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.

Independent Auditor's Report

To the General Shareholders' Meeting and Supervisory Board of ENERGA SA

Report on the Audit of the Annual Consolidated Financial Statements

Opinion

We have audited the accompanying annual consolidated financial statements of ENERGA SA Group (the "Group"), whose parent entity is ENERGA SA (the „Parent Entity"), which comprise:

— the consolidated statement of financial position as at 31 December 2019,

and, for the period from 1 January to 31 December 2019:

— the consolidated statement of profit or loss;
— the consolidated statement of comprehensive income;
— the consolidated statement of changes in equity;
— the consolidated statement of cash flows;

and

— notes comprising a summary of significant accounting policies and other explanatory information

(the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements of the Group:

— give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and the adopted accounting policy;
— comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Parent Entity's articles of association.

Our audit opinion on the consolidated financial statements is consistent with our report to the Audit Committee dated 25 May 2020.

KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.

ul. Inflancka 4A, 00-189 Warszawa, tel. +48 (22) 528 11 11, fax +48 (22) 528 10 09, Email kpmg@kpmg.pl, Internet www.kpmg.pl

Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Certified Auditors as National Standards on Auditing (the "NSA"); and
- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (the "Act on certified auditors"); and
- regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the "EU Regulation"); and
- other applicable laws.

Our responsibilities under those regulations are further described in the Auditor's Responsibility for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Ethics

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants ("IFAC Code") issued by the International Ethics Standards Board for Accountants as adopted by the resolutions of the National Council of Certified Auditors, as well as other independence and ethical requirements, applicable to audit engagement in Poland. We have fulfilled all ethical responsibilities resulting from those requirements and IFAC Code. During our audit the key certified auditors and the audit firm remained independent of the Group in accordance with requirements of the Act on certified auditors and the EU Regulation.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud, described below and we performed appropriate audit procedures to address these matters. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a separate opinion on these matters. We have determined the following key audit matters:

Impairment of property, plant and equipment

The net book value of property, plant and equipment as at 31 December 2019 amounts to PLN 14.262 million, and recognized impairment losses as at 31 December 2019 amount to PLN 809 million.

Reference to the consolidated financial statements: Note 6 "Material items subject to judgment and estimates", Note 9.6 "Property, plant and equipment", Note 9.10 "Impairment of non-financial non-current assets", Note 11.1 "Costs by nature", Note 11.2 "Depreciation and impairment losses recognized on non-financial non-current assets in the statement of profit or loss", Note 13 "Property, plant and equipment"

Key audit matter	*Our response*
As described in Note 13 to the consolidated financial statements, in view of with the identified indicators of impairment of property, plant and equipment, the Group decided to perform impairment tests for property, plant and equipment in the area of electric energy generation, i.e. in particular cash generating units of individual wind farms, solar farms,	Our audit procedures included, among others: — Assessment of compliance of the accounting policies adopted by the Group regarding identification, recognition and measurement of impairment of property, plant and

Elektorciepłownia Elbląg, Elektrociepłownia Kalisz and Elektrociepłownia Ostrołęka B.

The Group estimated the recoverable amount of property, plant and equipment in the electric energy generation area based on the value in use of cash generating units, using the discounted cash flow method.

Impairment of property, plant and equipment has been recognized by us as a key audit matter because the assessment of their recoverable amount is based on number of assumptions and estimates, in particular in relation to the amount of future cash flows and the adopted discount rate.

The projected cash flows for the electricity generation area are dependent primarily on the assumptions made in electricity, coal, electricity origin certificates and CO2 emission rights prices. The validity of the assumptions made in this regard is subject to significant uncertainty due to potential future volatility of regulatory conditions and its effect on the economics of electric energy production.

equipment with the respective financial reporting standards;

- Assessment of the internal control system over the identification of impairment indicators and to the process of impairment testing of property, plant and equipment;
- Assessing the appropriateness of asset grouping into cash generating units, based on our understanding of the Group's operations and business units;
- Critical assessment of the reasonableness of judgements and assumptions made by the Group, and the estimation of the recoverable amount of property, plant and equipment in the area of electric energy generation, and as a consequence, the amount of identified impairment losses, with the support of our internal valuation specialists, including:
  - ✓ assessment of the discounted cash flow model prepared by the Group regarding its compliance with the applicable financial reporting standards, compliance with generally accepted impairment testing models, and the internal integrity of the used methodology,
  - ✓ assessment of the reasonableness of the key macroeconomic assumptions used by the Group, including in particular discount rate assumptions by comparing them to external sources,
  - ✓ critical assessment of the reasonability of projections of future cash flows, including the assumed levels of revenues, costs, investment expenditures by comparing the adopted assumptions to historical financial information, and by analyzing actions taken by the Group prior to the audit,
  - ✓ assessment of whether the Group's assumptions regarding future regulatory conditions were based on a most likely model of the power sector and renewable energy sources support system;
  - ✓ assessment of the appropriateness of the assumptions regarding the prices of electricity by comparing them to the results of analyses of external experts ordered by the Group, whose

	competences, experience and objectivity we assessed. — Assessment of adequacy and completeness of disclosures in the consolidated financial statements with regard to impairment tests, including the assessment of the sensitivity of cash flow model prepared by the Group to changes in its key assumptions, such as discount rate, prices of electric energy and revenues from the power market.

Impairment of Investments in associates and joint ventures accounted for using the equity method

The net book value of investments in associates and joint ventures as at 31 December 2019 amounts to PLN 336 million, and recognized impairment losses on investments in associates and joint ventures as at 31 December 2019 amount to PLN 373 million.

References to the consolidated financial statements: Note 2.2 "Changes in the composition of the Group and investments in joint ventures and associates in the reporting period ", Note 6 "Material items subject to judgment and estimates", , Note 17 "Investments in joint ventures and associates accounted for using the equity method", Note 29.4.1 "Financial assets".

Key audit matter	*Our response*
As described in the Note 17 of the consolidated financial statements, in view of the identified indicators of possible impairment of investments in joint venture accounted for using the equity method, the Group decided to perform an impairment test of its investment in the company Polska Grupa Górnicza S.A As part of the above test, the Group has estimated the recoverable amount of its investment in the joint venture based on the fair value of cash generating units, using the discounted cash flow method. Impairment of investment in the joint venture has been recognized by us as a key audit matter due to the fact that the estimation of its recoverable amount is based on numerous assumptions and estimates, in particular in relation to future cash flows and the adopted discount rate. The projected cash flows are dependent on the assumptions with respect to coal prices and coal mining volume and salary costs. The validity of the assumptions made in this regard is subject to risk of material misstatement due to volatility of regulatory and ecomomic conditions and uncertainty	Our audit procedures included, among others: — Assessment of compliance of the accounting policies adopted by the Group regarding identification and recognition of impairment losses of investments in joint ventures and associates, accounted for using the equity method with the respective financial reporting standards; — Assessment of the internal control system over identification of impairment indicators and to the process of impairment testing of investment in joint ventures and associates; — Assessing the appropriateness of asset grouping into cash generating units based on our understanding of the Group's operations and business units; — Critical assessment of the correctness of the Group's judgements regarding the existence of indicators of impairment and, consequently, the need to perform impairment tests for individual investments; — Critical assessment of the reasonableness of judgements and assumptions made by the Group, and the estimation of the recoverable

regarding their impact on the economics of the investment.	amount of the investment in the joint venture , and as a consequence, the amount of identified impairment losses, with the support of our internal valuation specialists, including: ✓ assessment of the discounted cash flow model prepared by the Group and its external expert with regard to its compliance with the applicable financial reporting standards, compliance with generally accepted impairment testing models, and the internal integrity of the methodology used, ✓ assessment of the reasonableness of the key assumption relating to discount rate made by the Group by comparing it to external sources, ✓ critical assessment of the reasonableness of projections of future cash flows, including the assumed levels of revenues, costs, investment expenditures by comparing the adopted assumptions to historical financial information, and by analyzing actions taken by the Group and Polska Grupa Górnicza S.A., based on available information, prior to the audit, — Assessment of the adequacy and completeness of disclosures in the consolidated financial statements with regard to the key assumptions and judgements regarding the impairment of the investment in the joint venture.

Revenue recognition

Sales revenues for the financial year ended 31 December 2019 amount to PLN 11.479 million, trade receivables as at 31 December 2019 amount to PLN 1.489 million and contract assets as at 31 December 2019 amount to PLN 313 million.

Reference to the consolidated financial statements: Note 6 "Material items subject to judgment and estimates", Note 9.26.1. "Financial assets", Note 9.28 "Revenue from sales of products, goods and services", Note 29 "Financial instruments"

Key audit matter	*Our response*
During the year ended 31 December 2019, the Group generated revenues primarily from the sale of electricity to both end users	Our audit procedures included, among others:

and on the wholesale market, electricity distribution services and gas sales.

Revenue recognition was subject of our particular attention due to the fact that recognition of sales revenue is based on the use of complex IT systems for data processing (in particular billing systems) that process large volumes of data with a combination of different tariffs and readings periods of the actual value of electricity consumed by customers. Therefore, correct revenue recognition is an inherent industry risk.

For the above reasons, this area has been recognized by us as a key audit matter.

— Updating our understanding of and assessment of revenue recognition process and testing related internal controls, in particular the controls associated with correctness of invoicing customers for energy consumption based on meter readings;
— Evaluation of the revenue recognition policy for compliance with relevant requirements of the financial reporting standards;
— With the support of our internal information risk management specialists:

— verification of the correctness of billing system reports and the correctness of their recognition in the accounting IT systems;
— assessment of selected IT systems used by the Group in relation to key automated controls in the area of program changes and access controls to the above systems, including billing systems used in the revenue recognition process;
— Assessment of the reasonableness of the amount of sales revenues by building independent expectations regarding these revenues:
— for distribution services - based on the analysis of revenues from the previous year, updated for the effect of changing distribution tariffs;
— for electricity sales services based on the analysis of revenues from the previous year, updated for the effect of changes in volume and price in individual tariff groups;
— comparison of our expectations against amounts recognized by the Group's lines of business;
— Predictive analysis of sales revenues based on net cash inflows;
— Reconciliation of data on the volume of electricity consumed for a selected sample of invoices for customers to information in the billing systems based on meter reading, including testing the receipt of payment for selected items from each billing system.

— Assessment of the adequacy and completeness of disclosures in the consolidated financial statements

	with respect to revenue, trade receivables and contract assets.

Adoption of International Financial Reporting Standard (IFRS) 16 *Leases*

Right-of-use assets as at 31 December 2019 amounts to PLN 847 million.

Long term lease liabilities as at 31 December 2019 amounts to PLN 637 million.

Short term lease liabilities as at 31 December 2019 amounts to PLN 39 million.

Reference to the consolidated financial statements: Note 8 „New standards and interpretations", Note 9.8 „Right-of-use assets", Note 15 „Right-of-use assets", Note 34 "Lease Liabilities".

Key audit matter	*Our response*
The Group adopted IFRS 16 *Leases* from 1 January 2019. The standard introduces a new lease accounting model, where lessees are required to recognize a right-of-use (ROU) asset and a lease liability arising from a lease in their statement of financial position. As discussed in Note 8 of the consolidated financial statements, the Group applied IFRS 16 initially using the modified retrospective approach. Therefore, the cumulative effects of adopting the standard have been recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. As a result of application of the new standard, as at 1 January 2019, the Group recognized ROU assets of PLN 884 million and an increase in lease liabilities of PLN 676 million. Significant judgement is required in identifying lease arrangements and in making assumptions and estimates in order to determine the ROU assets and lease liabilities. This is required, among others, in the assessment of the lease period, lease payments and discount rates, or characteristics of leases accounted for on a portfolio basis. Accounting for leases, including the transition adjustments arising from applying IFRS 16, is therefore inherently complex and material to the Group. In view of the above, we considered this area to be a key audit matter.	Our audit procedures included, among others: – Obtaining an understanding of the lease identification process (including lease elements embedded in non-lease contracts) and testing design and implementation of related controls; – Assessing whether leases have been appropriately identified by the Group, by inspecting relevant documentation, such as contracts or ownership deeds concluded, management reports, Management Board minutes, lease and non-lease contracts. We also analyzed operating expenses, prepayments or accruals and evaluating whether they might be representative of a payment for the right to use an identified asset; – For selected lease portfolios, challenging the appropriateness of applying the portfolio approach through (inspecting the Group's qualitative assessment and examining whether the leases have similar characteristics; – With respect to the practical expedients applied, by analyzing the Group's documentation (including the lease contracts and annexes to the binding contracts), assessed whether the terms and conditions of the standard relating to application of practical expedients has been met; – Selecting a sample of leases at transition date and a sample of new lease contracts entered into during the year: ✓ assessment of correctness of the estimated lease period through:

- analysis of the contractual provisions as regards the possibility of extending or terminating the contract earlier, the significance of penalties or losses for the parties to the contract resulting from not extending or early termination of the contract;
- comparing the adopted term of the lease contract with other estimates made by the Group, including estimates of the useful life of assets related to those leased under selected lease contracts,

✓ assessment of whether the lease payments were correctly considered to be fixed or variable by analyzing the terms of the contracts concluded;

✓ critical assessment of the adopted discount rates by comparing them with discount rates for financial instruments with similar terms and conditions;

✓ independent estimation of the amount of the lease liability based on the contractual terms and conditions and its reconciliation with the Group's estimates.

– Examining whether the Group's disclosures in the consolidated financial statements, as the lessee, appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Responsibility of the Management Board and Supervisory Board of the Parent Entity for the consolidated financial statements

The Management Board 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, the adopted accounting policy, the applicable laws and the provisions of the Parent Entity's articles of association and for such internal control as the Management Board of the Parent Entity determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board of the Parent Entity is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management

Board of the Parent Entity either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

According to the accounting act dated 29 September 1994 (the "Accounting Act"), the Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Parent Entity are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the audit of the consolidated financial statements

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

The scope of audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Management Board of the Parent Entity has conducted or will conduct the affairs of the Group.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent Entity;
- conclude on the appropriateness of the Management Board of the Parent Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the consolidated financial statements to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the consolidated financial statements. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Parent Entity 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 provide the Audit Committee of the Parent Entity with a statement that we have complied with relevant ethical requirements regarding independence and 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 the Audit Committee of the Parent Entity, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors' report on the audit of the consolidated financial statements 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.

Other information

The other information comprises:

— the report on activities of the Group for the year ended 31 December 2019 (the "Report on activities"), including the corporate governance statement, which is a separate part of the Report on activities;

— the separate report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act;

(together the "Other information").

Responsibility of the Management Board and Supervisory Board

The Management Board of the Parent Entity is responsible for the Other information in accordance with applicable laws.

The Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the Report on activities, including the corporate governance statement and the report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our opinion on the consolidated financial statements does not cover the Other information.

In connection with our audit of the consolidated financial statements, our responsibility was to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we performed, we conclude that there is a material misstatement in the Other information, we are required to report that fact.

In accordance with the Act on certified auditors our responsibility was to report if the Report on activities was prepared in accordance with applicable laws and the information given in the Report on activities is consistent with the consolidated financial statements.

Moreover, in accordance with the requirements of the Act on certified auditors our responsibility was to report whether the Group included in the statement on corporate governance information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the consolidated financial statements and to inform whether the Group prepared a separate report on non-financial information.

Opinion on the Report on activities

Based on the work undertaken in the course of our audit of the consolidated financial statements, in our opinion, the accompanying Report on activities, in all material respects:

- has been prepared in accordance with applicable laws, and
- is consistent with the consolidated financial statements.

Opinion on the statement on corporate governance

In our opinion, the corporate governance statement, which is a separate part of the Report on activities, includes the information required by paragraph 70 subparagraph 6 point 5 of the Decree of the Ministry of Finance dated 29 March 2018 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 (the "decree").

Furthermore, in our opinion, the information identified in paragraph 70 subparagraph 6 point 5 letter c-f, h and letter i of the decree, included in the corporate governance statement, in all material respects:

- has been prepared in accordance with applicable laws; and
- is consistent with the consolidated financial statements.

Information about the statement on non-financial information

In accordance with the requirements of the Act on certified auditors, we report that the Group has prepared a separate report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act.

We have not performed any assurance procedures in relation to the separate report on non-financial information and, accordingly, we do not express any assurance conclusion thereon.

Statement on Other information

Furthermore, based on our knowledge about the Group and its environment obtained in the audit of the consolidated financial statements, we have not identified material misstatements in the Report on activities and the Other information.

Report on other legal and regulatory requirements

Statement on services other than audit of the financial statements

To the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in art. 5 paragraph 1 second subparagraph of the EU Regulation and art. 136 of the act on certified auditors.

Services other than audit of the financial statements, which were provided to the Group and entities under the control of the Parent Entity in the audited period are listed in point 2.8 of the Report on activities.

Appointment of the audit firm

We have been appointed for the first time to audit the annual consolidated financial statements of the Group by resolution of the Supervisory Board dated 20 December 2016 and reappointed in the following years, including the resolution dated 29 June 2018, to audit the annual consolidated financial statements for the year ended 31 December 2019. Our period of total uninterrupted engagement is 3 years, covering the periods ended 31 December 2017 to 31 December 2019.

On behalf of audit firm
KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546

Signed on the Polish original

Zbigniew Libera

Key Certified Auditor
Registration No. 90047
Limited Partner, Proxy

Signed on the Polish original

Natalia Markowska

Key Certified Auditor
Registration No. 10853

Gdańsk, 28 May 2020