

# **Auditor's report**

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# Independent Auditor's audit report

on the annual financial statements of  
PGE Polska Grupa Energetyczna S.A.  
with the registered office in Lublin  
for the financial year from 1 January 2022 to 31 December 2022



*This document is a free translation of the independent auditors' report issued in Polish in electronic format. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation to enhance understanding. The binding Polish original should be referred to in matters of interpretation.*

# Independent Auditor's audit report on the annual financial statements

## To the General Meeting of PGE Polska Grupa Energetyczna S.A.

### Report on the audit of the financial statements

#### Opinion on financial statements

We have audited the accompanying annual financial statements of PGE Polska Grupa Energetyczna S.A., with its registered office in Lublin, Aleja Kraśnicka 27, hereinafter referred to as the „Company”, for the financial year from 1 January 2022 to 31 December 2022, which comprise statement of comprehensive income for the financial year ending 31 December 2022, statement of financial position as at 31 December 2022, statement of changes in equity, statement of cash flows for the financial year ending on that date and general information, the basis for the preparation of the financial statements and other explanatory information.

The financial statements have been prepared in an electronic format as a file entitled JednostkoweSFPGE2022.xhtml, and have been signed with electronic signatures of the Management Board of the Company on 20 March 2023.

The annual financial statements have been prepared in accordance with the principles of accounting and financial reporting specified in the International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission, hereinafter referred to as „IFRS EU”.

In our opinion, the accompanying annual financial statements of PGE Polska Grupa Energetyczna S.A.:

- give true and fair view of the financial position of the Company as of 31 December 2022, its financial performance and cash flows for the year then ended in accordance with the applicable EU IFRS and the adopted accounting principles (policy),
- comply, in all material respects, as to the form and content with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state, hereinafter referred to as the „Regulation on current and periodic information”, the Accounting Act of 29 September 1994, hereinafter referred to as the „Accounting Act”, EU IFRS, applicable to the preparation of financial statements for the periods ending 31 December 2022, as well as with the provisions of the Company's Articles of Association affecting its content,

- have been prepared, in all material respects, based on the properly kept accounting records in accordance with the Chapter 2 of the Accounting Act.

We conducted the audit of the financial statements in accordance with the National Auditing Standards, in the wording of the International Auditing Standards, adopted by the National Council of Statutory Auditors, hereinafter referred to as the „National Auditing Standards”, the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight, hereinafter referred to as the „Act on Statutory Auditors”, applicable to audits of financial statements prepared for the periods ending 31 December 2022, and the Regulation of the European Parliament and the Council (EU) 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, repealing Commission Decision 2005/909/EC (OJ EU L 158 of 27 May 2014, p. 77 and OJ EU L 170 of 11 June 2014, p. 66), hereinafter referred to as the „Regulation 537/2014”.

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including the International Independence Standards), hereinafter referred to as the „IESBA Code”, adopted by the National Council of Statutory Auditors and with the independence requirements set out in the Act on Statutory Auditors and in Regulation 537/2014. We have also fulfilled our other ethical obligations set out in the Act on Statutory Auditors, Regulation 537/2014 and the IESBA Code.

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

#### Key audit matters (issues) including significant risks of material misstatement presented in accordance with the requirements of Regulation 537/2014

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They are selected from:

- areas for which we have assessed the risk of material misstatement as high,
- significant risks of material misstatement,
- our significant judgments relating to areas of the financial statements requiring significant judgments by the Company's Management Board,
- events and transactions that had a significant impact on our audit.



In addition, Regulation 537/2014 requires us to disclose in the audit report all significant risks of material misstatement, including those that were not a key audit matter for us. Significant risks of material misstatement are risks of material misstatement identified by us that, in our judgment, require special consideration in our audit.

The key audit matters presented below include the most significant risks of material misstatement referred to in Regulation 537/2014 and other matters that we have identified as key audit matters.

The key audit matters and significant risks of material misstatement were addressed by us in the context of our audit of the annual financial statements as a whole and in forming our opinion thereon, and we do not issue a separate opinion on them.

### Key audit matter: *Impairment of shares and stocks in subsidiaries*

Was the key issue a significant risk: **YES**

Key audit matter's description	How the matter was addressed in the audit
<p>As at 31 December 2022, the value of shares and stocks in subsidiaries presented in the statement of financial position amounted to PLN 29 441 million, which is 45% of the balance sheet total.</p> <p>The Company measures its shares and stocks in subsidiaries at purchase price, which in the event of impairment is adjusted by the amount of the revaluation impairment.</p> <p>At the end of each reporting period, in accordance with International Accounting Standard 36 „Impairment of Assets”, the Company assesses whether there are any indications that an asset may be impaired. If such indications are found, the Company conducts asset impairment tests.</p> <p>Impairment tests include elements of estimates and judgments, in particular regarding assumptions as to future cash flows and the calculation of the discount rate included in the models of discounted cash flows being the basis for the revaluation impairments.</p> <p>Considering the risk of uncertainty related to significant judgments and estimates made by the Company's Management Board and the significant value of the balance sheet item, we decided that this is a key audit matter for us.</p> <p>Note 8 to the financial statements describes the principles of valuation of shares and stocks in subsidiaries. Note 8.1 of the financial statements presents key information on the impairment of these assets.</p>	<p>During the audit, we performed procedures aimed at obtaining sufficient and appropriate audit evidence regarding the correctness of valuation of shares and stocks in subsidiaries. Below we present the performed procedures, which in our opinion were crucial for achieving the audit objectives:</p> <ul style="list-style-type: none"> <li>analysis of the accounting policy regarding the valuation of shares and stocks in subsidiaries,</li> <li>recognition of the process of identifying indications of impairment of shares by the Company's Management Board,</li> <li>discussion with the Company of the existence of premises indicating the possibility of impairment of shares in subsidiaries,</li> <li>assessment of impairment premises identified by the Company's Management Board,</li> <li>assessment of the method (model) of estimating the recoverable amount and checking the mathematical correctness of the calculations,</li> <li>critical assessment of the reasonableness of the assumptions made in impairment tests,</li> <li>verification of input data included in impairment tests,</li> <li>verification of the correctness of determining the value of impairments,</li> <li>assessment of completeness and adequacy of disclosures in the financial statements related to the valuation of shares and stocks in subsidiaries.</li> </ul>

### Other matters

The Company's financial statements for the year ended 31 December 2021 were audited by a statutory auditor acting on behalf of another audit firm, who expressed an unmodified opinion on these statements on 21 March 2022.

### Other information included in the annual report

Other information included in the annual report include financial and non-financial information other than the financial statements and our report. Other information includes, among others, the report on the Company's activities for the year ended 31 December 2022, together with a statement on the application of corporate governance referred to in art. 49 section 2a of the Accounting Act, and the statement on non-



financial information referred to in art. 49b section 1 of the Accounting Act, which are separate parts of this report on activities.

The Company's Management Board and members of the Supervisory Board are responsible for preparing other information.

Our opinion on financial statements does not cover the other information and, except to the extent otherwise explicitly stated in Report on Other Legal and Regulatory Requirements below, we do not express any form of assurance conclusion thereon. Furthermore, scope of our work related to the other information conducted in the course of our audit and related assurance conclusion is only as we describe below.

In connection with our audit of the financial statements, our responsibility, in accordance with National Auditing Standards, is to read the other information during the audit, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be inconsistent significantly misstated.

If, based on the work we have performed on other information that we have obtained prior to the date of this audit report, we conclude that there is a material misstatement of that other information, we are required to include such information in the audit report. We have nothing to report in this regard.

We obtained the report on the Company's activities before the date of this audit report, and the Annual Report will be available after that date. In the event that we find a material misstatement in the Annual Report, we are obliged to inform the Supervisory Board of the Company.

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

The Management Board of the Company is responsible for the preparation of the annual financial statements that give true and fair view in accordance with IFRS EU, its compliance with the applicable laws and the Company's Articles of Association, as well as for keeping accounting books in accordance with the principles set out in the Accounting Act.

The Management Board is also responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. When choosing accounting principles and policies and preparing the financial statements, the Company's Management Board is also responsible for making the assumption that the entity will continue its operations in the foreseeable future in an undiminished manner, unless the Company's Management Board intends to liquidate or cease operations or when there is no other real possibility to continue it.

Members of the Supervisory Board are responsible for overseeing the Company's financial reporting process.

Pursuant to the Accounting Act, the Management Board of the Company and members of the Supervisory Board are obliged to ensure that the annual financial statements meet the requirements provided for in the Accounting Act.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 above-mentioned standards 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 financial statements.

As part of an audit in accordance with National Standards on Auditing we:

- apply professional judgment and maintain professional skepticism throughout the audit,
- identify and assess the risks of material misstatement of the 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 and may apply to any area of law and regulation, not just those directly affecting the financial statements,
- 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 Company's internal control,
- evaluate the appropriateness of accounting principles (policy) used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Company,
- conclude on the appropriateness of the Company's Management Board's use of the going concern assumption when applying the adopted accounting principles (policy), and based on the audit evidence collected, we assess whether there is a material uncertainty regarding events or conditions that may raise significant doubts as to the Company's ability to continue as a going concern. When we assess that a material uncertainty exists, we are required in our audit report to either draw attention to the disclosures in the financial statements regarding that uncertainty or to modify our opinion on the financial statements if the disclosures are inadequate. Our assessment is based on the audit evidence obtained up to the date of our audit report. However, events or conditions may occur in the future that may cause the Company to discontinue its operations,
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





We communicate information related to the audit to the Supervisory Board and the Audit Committee, in particular about the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during the audit.

We have provided the Audit Committee with a statement that we comply with relevant ethical requirements regarding independence and that we will inform the Committee of all relationships and other matters that could reasonably be considered to pose a threat to our independence and, where applicable, we inform about the safeguards applied.

The scope of the audit does not include assurances as to the future profitability of the Company or the effectiveness or efficiency of the management of its affairs by the Company's Management Board now or in the future.

From the matters communicated to the Supervisory Board, we determined those matters that were of most significance in the audit of the financial statements for the current reporting period and therefore identified them as key audit matters. We describe these matters in our audit report in the „Key audit matters (issues) including significant risks of material misstatement presented in accordance with the requirements of Regulation 537/2014” section, except for matters where law or regulation precludes public disclosure or when, in exceptional 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 doing so.

Pursuant to the Act on Statutory Auditors, we are also obliged to include in the audit report an opinion on whether the financial statements comply in terms of form and content with the provisions of law applicable to the Company and the Articles of Association, and an opinion on whether they have been prepared on the basis of properly kept accounting books. We report on these matters based on the work undertaken in the course of the audit.

## Report on Other Legal and Regulatory Requirements

### Information on the fulfillment of other obligations arising from the provisions of law regarding the financial statements

Regulatory requirements of Article 44 of the Act dated 10 April 1997 r. on energy law (Journal of Law from 2021, item 718 with amendments), hereinafter referred to as "energy law"

The relevant items of the balance sheet and profit and loss accounts presented in the explanatory note 23.2, prepared separately for each business activity in the field of trading in gaseous fuels, meet in all material respects the requirements for ensuring equal treatment of customers and eliminating cross-subsidization between these activities set out in Art. 44 sec. 2 of the Energy Law.

### Report on the Company's activities

The report on the Company's activities was prepared together with the consolidated report on the activities of the PGE Polska Grupa Energetyczna S.A. Capital Group as one document in the form of an electronic file entitled PGESASprawozdanieZarzaduZDzialalnosci.xhtml, and have

been signed with electronic signatures of the Management Board of the Company on 20 March 2023.

### Responsibility of the Management Board and the Supervisory Board

The Management Board of the Company is responsible for the preparation of the report on activities in accordance with the provisions of law. The Management Board of the Company and members of the Supervisory Board are responsible for ensuring that the report on activities is compliant with the requirements of the Accounting Act.

### Auditor's Responsibilities

Pursuant to the requirements of the Act on Statutory Auditors and the Regulation on current and periodic information, we are obliged to issue an opinion on whether the report on activities takes into account the provisions of this Regulation and the Accounting Act, and whether it is consistent with the information contained in the annual financial statements.

In addition, we are obliged to issue a statement whether, in the light of the knowledge about the Company and its environment obtained during the audit, we have found significant misstatements in the report on activities, and if so, indicate what they consist of.

At the same time, we are obliged to issue an opinion whether the statement on the application of corporate governance, which is a separate part of the report on activities, contains specific information indicated in the regulation on current and periodic information, and with regard to some information indicated in this regulation, whether this information is consistent with applicable provisions of law and information contained in the annual financial statements.

We have read the report on the Company's activities, including the statement on the application of corporate governance. We have analyzed whether it contains the information required by the above provisions of law and checked whether the information contained therein is consistent with the information contained in the annual financial statements. With regard to some of the information contained in the corporate governance statement, we have analyzed whether it complies with the law. While reading the report on the activities, based on our knowledge of the Company and its environment, we considered whether it did not contain any material misstatements.

### Opinion on the report on the Company's activities

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the accompanying report on activities of PGE Polska Grupa Energetyczna S.A. for the financial year ended 31 December 2022:

- has been prepared in accordance with Art. 49 of the Accounting Act and paragraph 70 of the Regulation on current and periodic information,
- the information presented in this report is consistent with the information contained in the audited financial statements.

In the light of the knowledge and understanding of the Company and its environment obtained during the course of the audit we have not identified material misstatements in the report on the activities.



*Opinion on the corporate governance statement*

In our opinion, based on the work performed in connection with the audit of the annual financial statements:

- the statement on the application of corporate governance contains the information specified in paragraph 70 sec. 6 point 5 of the regulation on current and periodic information,
- information indicated in paragraph 70 sec. 6 point 5 lit. c)-f), h) and i) of this regulation contained in this statement are consistent with the applicable regulations and the information contained in the audited financial statements.

*Information on the preparation of a report on non-financial information*

In accordance with the requirements of the Act on Statutory Auditors, we would like to inform you that the Management Board of the Company included in the report on activities information on the preparation of a separate report on non-financial information referred to in Art. 49b sec. 9 of the Accounting Act and that the Company's Management Board prepared such a separate report. This report was prepared together with the report on non-financial information of the PGE Polska Grupa Energetyczna S.A. Capital Group. as one document.

We have not performed any assurance work on the separate non-financial information report and we do not express any assurance thereon.

**Other information and statements required by Regulation 537/2014***Consistency of the opinion on the financial statements with the additional report for the audit committee*

Our opinion on the annual financial statements is consistent with the additional report for the Audit Committee referred to in Regulation 537/2014.

*Selection of the audit firm and the total uninterrupted period of the engagement*

We were appointed to audit the Company's annual financial statements by resolution 420/XI/2021 of the Supervisory Board of 15 September 2021. We are auditing the Company's financial statements as a public interest entity for the first time.

*Non-statutory audit services*

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited by Art. 5 sec. 1 of Regulation 537/2014 in the periods indicated therein.

*Digitally signed on the Polish original*

Mirosława Cienkowska  
Statutory Auditor No 10992

Przemysław Koblak  
Statutory Auditor No 13416

key statutory auditors conducting the audit  
on behalf of PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k.  
audit firm no 477

Orzycka 6 lok. 1B  
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Warsaw, 20 March 2023

