items that are not reclassified to profit or loss	79	-	125	-
Other comprehensive income for the period, net of income tax	(272)	0.1	(475)	0.1
Total comprehensive income for the period	130,862	42.1	121,067	36.9
Owners of the Company	131,094		121,475	
Non-controlling interest	40		67	
Profit for the period	131,134		121,542	
Owners of the Company	130,822		121,000	
Non-controlling interest	40		67	
Total comprehensive income for the period	130,862		121,067	
Earnings per share	3.12		2.89	

(*) data restated



Giełda Papierów Wartościowych w Warszawie S.A. 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
		(*)	(*)
1. Return on sales			
<u>profit for the period x 100%</u> revenue	42.2%	37.1%	33.8%
2. Return on equity			
<u>profit for the period x 100%</u> equity - profit for the period	21.4%	20.5%	18.3%
3. Debtors' days			
<u>average trade receivables (gross) x 365 days</u> revenue	113 days	90 days	72 days
4. Debt ratio			
<u>liabilities x 100%</u> equity and liabilities	35.6%	33.5%	34.3%
5. Current ratio			
<u>current assets</u> current liabilities	2.1	4.9	4.7

(*) data restated

- Net revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables from related parties and third parties at the beginning and at the end of the period, with no deduction made for allowances



Giełda Papierów Wartościowych w Warszawie S.A. 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 principles

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.

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 Giełda Papierów Wartościowych w Warszawie 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 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 2.2 of the notes to the consolidated financial statements.

3.4. Goodwill arising on consolidation

The method of determining goodwill arising on consolidation is described in note 2.6.1. 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.

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.



Giełda Papierów Wartościowych w Warszawie S.A. Group
The report on the audit of the consolidated financial statements
for the financial year ended 31 December 2016
TRANSLATION

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 Giełda Papierów Wartościowych w Warszawie S.A. (or subsidiary entities) and agreed with information received from the subsidiaries.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
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Signed on the Polish original

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