



This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

Independent Auditor's Report

To the General Shareholders' Meeting and Supervisory Board of ENERGA SA

Report on the Audit of the Annual Consolidated Financial Statements

Opinion

We have audited the accompanying annual consolidated financial statements of ENERGA SA Group (the "Group"), whose parent entity is ENERGA SA (the "Parent Entity"), which comprise:

- the consolidated statement of financial position as at 31 December 2021;

and, for the period from 1 January to 31 December 2021:

- the consolidated statement of profit or loss;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows;

and

- notes comprising a summary of significant accounting policies and other explanatory information;
-

(the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements of the Group:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and the adopted accounting policy;
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Parent Entity's articles of association.

Our audit opinion on the consolidated financial statements is consistent with our report to the Audit Committee dated 29 March 2022.

KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.

ul. Inflancka 4A, 00-189 Warsaw, Poland
tel. +48 (22) 528 11 00, fax +48 (22) 528 10 09, kpmg@kpmg.pl

© 2022 KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., a Polish limited partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Company registered at the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Business Register.

KRS 0000339379
NIP: 527-261-53-62
REGON: 142078130



Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Statutory Auditors as National Standards on Auditing (the “NSA”); and
- the act on statutory auditors, audit firms and public oversight dated 11 May 2017 (the “Act on statutory auditors”); and
- 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 and repealing Commission Decision 2005/909/EC (the “EU Regulation”); and

- other applicable laws.

Our responsibilities under those regulations are further described in the Auditor’s Responsibility for the audit of the consolidated financial statements section of our report.

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

Independence and Ethics

We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”) as adopted by the resolution of the National Council of Statutory Auditors („NCSA”), together with the ethical requirements that are relevant to our audit of

the consolidated financial statements in Poland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During our audit the key statutory auditor and the audit firm remained independent of the Group in accordance with requirements of the Act on statutory auditors and the EU Regulation.

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 are the most significant assessed risks of material misstatements, including those due to fraud. Key audit matters were addressed in the

context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a separate opinion on these matters. We have determined the following key audit matters:

Recoverable amount of property, plant and equipment

The net book value of property, plant and equipment as at 31 December 2021 amounts to PLN 15 281 million, and impairment losses recognized as at 31 December 2021 amount to PLN 1 219 million.

Reference to the consolidated financial statements: Note 6 "Material items subject to judgment and estimates", Note 9.6 "Property, plant and equipment", Note 9.10 "Impairment of non-financial non-current assets", Note 11.4 "Other operating income", Note 11.5 "Other operating expenses", Note 13 "Property, plant and equipment".

<i>Key audit matter</i>	<i>Our response</i>
As described in Note 13 to the consolidated financial statements, as at 31 December 2021 the Group performed impairment tests for property, plant and equipment, which included among others cash generating	Our audit procedures included, among others: <ul style="list-style-type: none"> — Assessing the appropriateness of asset grouping into cash generating units, based on our understanding of

units in the electric energy generation segment.

The Group estimated the recoverable amount of property, plant and equipment based on the value in use of cash generating units using the discounted cash flow method.

The projected cash flows for the electric energy generation segment are dependent primarily on the assumptions made in revenues and costs, especially electricity prices, support system for renewable sources of energy including prices for electricity origin certificates as well as CO2 emission rights. The above assumptions are subject to significant estimation uncertainty due to potential future volatility of regulatory conditions and uncertainty as to their impact on the economics of energy production.

The estimate of recoverable amount for property, plant and equipment is based on number of subjective assumptions and as a result it has been considered by us as a key audit matter.

the Group's operations and business units;

- Assisted by our own valuation specialists:
 - ✓ challenging the key assumptions made by the Group in relation to prices of electricity, electricity origin certificates and CO2 emission rights by comparing them to external specialist's report; and the discount rate to publicly available external sources,
 - ✓ using our knowledge of the industry and by analyzing publicly available information evaluating whether the Group's assumptions regarding future regulatory conditions are based on the current model of the support system for power sector and renewable energy sources;
 - ✓ challenging the future cash flows projections, including the assumed levels of revenues, costs, capital expenditures by comparing them to historical financial information, and by analyzing actions taken by the Group until the date of our audit.
 - Assessing the adequacy and completeness of disclosures in the consolidated financial statements with regard to the key assumptions and judgements regarding impairment of property, plant and equipment.
-

Revenue recognition

Sales revenues for the financial year ended 31 December 2021 amount to PLN 14 016 million, trade receivables as at 31 December 2021 amount to PLN 2 074 million.

Reference to the consolidated financial statements: Note 6 "Material items subject to judgment and estimates", Note 9.24.1. "Financial assets", Note 9.26 "Revenue from sales of products, goods and services", Note 30 "Financial instruments".

Key audit matter	Our response
<p data-bbox="199 338 724 488">During the year ended 31 December 2021, the Group generated revenues primarily from the sale of electricity to both end users and on the wholesale market, electricity distribution services and gas sales.</p> <p data-bbox="199 521 724 853">Sales revenue are recognized based on the complex IT systems (in particular billing systems) that process large volumes of data with a combination of different tariffs and reading dates of the actual volume of electricity consumed by customers. Furthermore, in case the period-end falls between the dates of meter readings, sales revenue is recognized based on the estimated consumption of energy until the period-end.</p> <p data-bbox="199 887 724 1010">Due to the above factors revenue recognition required from us increased attention in the audit and therefore was considered to be a key audit matter.</p>	<p data-bbox="858 338 1383 394">Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li data-bbox="906 398 1383 701">— With the support of our own IT specialists assessing selected IT control environment for selected IT systems including billing systems used by the Group in the revenue recognition process; testing operating effectiveness of key automated controls over program changes and access controls to the above systems. <li data-bbox="906 734 1383 947">— Assessing the reasonableness of the amount of sales revenues by developing independent expectations regarding these revenues and comparing them to the revenues recognized by the Group. <li data-bbox="906 981 1383 1070">— For a sample of branches tracing revenues recognized by the Group to the respective billing systems. <li data-bbox="906 1104 1383 1317">— Comparing the amount of revenues recognized based on the Group's estimate of not invoiced revenue from sales of energy and distribution services as at the end of reporting period with actual data available after the end of the reporting period. <li data-bbox="906 1350 1383 1494">— Assessing the adequacy and completeness of disclosures in the consolidated financial statements with respect to revenue and trade receivables.

Valuation of electricity forward contracts

The valuation of forward contracts measured at fair value through profit or loss that were open as at 31 December 2021 amounts to PLN 99 million, while the result of realized contracts amounts to PLN 225 million.

Reference to the consolidated financial statements: Note 9.24 "Financial instruments", Note 30.1 "Book value of categories and classes of financial instruments", Note 30.2 "Revenues, costs, profits and losses included in the statement of comprehensive income by categories of financial instruments", Note 30.3.1 "Financial instruments measured at fair value".

Key audit matter	Our response
<p>In the year ended 31 December 2021, the Group concluded forward contracts on the Energy Exchange ("TGE") for the purchase and sale of electricity. Forward transactions concluded through TGE in relation to the purchase and sale of electricity are transactions with physical delivery where transactions are usually settled in net amount.</p> <p>In accordance with the relevant accounting standard, forward contracts with the physical delivery of electricity are not required to be recognized as derivative financial instruments, if the entity actually plans and settles them through physical delivery in order to fulfill the contract. As a result, such forward contracts are not measured at fair value through profit or loss.</p> <p>The majority of Group's contracts for the sale of electricity are transactions with physical delivery of quantities intended for sale as part of its normal operating activities which are not designated as measured at fair value through profit or loss. In the event of subsequent net settlement of a contract without physical delivery a significant judgment is required to assess whether such a transaction resulted from unplanned and unforeseeable circumstances or events, and as a result, whether the Group can continue to apply the exemption from fair value measurement of such forward contracts.</p> <p>The analysis of forward contracts required increased attention during the audit, both around the area of classification of financial instruments to categories meeting "own use exemption" and measured at fair value through profit or loss, as well as in the area of measurement as at the reporting date. Therefore, it was considered by us as a key audit matter.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> — With the support of our own financial instruments specialists: <ul style="list-style-type: none"> ✓ analyzing the rules adopted by the Group to concluding and allocating forward contracts to individual categories as well as the applicable accounting policy; ✓ assessing the appropriateness of the allocation of contracts between the own use portfolio and the portfolio measured at fair value (trading portfolio); ✓ independently assessing facts and circumstances considered by the Group as unplanned and unforeseeable to support the continued application of the exemption from fair value measurement of forward contracts; ✓ assessing the appropriateness of valuation of open forward contracts as at 31 December 2021. — Assessing the appropriateness and completeness of disclosures in the consolidated financial statements with respect to valuation of forward contracts as at the reporting date.

Responsibility of the Management Board and Supervisory Board of the Parent Entity for the Consolidated Financial Statements

The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial

Reporting Standards, as adopted by the European Union, the adopted accounting policy, the applicable laws and the provisions of the Parent Entity's articles of association



and for such internal control as the Management Board of the Parent Entity 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 Management Board of the Parent Entity is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management

Board of the Parent Entity either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

According to the accounting act dated 29 September 1994 (the "Accounting Act"), the Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Parent Entity are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 NSAs 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 audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Management Board of the Parent Entity has conducted or will conduct the affairs of the Group.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent Entity;
- conclude on the appropriateness of the Management Board of the Parent Entity'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 auditors' report on the audit of the consolidated financial statements 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 auditors' report on the audit of the consolidated financial statements. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying



transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Parent Entity 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 provide the Audit Committee of the Parent Entity with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all

Other Information

The other information comprise:

- the letter of the President of the Management Board;
- the selected financial data;
- the report on activities of the Group for the year ended 31 December 2021 (the “Report on activities”), including the corporate governance statement, which is a separate part of the Report on activities;
- the separate report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act;

Responsibility of the Management Board and Supervisory Board

The Management Board of the Parent Entity is responsible for the Other information in accordance with applicable laws.

The Management Board and members of the Supervisory Board of the Parent Entity are

Auditor’s Responsibility

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 was to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the consolidated

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 with the Audit Committee of the Parent Entity, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors’ report on the audit of the consolidated financial statements 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.

- the statement of the Management Board regarding the preparation of the consolidated financial statements and Report on activities;
- the Management Board’s information regarding the appointment of the audit firm;
- the statement of the Supervisory Board regarding the Audit Committee; and
- the Supervisory Board’s assessment of the consolidated financial statements and the Report on activities;

(together the “Other information”).

required to ensure that the Report on activities, including the corporate governance statement and the report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act are in compliance with the requirements set forth in the Accounting Act.

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 in the Other information, we are required to report that fact.

In accordance with the Act on statutory auditors our responsibility was to report if the



Report on activities was prepared in accordance with applicable laws and the information given in the Report on activities is consistent with the consolidated financial statements.

Moreover, in accordance with the requirements of the Act on statutory auditors our responsibility was to report whether the Group included in the statement on corporate

Opinion on the Report on Activities

Based on the work undertaken in the course of our audit of the consolidated financial statements, in our opinion, the accompanying Report on activities, in all material respects:

Opinion on the Statement on Corporate Governance

In our opinion, the corporate governance statement, which is a separate part of the Report on activities, includes the information required by paragraph 70 subparagraph 6 point 5 of the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (the “decree”).

Information about the Statement on Non-financial Information

In accordance with the requirements of the Act on statutory auditors, we report that the Group has prepared a separate report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act.

Statement on Other Information

Furthermore, based on our knowledge about the Group and its environment obtained in the audit of the consolidated financial statements,

governance information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the consolidated financial statements and to inform whether the Group prepared a separate report on non-financial information.

- has been prepared in accordance with applicable laws, and
- is consistent with the consolidated financial statements.

Furthermore, in our opinion, the information identified in paragraph 70 subparagraph 6 point 5 letter c-f, h and letter i of the decree, included in the corporate governance statement, in all material respects:

- has been prepared in accordance with applicable laws; and
- is consistent with the consolidated financial statements.

We have not performed any assurance procedures in relation to the separate report on non-financial information and, accordingly, we do not express any assurance conclusion thereon.

we have not identified material misstatements in the Report on activities and the Other information.

Report on Other Legal and Regulatory Requirements

Statement on Services Other than Audit of the Financial Statements

To the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in Art. 5 paragraph 1 second subparagraph of the EU Regulation and Art. 136 of the act on statutory auditors.

Services other than audit of the financial statements, which were provided to the Group and entities under the control of the Parent Entity in the audited period are listed in in point 9.4 of the Report on activities.



Appointment of the Audit Firm

We have been appointed for the first time to audit the annual consolidated financial statements of the Group by resolution of the Supervisory Board dated 20 December 2016 and reappointed in the following years, including the resolution dated 29 June 2018, to

audit the annual consolidated financial statements for the year ended 31 December 2021. Our period of total uninterrupted engagement is 5 years, covering the periods ended 31 December 2017 to 31 December 2021.

Opinion on compliance of the consolidated financial statements prepared in the single electronic reporting format with the requirements of the regulatory technical standards on the specification of a single electronic reporting format

As part of our 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 Group as at 31 December 2021 and for the year then ended prepared in the single electronic reporting format included in the reporting package named *energa-2021-12-31-pl.zip* (the

“consolidated financial statements in the ESEF format”) were tagged in accordance with the requirements specified in the Commission Delegated Regulation (EU) of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation”).

Defining the Criteria and Description of the Subject Matter of the Service

The consolidated financial statements in the ESEF format have been prepared by the Management Board of the Parent Entity to meet the tagging requirements and technical requirements for the specification of a single electronic reporting format, which are defined in the ESEF Regulation. The subject of our

assurance service is the compliance of the tagging of the 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 Entity

The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements in the ESEF format in accordance with the tagging requirements and technical conditions of a single electronic reporting format, which are specified in the ESEF Regulation. Such responsibility includes the selection and application of appropriate XBRL tags using the taxonomy specified in the this regulation.

implementing and maintaining internal control relevant to the preparation of the consolidated financial statements in the ESEF format that is free from material non-compliance with requirements specified in the ESEF Regulation, whether due to fraud or error.

This responsibility of the Management Board of the Parent Entity includes designing,

The members of the Parent Entity's Supervisory Board are responsible for overseeing the financial reporting process, including the preparation of financial statements in the format required by applicable law.

Auditor's Responsibility

Our objective is to issue an opinion about whether the consolidated financial statements in the ESEF format were tagged in accordance with the requirements specified in the ESEF Regulation.

by the NCSA (“NSAE 3001PL”) and where applicable, in accordance with the International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” as adopted by the NCSA as the National Standard on Assurance Engagement 3000 (Revised) (“NSAE 3000 (R)”). These standards requires that the auditor plans and performs procedures to obtain reasonable

We conducted our engagement in accordance with the National Standard on Assurance Services Other than Audit or Review 3001PL “Audit of financial statements prepared in a single electronic reporting format” as adopted



assurance about whether the consolidated financial statements in the ESEF format were prepared in accordance with specified criteria.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with NSAE 3001PL and where applicable, in accordance with NSAE 3000 (R) will always detect material misstatement.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements, whether

due to fraud or error. In making those risk assessments, the auditor has considered internal controls relevant to the preparation of the consolidated financial statements in the ESEF format in accordance with the specified criteria in order to design procedures that are appropriate, which provide the auditor with sufficient and appropriate evidence under the circumstances. The assessment of internal controls was not performed for the purpose of expressing an opinion thereon.

Summary of the Work Performed

Our procedures planned and performed included, among others:

- obtaining an understanding of the process of preparing the consolidated financial statements in the ESEF format, including selection and application of XBRL tags by the Parent Entity and ensuring compliance with the ESEF Regulation, including an understanding of the mechanisms of internal control relevant to this process,
- reconciling the tagged information included in the consolidated financial statements in the ESEF format to the audited consolidated financial statements,
- assessing compliance with the regulatory technical standards regarding the specification of a single electronic reporting format,
- assessing the completeness of tagging of information in the consolidated financial statements in the ESEF format with XBRL tags,
- assessing whether the XBRL tags from the taxonomy specified in the ESEF Regulation were properly applied and whether the taxonomy extensions were used where the relevant elements were not identified in the core taxonomy specified in the ESEF Regulation,
- assessing the correctness of anchoring of the applied taxonomy extensions in the core taxonomy specified in the ESEF Regulation.

Requirements of the Quality Control and Ethical Requirements, including Independence

The firm applies International Standard on Quality Control 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" as adopted by the NCSA as national standard on quality control, which requires us to implement and maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the IESBA Code as adopted by the resolution of the NCSA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior as well as other independence and ethical requirements, applicable to this assurance engagement in Poland.



Opinion on Compliance with the Requirements of ESEF Regulation

Our opinion has been formed on the basis of, and is subject to, the matters outlined above.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance with the requirements of the ESEF Regulation.

In our opinion, the consolidated financial statements in the ESEF format as at 31 December 2021 and for the year then ended was tagged, in all material respects, in accordance with the requirements of the ESEF Regulation.

On behalf of audit firm

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

Registration No. 3546

Signed on the Polish original

Zbigniew Libera

Key Statutory Auditor
Registration No. 90047
Proxy

Gdańsk, 30 March 2022