



TRANSLATORS' EXPLANATORY NOTE

The English content of this report is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts as well as the auditor's report should be prepared and presented in Polish and in accordance with Polish legislation and the accounting principles and practices generally adopted in Poland.

The accompanying translation has not been reclassified or adjusted in any way to conform to the accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.

Independent Registered Auditor's Report

to the General Shareholders' Meeting and the Supervisory Board of ENEA Spółka Akcyjna

Auditor's report on the annual consolidated financial statements

Our opinion

In our opinion, the accompanying annual consolidated financial statements of the ENEA Capital Group (the "Group") whose Parent Company is ENEA S.A. (the "Parent Company"):

- 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 consolidated cash flows in the financial year then ended, in accordance with the International Financial Reporting Standards as endorsed by the European Union and the accounting policies adopted by the Group;
- comply, in terms of form and content, with the laws applicable to the Group and the Parent Company's Articles of Association.

This opinion is consistent with our additional report for the Audit Committee, issued on the date of this report.

What we have audited

We have audited the annual consolidated financial statements of the ENEA Capital Group, comprising:

- the consolidated statement of financial position as at 31 December 2019;

and the following statements prepared for the financial year from 1 January to 31 December 2019:

- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows; and
- the additional information and explanations, including a description of the adopted accounting policies and other explanatory notes.

Basis for our opinion

Basis for our opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as National Standards on Auditing by the National Council of Statutory Auditors ("NSA") and pursuant to the Act of 11 May 2017 on Registered Auditors, Audit Firms and Public Oversight (the "Act on Registered Auditors" – Journal of Laws of 2019, item 1421, as amended) and Regulation (EU) No 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (the "EU Regulation"; EU OJ L 158).

Our responsibilities under those NSA are described in more detail further in this report under the heading "*Auditor's responsibility for the audit of the consolidated financial statements*".

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

Independence and ethics

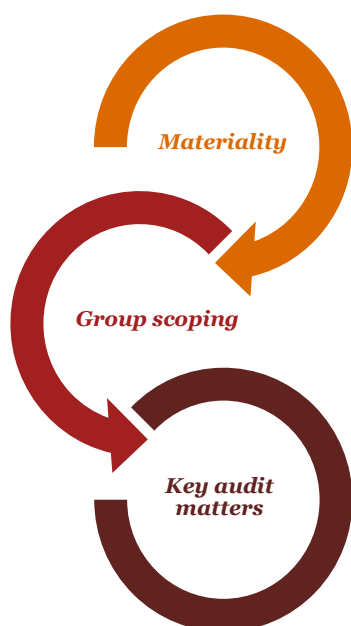
We are independent of the Group, as required under the Code of Ethics for Professional Accountants issued by the International Federation of Accountants (the "IFAC Code") and adopted by virtue of resolutions by the Polish National Council

of Registered Auditors, and in accordance with other ethical requirements that apply to our auditing of financial statements in Poland. We have complied with other ethical requirements applicable to us in accordance with the IFAC Code and those other requirements.

In the course of the audit, the key registered auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Registered Auditors and the EU Regulation.

Our audit approach

Overview



- The overall materiality threshold for the audit was set at PLN 75 million which represents 2.5% of EBITDA (determined at the audit planning stage), as defined in Notes 6 and 7 to the consolidated financial statements.
- We have audited the Parent Company and 18 subsidiaries in Poland.
- Our audit covered 99.6% of the Group's revenue and 99.8% of the absolute value of profit or loss of all consolidated Group companies before consolidation eliminations.
- Impairment of non-current assets
- Impairment of shares in jointly-controlled entities
- Adoption of IFRS 16 Leases in the first year in which it is effective
- Claims for non-contractual use of land

We designed our audit by determining materiality and assessing the risk of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board of the Parent Company made subjective judgements; for example, with respect to significant accounting estimates which involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias on the part of the Management Board that represented a risk of material misstatement of the financial statements due to fraud.

We tailored the scope of our audit in such a way as to perform sufficient work to enable us to issue an opinion on the consolidated financial statements as a whole, taking into account the Group's structure, its accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by the adopted materiality level. The audit was designed in such a way as to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement. Misstatements can arise from either fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users based on the consolidated financial statements.

Based on our professional judgement, we determined quantitative thresholds for materiality, including overall materiality with respect to the consolidated financial statements as a whole, presented below. Based on these, together with qualitative considerations, we were able to determine the scope of our audit, the nature, timing, and extent of our audit procedures, and to



evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

The concept of materiality is applied by the registered auditor both when planning and conducting an audit, and when assessing the effect of misstatements and uncorrected misstatements identified during the audit, if any, on

the financial statements, and also when forming the registered auditor's opinion. Accordingly, all opinions, statements and representations contained in the registered auditor's report are made taking into account the qualitative and quantitative materiality levels determined in accordance with the auditing standards and the registered auditor's professional judgement.

Overall materiality for the Group PLN 75 million

Basis for determination 2.5% of EBITDA (determined at the planning stage)

Rationale for the basis *We used EBITDA as the basis for determining materiality, because we believe that this measure is commonly used to assess the Group's performance by users of financial statements and is a generally accepted benchmark. EBITDA is an alternative performance measure adopted by the Parent Company's Management Board, and the manner of calculating this measure, together with its limitations, are described in Notes 6 and 7 to the consolidated financial statements.*
The use of EBITDA to determine materiality does not imply our confirmation that this measure is appropriate for making economic decisions or confirmation that it has been determined in a correct manner. We adopted a 2.5% materiality threshold, because, based on our professional judgement, it lies within the range of acceptable quantitative materiality thresholds.

We agreed with the Parent Company's Audit Committee that we would inform the Committee of any misstatement in the consolidated financial statements identified during the audit with a value

in excess of PLN 7.5 million, and also any misstatement of a lower value if we find it justified due to qualitative factors.

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 for the reporting period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud.

These 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 also summarised our response to these risks

and, when deemed appropriate, presented the most important observations relating thereto. We do not express a separate opinion on those matters.

Key audit matter

How our audit addressed the matter

Impairment of non-current assets

In Note "Impairment of non-financial assets" to the consolidated financial statements, the Group presented the disclosures concerning impairment tests of cash-generating units (CGUs) in the area of energy generation by type of generation sources and in mining operations. The Group disclosed test results, assumptions used to calculate the value in use and an analysis of sensitivity of the calculations to a reasonably possible change in the key assumptions used in the calculation of the recoverable amount.

As at 31 December 2019, the carrying amount of the cash-generating units tested for impairment was PLN 12,857 million, which accounts for 39% of the Group's total assets and comprises property, plant and equipment and net working capital allocated to the units. In 2019, following the impairment tests, the impairment loss on property, plant and equipment recognised in previous years in the amount of PLN 12 million was reversed and an impairment loss of PLN 22 million was recognised.

At the end of the reporting period, in accordance with IAS 36 "Impairment of Assets", the Parent Company's Management Board analyses the indicators of impairment, and for assets for which there are indicators of impairment or a decrease in previously recognised impairment loss, impairment tests are carried out as at the reporting date.

Calculation of the recoverable amount involves a number of assumptions and judgements to be made by the Management Board of the Parent Company, including the Group's strategy, financial plans and cash flow projections for subsequent years, as well as macroeconomic and market assumptions (mainly concerning – for the generation area – electricity prices, fuel prices, prices of CO₂ emission allowances, the support system for renewable energy sources and the power market, and for the mining activity – primarily the level of production and coal prices).

Considering the materiality of these items in the consolidated financial statements, as well as the sensitivity of the results of the aforementioned

Our procedures included, without limitation, the following:

- understanding and assessing the process of identifying evidence of impairment of assets and the correctness of grouping assets into cash-generating units in accordance with relevant financial reporting standards;
- verifying the mathematical correctness and methodological consistency (using internal valuation specialists from PwC) of the valuation model based on discounted cash flows developed by the Parent Company's Management Board;
- critical assessment of assumptions and estimates made by the Parent Company's Management Board to determine the recoverable amount of non-current assets, including but not limited to:
 - the period of future cash flow projections and the level of revenues, operating margin and expenditures necessary to maintain operations in the unchanged scope assumed therein,
 - the discount rate applied (based on the weighted average cost of capital),
 - the marginal growth rate after the projection period if such rate was used in the calculation of the recoverable amount;
- assessing the analysis of sensitivity of assumptions that may affect the valuation result, carried out by the Management Board;
- assessing the accuracy and completeness and disclosures in the consolidated financial statements.

test to the assumptions made, we have conducted an extensive analysis of this matter.

Impairment of shares in jointly-controlled entities

Note 18 to the consolidated financial statements discloses the financial data of jointly controlled entities – Polska Grupa Górnicza S.A. and Elektrownia Ostrołęka Sp. z o.o..

This note discloses the net profit or loss of these entities for 2019 and interest in net assets as at 31 December 2019, as well as the amount of goodwill and its impairment.

As at 31 December 2019, the carrying amount of shares in the aforementioned companies subject to impairment testing amounted to PLN 254 million, which accounts for 1% of the Company's assets (including a recognised share in net losses of these entities for 2019 in the amount of PLN 487 million and an impairment loss on goodwill of PLN 60 million). Following the recognition of the share in net losses in the aforementioned jointly controlled entities and the recognition of an impairment loss of goodwill, the Group's net profit or loss for 2019 decreased by PLN 547 million.

Shares in jointly-controlled entities are accounted for using the equity method, and the end of the reporting period, in accordance with IAS 36 "Impairment of Assets", the Parent Company's Management Board analyses the indicators of impairment of goodwill reflected in the value of these shares.

Considering the materiality of these items before recognition of profit or loss of subsidiaries in the financial statements, as well as due to the situation of these companies, as described in Note 18 to the financial statements, we have conducted an extensive analysis of this matter.

Our procedures included, without limitation, the following:

- understanding and assessing the process of identifying evidence of impairment of assets;
- understanding the operations of jointly controlled entities, including in particular the analysis of information concerning the status of the investment project implemented by Elektrownia Ostrołęka Sp. z o.o.;
- analysis of financial performance of jointly controlled companies and analysis of other financial information concerning those companies,
- a critical assessment of the analysis carried out by the Parent Company's Management Board concerning the recoverability of investments in jointly controlled entities, with particular consideration given to the impact of information obtained after the balance sheet date on this recoverability;
- assessing the accuracy and completeness and disclosures in the financial statements.

Adoption of IFRS16 "Leases" first year in which it is effective

In Note 6 to the consolidated financial statements, the Group disclosed information on the implementation of a new standard – IFRS16 "Leases" (hereinafter: IFRS 16).

The value of newly recognised right-of-use assets and lease liabilities recognised as at the date of initial application, i.e. 1 January 2019,

Our procedures included, without limitation, the following:

- understanding and assessing the process followed by the Management Board of the Parent Company to identify differences between the previously applied accounting policies for recognising leases and the

amounted to PLN 549 million which represents 2% of the Group's assets.

The matter of first-time application of IFRS 16 required a comprehensive analysis of agreements signed and making estimates and accounting judgements.

Considering the above and the materiality of these items in the consolidated financial statements, as well as the sensitivity of amounts of right-of-use assets and lease liabilities recognised to the assumptions made, we have conducted an extensive analysis of this matter.

- requirements set out in IFRS 16;
- review of the report on identification of areas affected by IFRS 16 prepared for the Group by its external advisor;
- critical assessment of the key accounting assumptions and judgments made by the Management Board of the Parent Company, including, but not limited to, conformity with the publications of the International Financial Reporting Interpretations Committee and the option to apply the exemption provided for in IFRS 16 for selected agreements;
- detailed tests on a deliberately and randomly selected sample of leases signed by the Group companies, verifying the completeness and correctness of the analysis of agreements carried out by the Group with respect to the principles of recognition of leases in accordance with IFRS 16;
- verification of the correctness and completeness of the disclosure in view of the requirements of financial reporting standards.

Claims for non-contractual use of land

Notes 33 and 43.5 to the consolidated financial statements presented disclosures regarding the claims for the Group's non-contractual use of land owned by third parties.

Due to the fact that the Group does not hold the legal title to use the land for all facilities where power lines and other network assets are located, the Group recognises provisions for outstanding claims for non-contractual use of land.

The Group estimated the provision for compensation both for the land for which the claim was made and for those for which the claim has not yet been raised on the basis of an assessment of the likelihood of further claims in the entire population of cases of non-contractual use of the land.

As at 31 December 2019, the provision for claims for non-contractual use of land amounts to PLN 210 million.

The increase in provision recognised in profit or

Our procedures included, without limitation, the following:

- understanding and assessing the conformity of the Group's accounting policy as regards the recognition of provisions for claims for non-contractual use of land with the respective financial reporting standards and learning about the applicable laws and market practice;
- analysing letters received independently from lawyers providing services to the Group in disputable cases in terms of:
 - correct and complete recognition of the amount of claims raised in the models used by the Group to calculate the provision, and
 - the legal assessment of the likelihood of their settlement unfavourable to the Group,Selected issues in this respect have been discussed with the management boards of

loss for the financial year ended 31 December 2019 amounts to PLN 28 million; at the same time, the use and reversal of this provision amounted to less than PLN 1 million.

Considering the materiality of this item in the consolidated financial statements, as well as the inherent risk of uncertainty in determining the amount of the provision, we have conducted an extensive analysis of this matter.

the Group companies to whom the claims relate;

- based on an analysis of a selected sample of the claims submitted, including in particular the course of the pending court proceedings, a critical assessment of the Group's assumptions and estimates (including the likelihood of a negative outcome) in relation to the recognised provision for claims for non-contractual use of land;
- analysis of the methodology for calculating the provision for claims not submitted to the Group, including assumptions as to the probability of further claims in the entire population of cases of non-contractual use of land, and an assessment of the consistency of the assumptions with those made in previous years,
- assessing the accuracy and completeness and disclosures in the consolidated financial statements.

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

The Management Board of the Parent Company is responsible for preparing annual consolidated financial statements that give a true and fair view of the Company's assets, financial position and financial performance in accordance with the International Financial Reporting Standards as endorsed by the European Union, the adopted accounting policies, the laws applicable to the Group, and the Articles of Association, as well as for maintaining such internal controls as it considers necessary to enable the preparation of consolidated financial statements that are free from any material misstatement, whether due to fraud or error.

When preparing consolidated financial statements, the Management Board of the Parent Company is responsible for assessing the Group's ability to continue as a going concern, for disclosing, if

applicable, any issues relating to the Group's continuing as a going concern, and for adopting the going concern basis of accounting, except where the Management Board intends to liquidate the Group or discontinue its business, or if there is no viable alternative to liquidating the Group or discontinuing the business.

The Parent Company's Management Board and members of its Supervisory Board are responsible for ensuring that the consolidated financial statements meet the requirements stipulated in the Accounting Act of 29 September 1994 (the "Accounting Act" – consolidated text: Journal of Laws of 2019, item 351, as amended).

Members of the Supervisory Board are responsible for supervising the financial reporting process.

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

Our aim was to obtain reasonable assurance that the consolidated financial statements taken as a whole are free from material misstatement due to

fraud or error and to issue a report containing our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit



conducted in accordance with NSA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

The scope of the audit does not include assurance as to the future profitability of the Group or the effectiveness or efficiency of managing its affairs by the Management Board of the Parent Company at present or in the future.

As part of an audit in accordance with NSA, we exercise professional judgement 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 the risk of not detecting one resulting from error. This is because fraud may involve collusion, forgery, deliberate omissions, misrepresentations or circumvention of internal controls;
- obtain 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 whether the accounting policies used are appropriate and whether accounting estimates and related disclosures made by the Management Board of the Parent Company are reasonable;
- conclude on whether the use of the going concern basis of accounting by the Parent Company's Management Board was appropriate and, based on the audit evidence obtained, whether any 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 such material uncertainty exists, we are required to draw attention in our auditor's report 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 as at the date of our auditor's report. 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 all disclosures, and assess whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and 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 regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any material weakness in internal control that we identify during our audit.

We also provide the Audit Committee 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, we determined those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report 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, including the Report of the Management Board on the operations of the Group

Other information

Other information includes the Report of the Management Board on the operations of the Group for the financial year ended 31 December 2019 (the "Report of the Management Board on the operations of the Group"), together with the statement of compliance with corporate governance standards and the non-financial statement referred to in Article 55(2b) of the Accounting Act, which are separated as sections of that Report of the Management Board on the operations of the Group, as well as the Annual Report for the financial year ended 31 December 2019 (the "Annual report"), and consolidated report on payments to governments (the "Report on payments") (jointly "Other information").

Responsibility of the Management Board and the Supervisory Board

The Parent Company's Management Board is responsible for the preparation of the Other Information in accordance with applicable laws.

The Parent Company's Management Board and members of the Parent Company's Supervisory Board are required to ensure that the Report of the Management Board on the operations of the Group and its specific sections meet the requirements set out in the Accounting Act.

Registered auditor's responsibility

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

In connection with our audit of consolidated financial statements, our responsibility is to read Other Information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we conclude, based on our work, that there is a material misstatement of Other Information, we are required to report that fact. In accordance with the Act on Registered Auditors, we are also required to issue an opinion on whether the Report of the Management Board on the operations of the Group has been prepared in compliance with the

applicable laws and regulations and whether it is consistent with the information contained in the annual consolidated financial statements.

We are also obliged to issue an opinion as to whether the Group has included the required information in its statement of compliance with corporate governance rules, and to communicate whether the Group has prepared a statement of non-financial information.

We received the Report of the Management Board on the operations of the Group before the date of this audit report, and the Annual Report will be available after that date.

If we identify a material misstatement in the Annual Report, we are required to report that fact to the Supervisory Board of the Parent Company.

Opinion on the Report of the Management Board on the operations of the Group

Based on the work we have performed as part of our audit, we believe that the Report of the Management Board on the operations of the Group:

- was prepared in accordance with Article 49 of the Accounting Act and Section 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (the "Regulation on Current Information" – Journal of Laws of 2018, item 757);
- contains information consistent with information disclosed in the consolidated financial statements.

We further represent that, based on our knowledge of the Group and its environment obtained during the audit, we did not identify any material misstatements in the Report of the Management Board on the operations of the Group.

Opinion on the statement of compliance with corporate governance standards



In our opinion, in the statement of compliance with corporate governance standards, the Group included the information specified in Section 70(6)(5) of the Regulation on Current Information. Further, we believe that the information referred to in Section 70(6)(5)(c–f), 70(6)(5)(h) and 70(6)(5)(i) of the Regulation on Current Information, contained in the statement of compliance with corporate governance rules, complies with the applicable laws and is consistent with the information disclosed in the consolidated financial statements.

Non-financial statement

As required under the Act of Registered Auditors, we report that the Group has prepared a statement

on non-financial information referred to in Article 55(2b) of the Accounting Act, forming a separate part of the Report of the Management Board on the operations of the Group.

We did not perform any assurance work regarding the non-financial statement and we do not give any assurance about it.

Opinion on the Report on payments

We represent that, based on our knowledge of the Group and its environment obtained during the audit, we identified no material misstatements in the Report on payments.

Report on other legal and regulatory requirements

Statement on provision of non-audit services

To the best of our knowledge and belief, we hereby represent that the non-audit services that we have provided to the Parent Company and its subsidiaries are compliant with the applicable laws and regulations in Poland and we have not provided any non-audit services that are prohibited under Article 5(1) of the EU Regulation or Article 136 of the Act on Registered Auditors.

The non-audit services that we provided to the Parent Company and its subsidiaries in the audited period are disclosed in the Report of the

Management Board on the operations of the Group.

Appointment of audit firm

We were appointed to audit the annual consolidated financial statements of the Group for 2018–2020 by the Supervisory Board resolution of 19 December 2017. We have been auditing the Group's consolidated financial statements starting from the statements for the financial year ended 31 December 2018, i.e. for two consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., an audit firm entered on the list of Registered Audit Companies with the number 144, is Piotr Bejger.

Piotr Bejger
Key Registered Auditor
No 10950

Warsaw, 4 June 2020