



#### TRANSLATORS' EXPLANATORY NOTE

The English content of this report is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts as well as the auditor's report should be prepared and presented in Polish and in accordance with Polish legislation and the accounting principles and practices generally adopted in Poland. The accompanying translation has not been reclassified or adjusted in any way to conform to the accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.

## Independent Registered Auditor's Report

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

### Report on the audit of financial statements

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#### Our opinion

In our opinion, the accompanying annual financial statements:

- give a true and fair view of the financial position of ENEA S.A. ("the Company") as at 31 December 2020 and the Company's financial performance and the 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 Company and the Company's Articles of Association;
- have been prepared on the basis of properly maintained books of account in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act" – Consolidated text: Journal of Laws of 2021, item 217, as amended).

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

#### What we have audited

We have audited the annual financial statements of ENEA S.A. which comprise:

- the statement of financial position as at 31 December 2020;
- and the following statements prepared for the financial year from 1 January to 31 December 2020:
- the statement of comprehensive income;
  - the statement of changes in equity;
  - the statement of cash flows; and
  - the additional information and explanations, including a description of the adopted accounting policies and other explanatory notes.

#### Basis for our opinion

##### Basis for our opinion

We conducted our audit in accordance with the National Standards on Auditing in the wording of the International Standards on Auditing as adopted by the resolution of the National Council of Statutory Auditors ("NSA") and pursuant to the Law of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight (the "Act on Registered Auditors" – Journal of Laws of 2020, item 1415). and the 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 NSA are further described in the *Auditor's*

*responsibilities for the audit of the 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 audit opinion.

##### Independence and ethics

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by resolution of the National Council of Statutory Auditors and other ethical requirements that are

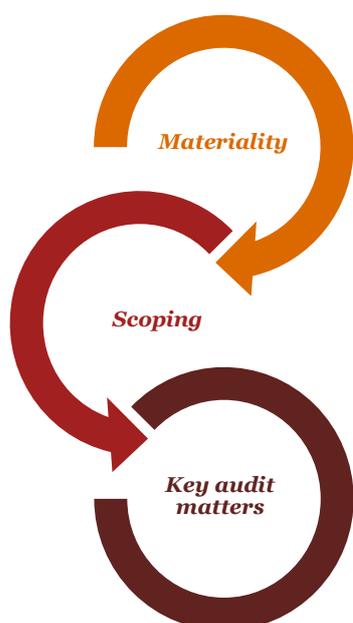
relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the key registered auditor and the registered

audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

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## Our audit approach

### Overview



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- The overall materiality threshold adopted for the purposes of our audit was set at PLN 60 million which represents 1% of Revenue from sales and other income.
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- We have audited the annual financial statements of the Company for the period ended 31 December 2020.
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- Impairment of shares in subsidiaries and in jointly controlled entities.
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the 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. As in all of our audits 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.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole, as set out in the table below. These, 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, if any, both individually and in aggregate on the financial statements as a whole.



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**Overall materiality for the Company**

PLN 60 million

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**Basis for determination**

1% of revenue from sales and other income

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**Rationale for the basis**

The Company's operating result is negative and, in our opinion, it does not reflect the scale of the Company's operations. Taking into account two principal types of the Company's activities (trading in electricity and holding activities), we adopted materiality threshold calculated on the basis of revenue from sales and other income as the lower of revenue from sales and net assets. We adopted a 1% materiality threshold, because, based on our professional judgement, it lies within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above PLN 6 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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 financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

## Key audit matter

## How our audit addressed the matter

### Impairment of shares in subsidiaries and in jointly controlled entities

In Note 18 to the financial statements, the Company disclosed information on impairment tests of its shares in subsidiaries, including in ENEA Wytwarzanie Sp. z o.o., Enea Elektrownia Połaniec S.A., Enea Ciepło Sp. z o.o., Enea Nowa Energia Sp. z o.o. and Lubelski Węgiel Bogdanka S.A., as well as in jointly controlled entities – Polska Grupa Górnicza S.A. and Elektrownia Ostrołęka Sp. z o.o. This Note disclosed test results, assumptions used to calculate the value in use and an analysis of sensitivity of the calculations to a reasonably expected change in the key assumptions used in the calculation of the recoverable amount of subsidiaries, as well as method of assessing the impairment of jointly controlled entities.

As at 31 December 2020, the carrying amount of Investments in subsidiaries, associates and jointly controlled entities amounted to PLN 9 513 million, which accounts for 49% of the Company's assets. In 2020, following the impairment tests, the Company recognised an impairment loss on shares in Enea Wytwarzanie in the amount of PLN 3 135 million and additional impairment loss on shares in Polska Grupa Górnicza S.A. in the amount of PLN 254 million.

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

Calculation of the recoverable amount involves a number of assumptions and judgements to be made by the Management Board of the Company, including the strategy of the group Enea S.A., financial plans and cash flow projections for subsequent years, as well as macroeconomic and market assumptions (mainly concerning electricity prices, fuel prices, prices of CO<sub>2</sub> emission allowances, the support system for renewable energy sources and the power market).

Considering the materiality of these items in the financial statements, as well as the sensitivity of the results of the aforementioned test to the assumptions made, we have conducted an extensive analysis of this matter.

Our procedures included, without limitation, the following:

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

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## 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 a true and fair view of the Company's financial position and results of operations, in accordance with International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the applicable laws and the Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Management Board is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management Board and members of the Supervisory Board are obliged to ensure that the financial statements comply with the requirements specified in the Accounting Act of 29 September 1994 ("the Accounting Law" – Consolidated text: Journal of Laws of 2021, item 217, as amended).

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

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## Auditor's responsibility 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 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 financial statements.

The scope of the audit does not include an assurance on the Company's future profitability nor the efficiency and effectiveness of the Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with NSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board.
- Conclude on the appropriateness of the 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 Company'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 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 Company to cease to continue as a going concern.

- 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 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.

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

our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the 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.

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## Other information, including the Report of the Management Board on the operations of the Company

### Other information

Other information comprises a Report on the Company's and Group's operations for the financial year ended 31 December 2020 ("the Report on the operations") and the corporate governance statement and the statement on non-financial information referred to in Article 49b(1) and Article 55(2b) of the Accounting Act which are separate parts of the Report on the operations, (together "Other Information"). Other information does not include the financial statements and our auditor's report thereon.

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

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

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

### Registered auditor's responsibility

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

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the information in the 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 the 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 financial statements.

Moreover, we are obliged to issue an opinion on whether the Company provided the required information in its corporate governance statement and to inform whether the Company prepared a statement on non-financial information.

### Opinion on the Report of the Management Board on the operations of the Company

Based on the work we carried out during our 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 Section 70 of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (the "Regulation on Current Information" – Journal of Laws of 2018, item 757);

- is consistent with the information in the financial statements.

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

#### **Opinion on the statement of compliance with corporate governance standards**

In our opinion, in its corporate governance statement, the Company included information set out in para. 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 financial statements.

#### **Information on non-financial information**

In accordance with the requirements of the Act on the Registered Auditors, we confirm that the Company has prepared a statement on non-financial information referred to in Article 55(2b) of the Accounting Act as a separate section of the Report on the operations.

We have not performed any assurance work relating to the statement on non-financial information and we do not provide any assurance with regard to it.

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### **Report on other legal and regulatory requirements**

#### **Opinion on requirements of Article 44 of the Energy Law**

The Management Board of the Company is responsible for preparing regulatory financial information in accordance with the requirements of Article 44 of the Energy Law of 10 April 1997 (“Energy Law” – Journal of Laws of 2020, item 833, as amended).

In accordance with Article 44 of the Energy Law, we are obliged to audit regulatory financial information and to issue an opinion required by the Power Industry Law.

Regulatory financial information has been presented in Note 35 to the financial statements. Our audit did not cover an evaluation as to whether the information required to be disclosed under the Energy Law is sufficient to ensure equal treatment of consumers and to eliminate cross-subsidization between segments.

In our opinion, the relevant statements of financial position as at 31 December 2020 included in the regulatory financial information (explanatory note 35) and income statements for the year then ended prepared separately for each of the operating segments comply, in all material respects, with the requirements referred to in

Article 44(2) of the Energy Law, in terms of ensuring the equal treatment of users and elimination of cross-subsidization between segments.

#### **Statement on 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 applicable laws and regulations 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 that we provided to the Company and its subsidiaries in the audited period are disclosed in the Report on the operations of the Company.

#### **Appointment of audit firm**

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



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

Borys Malinowski  
Key Registered Auditor  
No. 12798

Warsaw, 25 March 2021