

## INDEPENDENT AUDITOR'S REPORT

To Shareholders' Meeting and the Supervisory Board of PGE Polska Grupa Energetyczna S.A.

### Report on the Audit of the Annual Consolidated Financial Statements

#### Opinion

We have audited the annual consolidated financial statements of the group (the "Group") with PGE Polska Grupa Energetyczna S.A. as the parent (the "Parent"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including general information, basis for preparation of financial statements and other explanatory information (the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the economic and financial position of the Group as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union, and the adopted accounting policies;
- comply, as regards their form and content, with the applicable laws and the articles of association of the Parent.

Our opinion is consistent with the Additional Report to the Audit Committee, which we issued on March 22, 2021.

#### Basis for Opinion

We conducted our audit in accordance with the Polish Standards on Auditing ("PSAs") in the wording of the International Standards on Auditing adopted by the National Council of Statutory Auditors and in compliance with the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (the "Act on Statutory Auditors", Journal of Laws of 2020, item 1415) as well as Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation", Official Journal of the European Union L158). 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 principles of professional ethics specified in the International Code of Ethics for Professional Accountants (including International Independence Standards) ("Code of ethics") developed and issued by the International Ethics Standards Board for Accountants and adopted by the National Council of Statutory Auditors, together with the ethical requirements that are relevant to the audit of the financial statements in Poland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. Throughout the audit, both the key statutory auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

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

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They encompass the most significant assessed risks of material misstatement, including 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 summarized our response to those risks and, where appropriate, we presented the key findings related to those risks. We do not provide a separate opinion on these matters.

Key audit matter	How we addressed the matter
<i>Recoverability of the carrying amount of property, plant and equipment</i>	
<p>The value of property, plant and equipment presented in the Group's consolidated financial statements as at 31 December 2020 was PLN 61,741 million.</p> <p>In Note 9 to the consolidated financial statements as at 31 December 2020, the Group presented information concerning impairment of its property, plant and equipment. At the same time, according to the information presented in Note 3 to the consolidated financial statements, in the current reporting period the Group analyzed the indications and identified the factors which could have contributed significantly to a change in the value of its assets depending on external developments, including market parameters and internal strategic decisions.</p> <p>Having analyzed the above-mentioned indications, the Group tested its assets for impairment.</p> <p>In effect, based on up-to-date projections as to the use potential of the assets as well as current discount rates, the Management Board recognized in particular an impairment loss on the assets of PGE Górnictwo i Energetyka Konwencjonalna S.A. in the amount of PLN 530 million and reversed an impairment loss on the assets of PGE Klaster Sp. z o.o. of PLN 144 million.</p> <p>During the reporting period, the total net impairment loss on property, plant and equipment was PLN 654 million.</p> <p>The assessment of the value in use of the assets is what we consider to be the key area of audit risk due to significant judgment involved, including as regards the effect of changes in each key assumption used in the DCF models on the determination of the assets' value in use.</p>	<p>In particular, our audit procedures included:</p> <ul style="list-style-type: none"> <li>– an analysis of the consistent use of judgments made by the Group with respect to asset grouping into cash-generating units;</li> <li>– a critical assessment of the Group's Management Board's assumptions and estimates associated with the calculation of future cash flows (with the support of Deloitte's valuation experts), including: <ul style="list-style-type: none"> <li>- a comparison of assumptions made as to future cash flows (financial projections);</li> <li>- an analysis of the reasonableness of the key macroeconomic assumptions;</li> <li>- evaluation of the consistent application and reasonableness of the methodologies used in the models in relation to assumptions as to determination of cash flows and residual values after the medium-term planning period;</li> <li>- an analysis of the consistency of the discount rate calculation methodology and the correctness of such calculations;</li> </ul> </li> <li>– analysis of the impairment indications;</li> <li>– evaluation of the correctness and completeness of impairment disclosures.</li> </ul>

## **Responsibilities of the Management Board and the Supervisory Board of the Parent for the Consolidated Financial Statements**

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

The Management Board and members of the Supervisory Board of the Parent are obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 (the "Accounting Act", Journal of Laws of 2021, item 217). Members of the Parent's Supervisory Board are responsible for overseeing the financial reporting process.

## **Auditor's Responsibilities 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The scope of an audit does not include an assurance about the future profitability of the Group or the effectiveness or efficiency of the Parent's Management Board in managing the Group's affairs at present or in the future.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism 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's Management Board;
- conclude on the appropriateness of the Parent'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 Parent's Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and that we will communicate with it 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 Parent's Supervisory Board, we determined 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 Activities**

Other information includes a report on the Group's activities in the financial year ended December 31, 2020 (the "Report on the Activities"), together with a statement of compliance with corporate governance principles and a non-financial information statement, as referred to in Article 49b.1 of the Accounting Act, which constitute separate parts of the Report (together: the "Other Information").

Report on the Company's activities of PGE Polska Grupa Energetyczna S.A. and the PGE Group for 2020, was prepared in accordance with Article 55.2 of the Accounting Act as combined.

### *Responsibilities of the Management Board and the Supervisory Board*

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

The Management Board and members of the Supervisory Board of the Parent are obliged to ensure that the Report on the Activities, along with the separate parts, meet the requirements of the Accounting Act.

### *Auditor's Responsibilities*

Our opinion on the consolidated financial statements does not cover the Other Information. In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our auditor's report. Additionally, under the Act on Statutory Auditors we are obliged to express an opinion on whether the Report on the Activities has been prepared in accordance with the applicable laws and whether it is consistent with the information contained in the consolidated financial statements. Furthermore, we are obliged to state whether a non-financial information statement has been prepared by the Group and to express an opinion on whether the Group has included the necessary information in the statement of compliance with corporate governance principles.

## **Opinion on the Report on the Activities**

Based on our work performed during the audit, we are of the opinion that the Report on the Activities:

- has been prepared in accordance with Article 49 of the Accounting Act and par. 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (the “Current Information Regulation”, Journal of Laws of 2018, item 757, as amended);
- is consistent with the information contained in the consolidated financial statements.

Furthermore, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements of the Report on the Activities.

## **Opinion on the Statement of Compliance with Corporate Governance Principles**

In our opinion, the statement of compliance with corporate governance principles contains the information referred to in par. 70.6.5 of the Current Information Regulation. We are also of the opinion that the information referred to in par. 70.6.5I-(f), (h) and (i) of the Regulation, as contained in the statement of compliance with corporate governance principles, is in accordance with the applicable laws and consistent with the information included in the consolidated financial statements.

## **Information on Non-Financial Information**

In accordance with the requirements of the Act on Statutory Auditors, we would like to inform you that the Group does not prepare a non-financial information statement, relying on the exemption under Article 55.2c of the Accounting Act. In the Report on the Activities, the Group included information concerning the preparation of a separate non-financial report and its publication on the Group’s website within six months of the balance sheet date. By the date of this report, the Group had prepared a separate non-financial report and had not published it on its website.

We have not performed any assurance services relating to the separate non-financial report and we do not express any form of assurance conclusion thereon.

## **Report on Other Legal and Regulatory Requirements**

**Opinion of an independent auditor on the performance of an attestation service for verifying the conformity of consolidated financial statements drawn up in a single electronic reporting format with the requirements of the Technical Standards Regulation concerning the specifications of the single electronic reporting format**

### *Subject matter of the service*

In connection with the audit of the consolidated financial statements, we conducted an attestation service providing reasonable assurance as to the assessment, whether the Group's consolidated accounts for the year ended 31 December 2020 have been drawn up in accordance with the requirements set out in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards for the specification of the single electronic reporting format ("ESEF Regulation").

### *Identification of criteria*

The ESEF Regulation provides that issuers preparing their consolidated financial statements in accordance with IFRS shall prepare those statements in XHTML single electronic reporting format and tag the information contained therein in accordance with the IFRS taxonomy using Inline XBRL ("ESEF format").

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

The Management Board shall be responsible for drawing up the consolidated financial statements in the ESEF format. This responsibility shall include the selection and use of the relevant XBRL tags, using the taxonomia set out in the ESEF Regulation.

The responsibility of the Management Board shall also include the design, implementation and maintenance of an internal control system ensuring that consolidated financial statements are drawn up in an ESEF format free from material non-compliance with the requirements of the ESEF Regulation.

The members of the Parent's Supervisory Board shall be responsible for overseeing the financial reporting process, including the preparation of financial statements in accordance with the ESEF format.

## *Auditor's responsibilities*

Our aim was to express an opinion, on the basis of an attestation service providing reasonable assurance as to whether the Group's consolidated financial statements for the year ended 31 December 2020 had been prepared in accordance with the requirements set out in the ESEF Regulation.

This service was conducted in accordance with the National Standard of Attestation Services Other than Audit and Review 3000 (Z) as set out in the International Standard of Attestation Services 3000 (as amended) – "Attestation Services" other than audits or reviews of historical financial information" adopted by the National Board of Auditors (hereinafter: "KSUA 3000 (Z)").

This Standard requires the statutory auditor to plan and implement procedures in such a way as to gather the information and explanations we deemed necessary to reasonably ensure that the consolidated financial statements have been prepared in accordance with the ESEF format.

Reasonable assurance is a high level of assurance, but does not guarantee that a service performed in accordance with KSUA 3000 (Z) will always detect an existing significant misstatement. The choice of procedures depends on the auditor's judgement, including his/her assessment of the risk of material misstatements caused by fraud or error. When estimating this risk, the auditor shall take into account the internal controls relating to the preparation of the consolidated financial statements in the ESEF format, in order to plan appropriate procedures to provide the auditor with sufficient and relevant evidence, rather than to conclude on the effectiveness of internal controls.

## *Quality control requirements*

We apply the National Quality Control Standards adopted by the National Board of Auditors in the version of the International Standard on Quality Control 1 – "Quality Control of companies conducting audits and reviews of financial statements and other attestation and related services" and in accordance with it we maintain a comprehensive quality control system including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## *Ethical requirements and independence*

We comply with the requirements of independence and other ethical requirements set out in the International Code of Professional Accounting Ethics (including International Standards of Independence) adopted by the National Board of Statutory Auditors, developed and approved by the Board of International Ethical Standards for Accountants.

## *Summary of the work performed:*

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

- understanding of the company's selection and use of XBRL tags and ESEF compliance, including an understanding of the internal control system mechanisms associated with the process;
- assessment of compliance with technical standards for ESEF format specifications, including the use of XHTML format, using specialised IT software;
- testing the correctness of mathematical calculations for individual items marked with iXBRL tags;
- reconciliation of the tagged information contained in the files containing consolidated financial statements to the audited consolidated financial statements;

- assessment of the completeness of the labelling of information in the consolidated financial statements with XBRL tags;
- an assessment of whether the iXBRL tickers used from the high-volume regulation of the ESEF have been properly applied and whether the extensions of the taxonomy have been used in situations where the basic;
- an assessment of the correctness of the anchorage of the taxonomy extensions used in the basic taxonomy set out in regulation ESEF.

We believe that the evidence we have obtained provides a sufficient and adequate basis to express our opinion on performed attestation service.

## *Opinion*

In our opinion, the consolidated financial statements have been prepared in all material respects in accordance with the requirements of the ESEF Regulation.

## **Statement Concerning Provision of Non-Audit Services**

To the best of our knowledge and belief, we represent that non-audit services which we have provided to the Parent and to its subsidiaries are not prohibited under Article 5.1 of the EU Regulation and Article 136 of the Act on Statutory Auditors. The non-audit services which we provided to the Parent and to its subsidiaries in the audited period have been listed in Note 32 in the consolidated financial statements.

## **Appointment of the Auditor**

We were appointed as the auditor of the Group's consolidated financial statements by resolution 50/XI/2018 of the Parent's Supervisory Board of December 11, 2018. Our total uninterrupted period of engagement to audit the Group's consolidated financial statements is two consecutive financial years, i.e. starting from the financial year ended December 31, 2019.

The key statutory auditor on the audit resulting in this independent auditor's report is Adrian Karaś.

Acting on behalf of Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered seat in Warsaw, entered under number 73 on the list of audit firms, in the name of which the consolidated financial statements have been audited by the key statutory auditor:

Adrian Karaś  
Registered under number 12194

Warsaw, March 22, 2021

**This Report is an English version of the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.**