

Auditor's report

passion

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quality

clarity



Independent Auditor's audit report

on the annual consolidated financial statements of

PGE Polska Grupa Energetyczna S.A. Capital Group

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 consolidated financial statements

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

Report on the audit of the annual consolidated financial statements

Opinion on annual consolidated financial statements

We have audited the accompanying annual consolidated financial statements of PGE Polska Grupa Energetyczna S.A. Capital Group, hereinafter referred to as the „Group”, where the parent company is PGE Polska Grupa Energetyczna S.A. with its registered office in Lublin, Aleja Kraśnicka 27, hereinafter referred to as the „Parent Company”, for the financial year from 1 January 2022 to 31 December 2022, which comprise consolidated statement of comprehensive income for the financial year ending 31 December 2022, consolidated statement of financial position as at 31 December 2022, consolidated statement of changes in equity, consolidated 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.

This report has been prepared in a uniform electronic reporting format contained in an electronic file provided as part of the reporting package named PGE Polska Grupa Energetyczna-2022-12-31-pl.zip with electronic signatures of the Management Board of the Parent Company on 20 March 2023.

The annual consolidated 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 consolidated financial statements of the PGE Polska Grupa Energetyczna S.A. Capital Group:

- give true and fair view of the financial position of the Group 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 provisions of law applicable to the Group as well as with the provisions of the Parent Company's Articles of Association affecting its content.

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 Consolidated Financial Statements* section of our report.

We are independent of the Group 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 most significant in our audit of the annual consolidated financial statements of the current period. They are selected from:

- a) areas for which we have assessed the risk of material misstatement as high,
- b) significant risks of material misstatement,
- c) our significant judgments relating to areas of the annual consolidated financial statements requiring significant judgments by the Parent Company's Management Board,
- d) 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 consolidated 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 tangible fixed assets	
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 net value of tangible fixed assets presented in the consolidated statement of financial position amounted to PLN 64 388 million, which is 61% of the Group's assets.</p> <p>Pursuant to IAS 36 Impairment of Assets, at the end of each reporting period the Parent Company assesses whether there are any indications of impairment of tangible fixed assets and performs an impairment test of these assets if they occur. Assets grouped into cash-generating units are tested for impairment.</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 impairment.</p> <p>Considering the risk of uncertainty related to significant judgments and estimates made by the Parent 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 3 and note 9 to the consolidated financial statements present disclosures regarding the conducted impairment tests, the key assumptions adopted in their performance, the principles of tangible fixed assets valuation, and revaluation impairments.</p>	<p>During the audit, we performed procedures aimed at obtaining sufficient and appropriate audit evidence regarding the correctness of valuation of tangible fixed assets. Below we present the performed procedures, which in our opinion were crucial for achieving the audit objectives:</p> <ul style="list-style-type: none"> • assessment of compliance of the Group's accounting policy with respect to tangible fixed assets with the relevant financial reporting standards, • understanding the process, including the internal control environment, identification of indications and assessment of impairment of the Group's tangible fixed assets, • analysis of impairment tests for tangible fixed assets, • critical assessment of the reasonableness of the assumptions adopted by the Management Board of the Parent Company for impairment tests of profit-generating units; in particular, verification and analysis of reasonableness of assumptions affecting future cash flows and discount rates, • mathematical verification of the correctness of the calculation of impairments and reconciliation of the recognition of impairments in the consolidated financial statements, • assessment of completeness and adequacy of disclosures in the consolidated financial statements related to the valuation of tangible fixed assets.

Other matters

The Group's annual consolidated 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 consolidated annual report

Other information included in the annual consolidated report include financial and non-financial information other than the annual consolidated financial statements and our report. Other information includes, among others, the report on the Group'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 Management Board and members of the Supervisory Board of the Parent Company are responsible for preparing other information.

Our opinion on annual consolidated 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 annual consolidated 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 annual consolidated 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 Group's activities before the date of this audit report and the consolidated annual report will be available after that date. In the event that we find a material misstatement in the consolidated annual report, we are obliged to inform the Supervisory Board of the Parent Company.

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

The Management Board of the Parent Company is responsible for the preparation of the annual consolidated financial statements that give true and fair view in accordance with IFRS EU, its compliance with the provisions of law applicable to the Group and the Parent Company's Articles of Association, including its preparation in accordance with the requirements of the ESEF Regulation.

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

The Management Board of the Parent Company is responsible for assessing the Group'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 consolidated financial statements, the Parent Company's Management Board is also responsible for making the assumption that the Group will continue its operations in the foreseeable future in an undiminished manner, unless the Parent 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 of the Parent Company are responsible for overseeing the Group's financial reporting process.

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

Auditor's responsibilities for the audit of the annual consolidated financial statements

The objective of an audit is 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 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 consolidated 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 and
- 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 and may apply to any area of law and regulation, not just those directly affecting the consolidated 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 Group'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 Parent Company,
- conclude on the appropriateness of the Parent 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 Group'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 consolidated financial statements regarding that uncertainty or to modify our opinion on the consolidated 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 Group to discontinue its operations,
- evaluate the overall presentation, structure and content of the annual consolidated financial statements, including the disclosures, and whether the annual 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 entities and businesses within the Group to express an opinion on the annual consolidated financial statements. We are responsible for directing, supervising and performing the audit of the annual consolidated financial statements and we remain solely responsible for our audit opinion.

We communicate information related to the audit to the Supervisory Board and the Audit Committee of the Parent Company, 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 of the Parent Company 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 Group or the effectiveness or efficiency of the management of its affairs by the Parent Company's Management Board now or in the future.

From the matters communicated to the Supervisory Board of the Parent Company, we determined those matters that were of most significance in the audit of the annual consolidated 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 presented in our report because the adverse consequences could reasonably be expected to outweigh the benefit of such information to the public interest.

Pursuant to the Act on Statutory Auditors, we are also obliged to include in the audit report an opinion on whether the annual consolidated financial statements comply in terms of form and content with the provisions of law applicable to the Group and the Articles of Association of the Parent Company, 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

Report on the Group's activities

The report on the Group's activities was prepared together with the report on the activities of the PGE Polska Grupa Energetyczna S.A. 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 Parent Company on 20 March 2023.

Responsibility of the Management Board and the Supervisory Board of the Parent Company

The Management Board of the Parent Company is responsible for the preparation of the report on the Group's activities in accordance with the provisions of law. The Management Board and members of the Supervisory Board of the Parent Company are responsible for ensuring that the report on Group's 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 Group's 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 consolidated financial statements.

In addition, we are obliged to issue a statement whether, in the light of the knowledge about the Group and its environment obtained during the audit, we have found significant

misstatements in the report on Group's activities, and if so, indicate what they consist of.

We are also obliged to issue an opinion whether the statement on the application of corporate governance, which is a separate part of the report on Group's 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 consolidated financial statements.

We have read the report on the Group'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 consolidated 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 Group and its environment, we considered whether it did not contain any material misstatements.

Opinion on the report on the Group's activities

In our opinion, based on the work undertaken in the course of the audit of the annual consolidated financial statements, the accompanying report on activities of PGE Polska Grupa Energetyczna S.A. Capital Group 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 annual consolidated financial statements.

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

Opinion on the corporate governance statement

In our opinion, based on the work performed in connection with the audit of the annual consolidated 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 consolidated 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 Parent Company included in the report on Group's 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 Parent 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. 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.

Opinion on the compliance of the marking of the consolidated financial statements prepared in a uniform electronic reporting format with the requirements of the regulation on technical standards regarding the specification of a uniform electronic reporting format

In connection with the audit of the consolidated financial statements, we were engaged to perform a reasonable assurance engagement in order to express an opinion on whether the consolidated financial statements of the Capital Group as at and for the year ended 31 December 2022, prepared in a uniform electronic reporting format, contained in a file entitled PGE Polska Grupa Energe-2022-12-31-pl.zip, hereinafter referred to as the „ESEF consolidated financial statements”, has been marked in accordance with the requirements set out in Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and Council with regard to Regulatory Technical Standards for the Specification of the Single Electronic Reporting Format, hereinafter referred to as the „ESEF Regulation”.

Identification of criteria and description of the subject of the engagement

The consolidated financial statements in the ESEF format have been prepared by the Management Board of the Parent Company in order to meet the labeling requirements and technical requirements regarding the specification of the uniform electronic reporting format, which are set out in the ESEF Regulation.

The subject of our assurance service is the compliance of the marking of consolidated financial statements in the ESEF format with the requirements of the ESEF Regulation, and the requirements set out in these regulations are, in our opinion, appropriate criteria for our opinion.

Responsibility of the Management Board and Supervisory Board of the Parent Company

The Management Board of the Parent Company is responsible for the preparation of the consolidated financial statements in the ESEF format in accordance with the labeling requirements and technical requirements regarding the specification of the uniform electronic reporting format, which are set out in the ESEF Regulation. This responsibility includes the selection and use of appropriate XBRL tags, using the taxonomy set out in these regulations.

The responsibility of the Management Board of the Parent Company also includes designing, implementing and maintaining an internal control system ensuring the preparation of consolidated financial statements in the ESEF format, free of material non-compliance with the requirements of the ESEF Regulation.

Members of the Supervisory Board of the Parent Company are responsible for overseeing the financial reporting process, which also includes the preparation of financial statements in accordance with the format resulting from applicable law.

Auditor's Responsibilities

Our goal was to express an opinion, based on the assurance engagement that provided reasonable assurance, whether the consolidated financial statements in the ESEF format have been marked up in accordance with the requirements of the ESEF Regulation.

We performed the service in accordance with the National Standard on Assurance Engagements regarding the audit of financial statements prepared in the uniform electronic reporting format 3001PL, hereinafter referred to as „KSUA 3001PL” and, where applicable, in accordance with the National Standard on Assurance Engagements Other than Audit and Review 3000 (Z), as amended International Standard on Assurance Engagements 3000 (amended) – „Assurance engagements other than audits or reviews of historical financial information”, hereinafter referred to as „KSUA 3000 (Z)”.

This standard requires the auditor to plan and perform procedures in such a way as to obtain reasonable assurance that the consolidated financial statements in ESEF format have been prepared in accordance with specified criteria.

Reasonable assurance is a high level of assurance, but it does not guarantee that an engagement conducted in accordance with KSUA 3001PL and, where applicable, in accordance with KSUA 3000(Z) will always detect a material misstatement that exists..

The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement due to fraud or error. In assessing these risks, the auditor considers internal control related to the preparation of ESEF consolidated financial statements in order to design appropriate procedures to provide the auditor with sufficient and appropriate evidence in the circumstances. The assessment of the functioning of the internal control system was not carried out in order to express an opinion on the effectiveness of its operation.

Summary of the procedures

The procedures we planned and carried out included, among others:

- obtaining an understanding of the process of preparing consolidated financial statements in the ESEF format, including the process of selecting and using XBRL tags by the Company and ensuring compliance with the ESEF Regulation, including understanding the mechanisms of the internal control system related to this process;
- reconciliation of the tagged information contained in the ESEF consolidated financial statements to the audited consolidated financial statements;
- assessment of meeting the technical standards regarding the specification of a uniform electronic reporting format using a specialized IT tool, assessment of the completeness of marking information in the consolidated financial statements in the ESEF format with XBRL tags;
- assessment whether the applied XBRL tags from the taxonomy specified in the ESEF Regulation have been properly applied and whether taxonomy extensions were used in situations where the basic taxonomy specified in the ESEF Regulation did not identify relevant elements;



- assessment of the correctness of the anchoring of the applied taxonomy extensions in the basic taxonomy specified in the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to base our opinion on the compliance of the label with the requirements of the ESEF Regulation.

Ethical requirements, including independence

When carrying out the service, the statutory auditor and PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k., hereinafter referred to as "PKF Consult", complied with the independence requirements and other ethical requirements set out in the IESBA Code. The IESBA Code is based on the fundamental principles of honesty, objectivity, professional competence and due diligence, confidentiality and professional conduct. We have also complied with other independence and ethical requirements that apply to this assurance engagement in Poland.

Quality control requirements

PKF Consult applies national quality control standards in the wording of the International Quality Control Standard 1 – „Quality control of companies conducting audits and reviews of financial statements and performing other assignments of assurance and related services”, adopted by a resolution of the National Council of Statutory Auditors, hereinafter referred to as „KSKJ”.

In accordance with the requirements of the KSKJ, PKF Consult maintains a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion on compliance with the requirements of the ESEF Regulation

The basis for the opinion of the statutory auditor are the issues described above, therefore the opinion should be read taking into account these issues.

In our opinion, the attached consolidated financial statements in ESEF format, as at 31 December 2022 and for the year ended on that date, have been marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Other information and statements required by Regulation 537/2014

Consistency of the opinion on the annual consolidated financial statements with the additional report for the audit committee

Our opinion on the annual consolidated 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 Group's annual consolidated financial statements by resolution 420/XI/2021 of the Supervisory Board of September 15, 2021. We are auditing the Group's annual consolidated financial statements in the period when the Parent Company is 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

