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 Polenergia S.A.

Report on the audit of consolidated financial statements

Our opinion

In our opinion, the attached annual consolidated financial statements of the group Polenergia S.A. („the Group"), in which Polenergia S.A. is the parent entity ("the Parent entity"):

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Group and the Parent Company's Articles of Association;

Our opinion is consistent with our additional report to the Audit Committee issued on the date of this report on 4 March 2019.

What we have audited

We have audited the annual consolidated financial statements of the group Polenergia S.A. which comprise:

- the consolidated statement of financial position as at 31 December 2018;

and the following prepared for the financial year from 1 January to 31 December 2018:

- the consolidated statement of comprehensive income and the consolidated the statement of comprehensive other income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows, and
- the introduction to the consolidated financial statements and additional notes and explanations.

Basis for opinion

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing as 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, Registered Audit Companies and Public Oversight ("the Act on Registered Auditors" – Journal of Laws of 2017, item 1089 as amended) and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities ("the EU Regulation" – Journal of Laws EU L158). Our responsibilities under those NSA are further described in the *Auditor's responsibilities 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.

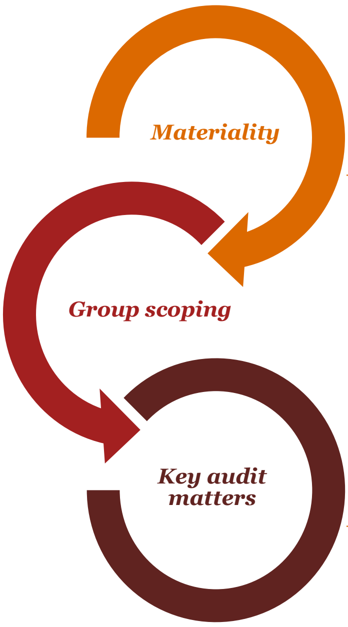
Independence and ethics

We are independent of the Group in accordance with the International Federation of Accountants' *Code of Ethics for Professional Accountants* ("the IFAC Code") as adopted by resolutions of the

National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC's Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

Our audit approach

Overview



- The overall materiality threshold adopted for the purposes of our audit was set at PLN 27,500 thousand, which represents 0,9% of the Group's total assets.

- We have audited the Parent Company and 9 subsidiaries in Poland.
- The audit team visited the following subsidiaries Polenergia Elektrownia Nowa Sarzyna Sp. z o.o., Polenergia Dystrybucja Sp. z o.o., Polenergia Obrót S.A., Amon Sp. z o.o., Talia Sp. z o.o., Grupa PEP Farma Wiatrowa 1 Sp. z o.o., Grupa PEP Farma Wiatrowa 4 Sp. z o.o., Grupa PEP Farma Wiatrowa 6 Sp. z o.o., Polenergia Farma Wiatrowa Mycielin Sp. z o.o.
- The scope of our audit covered 98% of the Group's revenue and 89% of the sum of total assets of all the consolidated Group companies before consolidation eliminations.

- Impairment of goodwill
- The recognition of the transactions of the loss of control over Polenergia Bałtyk I S.A., MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o.
- Impairment of property, plant and equipment

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Parent Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that 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 that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operated.

Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error.

They 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.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole, as presented below. These thresholds, together with qualitative considerations, helped us to determine the scope of our audit and 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 used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the unadjusted misstatements (if any), on the financial statements, and also when forming the registered auditor's report. Therefore, all opinions, assertions and statements contained in the registered auditor's report have been made taking into consideration the quantitative and qualitative materiality levels determined in accordance with the audit standards and the registered auditor's professional judgement.

Overall Group materiality	year 2018: PLN 27,500 thousand, year 2017: PLN 23,900 thousand
Basis for determination	0,9% of total assets of the Group
Rationale for the materiality benchmark applied	*We have adopted the Group's total assets as the basis for determining materiality because, in our opinion, it is an indicator which most accurately reflects the Group's operations and is commonly used by the users of financial statements. Operational activities carried out by the Group are related to significant expenditures invested in fixed assets, of which a part is still under construction. The sum of total assets is also a generally adopted benchmark. We adopted the materiality threshold at 0,9% because based on our professional judgement it is within the acceptable quantitative materiality thresholds .*

We agreed with the Parent Company's Audit Committee that we would report to them of misstatements identified during our audit of the consolidated financial statements above PLN 2,750 thousands, as well as any misstatements below that amount, that in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from 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 summarized our response to these risks and, when deemed appropriate, presented the most important observations relating to these risks. We do not provide a separate opinion on these matters

Key audit matter	***How our audit addressed the key audit matter***
Impairment of goodwill	Our audit procedures included, in particular:

Goodwill of PLN 69.6 million was recognized in the Group's consolidated financial statements as at 31 December 2018. Goodwill arose in the prior years primarily as a result of a contribution in kind made to the Group in the form of 100% of the shares in Neutron Sp. z o.o. (a group of companies conducting operating activities).

Goodwill is described in note 15 to the consolidated financial statements.

In accordance with the IFRS, the Management Board conducts goodwill impairment tests attributed to a cash generating unit at least at the end of each financial year, calculating the recoverable value using the value in use method.

Conducting the impairment test requires making a number of material assumptions and judgements for each of the tested cash generating units regarding, among other things, the strategy adopted by the cash generating unit, to which the goodwill was assigned, the financial plans and cash flow forecasts for successive years, as well as the macroeconomic and market assumptions.

Following the impairment tests conducted, the Group recognized a loss on goodwill impairment for the conventional power segment encompassing Polenergia Elektrociepłownia Nowa Sarzyna of PLN 40 million. As for the remaining segments, which include distribution and sales, the Group has not identified any goodwill impairment.

In view of the inseparable risk of uncertainty related to material estimates made by the Management Board, we acknowledged that this is a key issue of our audit.

- the understanding and assessment of the process of estimating impairment of goodwill, as well as the principles of identification of the cash generating units;
- the analysis of the Management Board's impairment test, in particular (a) a critical assessment of the assumptions made by the Group's Management Board and the estimates made to specify the recoverable value (the period encompassed by the cash flow forecast and its assumed level of revenues, the operating margin and future capital expenditure, as well as the discount rate used), including with the support of PwC's experts from the power sector, as well as benchmarking the amounts planned by the Management Board to independent market data, (b) verification of the mathematical correctness and methodological consistency of the discounted cash flow valuation model, using PwC's internal valuation specialists;
- the assessment of the impact of the sensitivity analysis of the adopted assumptions made by the Management Board on the result of the assessment of impairment;
- the assessment of the correctness and completeness of the disclosures regarding the impairment tests in the consolidated financial statements.

The recognition of the transactions of the loss of control over Polenergia Bałtyk I S.A., MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o.

In the consolidated financial statements as at the balance sheet date, the Group presented a sales transaction transferring ownership of 50% of the shares in the subsidiaries, MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. to Statoil (Equinor). Simultaneously,

Our audit procedures included, in particular:

- the analysis of the sales contracts and additional accompanying contracts, as well as the assessment of whether the contractual provisions regarding the conditions of implementing the project enable the conclusion to be drawn that the Group has joint control over the Bałtyk companies, including consultations with internal IFRS experts to specify the correct recognition of the consequences of the concluded agreements in the financial statements;
- verification of the net asset valuation of the joint ventures

within this transaction, Statoil (Equinor) received an option to buy 50% of the shares in Polenergia Bałtyk I S.A.

The consequence of this sales transaction and the purchase option that was issued was the loss of control over Bałtyk I, Bałtyk II and Bałtyk III.

According to the Management Board's judgement, the 100% of shares retained in Bałtyk I and the 50% of shares in Bałtyk II and Bałtyk III and their resulting voting rights give the Polenergia Group joint control over these entities.

As a result, the Group recognized investments of PLN 161.8 M measures using the equity method in joint ventures in the consolidated financial statements as at the balance sheet date.

The profit from the loss of control over the subsidiaries of PLN 12.0 million was determined as the difference between the sales price, the fair value of the shares retained in the jointly controlled entities and the net assets of these entities as at the date of the loss of control. The calculation of the result on the transaction did not include the element of a contingent fee in the sales price which depended on the completion of specific stages or parameters of the investment made by the Bałtyk companies, as according to the Management Board, there is uncertainty as to whether the objectives conditioning the receipt of this fee were satisfied.

Information on the accounting recognition of the joint ventures has been presented in notes 9.16 and 18 to the consolidated financial statements.

In view of the materiality of the items in the consolidated financial statements, as well as because of the complexity of the issue and its sensitivity to the adopted assumptions and the judgements made, we believe that the method of recognizing the investment in the joint ventures is a key audit issue.

as at the transaction date;

- verification of accounting for the profit from loss of control over the subsidiaries;
- verification of the measurement of the option granted to Statoil (Equinor) which was at fair value measured in accordance with IFRS 9 as at the balance sheet date;

the assessment of the disclosures presented in the consolidated financial statements regarding the judgement made and the disclosures required on joint ventures.

Impairment of property, plant and equipment

In the consolidated financial statements as at 31 December 2018, the Group disclosed property, plant and equipment at a net amount

Our audit procedures included, in particular:

- the understanding and evaluation of the principles of identifying cash generating units and the process of estimating their recoverable values;

of PLN 1,589.3 million, which constitutes 52% of all of the Group's assets.

As at the balance sheet date impairment of property, plant and equipment amounted to PLN 216.8 million.

In accordance with the IFRS, the Group's Management Board assesses whether there is objective evidence suggesting the risk of impairment of property, plant and equipment and expenditure on fixed assets under construction as at the balance sheet date and, in the case of specific events, also during the year. If there is objective evidence, the Management Board calculates the recoverable value of the cash generating units with respect to which the risk was identified no less frequently than as at the balance sheet date.

The recoverable value is determined based on a number of material assumptions and judgements in respect of each of the tested cash generating units encompassing, in particular, the Group's strategy, the macroeconomic and market assumptions and the expectations as to the regulatory conditions. In the case of operating fixed assets, as well as fixed assets under construction, with respect to which the Group has business continuity plans, the assumptions and judgements made also include the financial plans and the cash flow forecasts.

As a result of the identification of evidence and impairment tests that were conducted, the Group recognized impairment of expenditure on fixed assets under construction in the development and implementation operating segment of PLN 8.8 million in total, as well as impairment of property, plant and equipment used in the biomass operating segment of PLN 29.9 million in the consolidated financial statements for 2018. At the same time, as a result of the tests conducted, the Management Board decided to reverse the impairment allowances with respect to the wind power operating segment of PLN 67.5 million.

The disclosures regarding impairment of property, plant and equipment were described in note 16 to the consolidated financial statements.

In view of the inherent risk of uncertainty related to material estimates made by the Management Board, we acknowledged that this is a key issue of our audit when valuing the

- the understanding and analysis of the assumptions and judgements made by the Management Board when assessing the recoverable value of the individual assets subjected to impairment tests;
- in the case of property, plant and equipment, for which the recoverable value was estimated on the basis of the models of the financial projections, our procedures included, in particular, the analysis of the Group Management Board's impairment test, in particular (a) a critical assessment of the assumptions made by the Group's Management Board and the estimates made to specify the recoverable value (the period encompassed by the cash flow forecast and its assumed level of revenues, the operating margin and future capital expenditure, as well as the discount rate used), including with the support of PwC's experts from the power sector, as well as benchmarking the values planned by the Management Board to independent market data, (b) verification of the mathematical correctness and methodological consistency of the discounted cash flow valuation model, using PwC's internal valuation specialists;
- the assessment of the impact of the sensitivity analysis of the adopted assumptions made by the Management Board on the result of the assessment of impairment;
- the assessment of the correctness and completeness of the disclosures regarding the impairment tests in the consolidated financial statements.

recoverable value of non-current assets.

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

The Management Board of the Parent Company is responsible for the preparation, of annual consolidated financial statements that give a true and fair view of the Group's financial position and results of operations, in accordance with the International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the applicable laws and the Company's Group's Articles of Association, and for such internal control as the Management Board 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 Parent Company's Management Board 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 either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Parent Company's Management Board and members of its Supervisory Board are obliged to ensure that the consolidated financial statements comply with the requirements specified in the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2019, item 351, as amended). Members of the Supervisory Board are responsible for overseeing the 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 auditor's 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 the 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 economic decisions of users taken on the basis of these consolidated financial statements.

The scope of the audit does not cover an assurance on the Group's future profitability or the efficiency and effectiveness of the Parent Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with the 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 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 Parent Company's Management Board.
- Conclude on the appropriateness of the Parent Company's Management Board'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 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 up to 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 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 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. [for entities which holds the Audit Committee or the Supervisory Board

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of 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 on the operations

Other information

Other information comprises a Report on the Company's operations for the financial year ended 31 December 2018 ("the Report on the operations") and the corporate governance statement which is a separate part of the Report on the operations (together "Other Information").

Responsibility of the Management and Supervisory Board

The Management Board of the Parent Company is responsible for preparing Other Information in accordance with the law.

The Parent Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the Group's operations including its separate parts complies with the requirements of the Accounting Act.

Registered auditor's responsibility

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

In connection with our audit of the consolidated financial statements, our responsibility is to read Other Information and, in doing so, consider whether it is materially inconsistent with the information in the consolidated financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in Other Information, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on the Registered Auditors, we are also obliged to issue an opinion on whether the Report on the operations has been prepared in accordance with the law and is consistent with information included in annual consolidated financial statements.

Moreover, we are obliged to issue an opinion on whether the Group provided the required information in its corporate governance statement

Opinion on the Report on the operations

Based on the work we carried out during the audit, in our opinion, the Report on the Company's operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para 71 of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("Regulation on current information" – Journal of Laws 2018, item 757):
- is consistent with the information in the consolidated financial statements.

Moreover, based on the knowledge of the Group and its environment obtained during our audit, we have not identified any material misstatements in the Report on the Company's Group's operations.

Opinion on the corporate governance statement

In our opinion, in its corporate governance statement, the Company Group included information set out in paragraph 70.6 (5) of the Regulation on current information. In addition, in our opinion, information specified in paragraph 70.6 (5)(c)–(f), (h) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the law and with information included in the consolidated financial statements.

Report on other legal and regulatory requirement

Statement on the provision of non-audit services

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

The non-audit services which we have provided to the Company and its subsidiaries in the audited period are disclosed in note 37 on the financial statements.

Appointment

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 13 may 2015 for 3 years and re-appointed by resolution dated 27 April 2018 for 2 years. We have been auditing the Group's financial statements without interruption since the financial year ended 31 December 2015, i.e. for 4 consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (formerly: PricewaterhouseCoopers sp. z o.o.), a company entered on the list of Registered Audit Companies with the number 144., is Anna Góra

Anna Góra

Key Registered Auditor

No. 10519

Warsaw, 4 March 2019