

Independent statutory auditor's report on the audit of the annual financial statements

of Polski Fundusz Rozwoju S.A.

with its registered office in Warsaw
for the financial year 1 January 2023 to 31 December 2023



etyka
jakość
kompetencje
transparentność

Report on the audit of the annual financial statements for the Shareholder Meeting of Polski Fundusz Rozwoju S.A.

Opinion on the consolidated financial statements

We have audited the enclosed annual financial statements of Polski Fundusz Rozwoju S.A. (Polish Development Fund) with its registered office in Warsaw at ul. Krucza 50, hereinafter the "Company", for the financial year 1 January 2023 to 31 December 2023, comprising an introduction to the financial statements, a balance sheet as at 31 December 2023, a statement of profit and loss, a statement of changes in equity and a cash flow statement for the financial year ended on that date, along with notes and explanations, hereinafter the "financial statements".

The financial statements were prepared in the form of an electronic file under the name "PFR_JS2023", bearing the electronic signatures of the Company's Management Board affixed on 24 May 2024.

The financial statements were prepared following the accounting and financial reporting rules defined in the Accounting Act of 29 September 1994, applicable to the audits of financial statements prepared for periods ended 31 December 2023, hereinafter the "Accounting Act",

and Regulation of the Minister of Finance of 25 September 2009 on the detailed rules for preparing the consolidated financial statements of corporate groups by entities other than banks, insurance companies and reinsurance companies, hereinafter referred to as the "Regulation on Consolidation Rules", applicable to the preparation of financial statements for periods ended 31 December 2023.

In our opinion, the enclosed financial statements of Polski Fundusz Rozwoju S.A.:

- present a true and fair view of the assets and financial standing of the Company as at 31 December 2023, the financial result and cash flow for the financial year ended on that date, in accordance with the Accounting Act and the adopted accounting policies,
- comply, in terms of form and content, with the provisions of law applicable to the Company as well as with the provisions of the Parent Entity's Articles of Association having effect on their content,
- were prepared on the basis of correctly kept accounting records, in accordance with the provisions of Chapter 2 of the Accounting Act applicable to the audits of financial statements for periods ended 31 December 2023.

Basis of the opinion

We have audited the financial statements in accordance with the National Auditing Standards, as worded in the International Auditing Standards, adopted by the National Council of Statutory Auditors, National Auditing Standard 220 (Z) adopted by the Polish Agency for Audit Oversight, hereinafter the "National Auditing Standards", the Act of 11 May 2017 on statutory auditors, audit firms and public oversight, hereinafter the "Act on Statutory Auditors", applicable to the audits of financial statement for periods ended 31 December 2023.

Our responsibility, in accordance with these standards, is described in the section entitled "Statutory auditor's responsibility for auditing the consolidated financial statements".

We are independent of the Group companies in line with the International Code of Ethics for Professional Accountants (including the International Independence Standards), hereinafter the "IESBA Code", adopted by the National Council of Statutory Auditors, and the independence requirements set out in the Act on Statutory Auditors. We have also fulfilled our other ethical duties defined in the Act on Statutory Auditors and the IESBA Code. The key statutory auditor and the audit firm remained independent of the Group in the course of the auditing process, in accordance with the independence requirements set out in the Act on Statutory Auditors.

We believe that the audit evidence we have obtained constitutes a sufficient and appropriate basis for us to express an audit opinion.

Key audit matters

The key audit matters are matters that, in our professional judgment, were the most significant in the course of the audit of the consolidated financial statements for the reporting period in question. They comprise the most significant assessed material misstatement risks, including the assessed risks of material misstatement due to fraud. We addressed these matters in the context of our audit of the consolidated financial statements as a whole and when formulating our opinion, and we summarized our response to these risks, and where we found it appropriate, we presented our most important observations relating to these risks.

We do not express a separate opinion on these matters.

Key audit matter: Assets and liabilities concerning the government Financial Shield programs

Did the key audit matter constitute a significant risk: YES

<i>Description of the key audit matter</i>	<i>How was that matter addressed in the course of the audit</i>
<p>Pursuant to the Act of 4 July 2019 on the system of development institutions, the Parent Entity carries out tasks entrusted to it by state administration authorities. In 2023, these tasks included mainly administering the government programs of the Polish Development Fund's Financial Shield for Large Enterprises, the government program of the Polish Development Fund's Financial Shield for Small and Medium Enterprises and the government support program for Polskie Linie Lotnicze LOT S.A. (hereinafter, respectively, the "Financial Shields", "Financial Shield").</p> <p>As part of administering the aforementioned programs, the Parent Entity undertakes actions for the account and at the exclusive cost and risk of the State Treasury, in accordance with the agreement on the terms of and the method for transferring funds for the implementation of government programs, entered into between Polski Fundusz Rozwoju S.A. and the State Treasury. These actions include, among other things, raising third-party financing through the issue of bonds and the distribution of aid instruments pursuant to the terms of the aforementioned programs.</p> <p>In the financial statements as at 31 December 2023, the Company shows the Financial Shield assets in an amount of PLN 74,633,208 thousand and the Financial Shield liabilities totaling PLN 74,633,208 thousand, which represents ca. 81% of the balance sheet total.</p> <p>The recognition of transactions deriving from the administration of the Financial Shield programs in the financial</p>	<p>We conducted procedures in the course of the audit which were aimed at obtaining sufficient appropriate audit evidence regarding the recognition, balance sheet valuation and presentation of the assets and liabilities relating to the government Financial Shield programs in the financial statements.</p> <p>Below we present the procedures applied which in our assessment were of key importance for achieving the audit objectives:</p> <ul style="list-style-type: none"> • talking to the key personnel of the Parent Entity in order to understand the most important terms of individual Financial Shield programs and the Parent Entity's tasks involved in administering these programs, • analyzing legal regulations, the agreement on the terms of and the method for transferring funds for the implementation of government programs, the terms of issue of bonds and program documents and by-laws concerning the government Financial Shield programs, • gaining understanding of internal control procedures in the process concerning program administration, • analyzing accounting policies concerning the valuation and presentation of the assets and liabilities of the Financial Shield programs, • assessing the valuation and presentation of the assets and liabilities of the government Financial Shield programs in the financial statements, • conducting reliability procedures in respect of the existence, completeness, recognition and valuation of the Financial Shield assets and liabilities,

<p>statements required the Parent Entity's Management Board to apply a judgment when defining the accounting policies.</p> <p>Having regard to the value of the assets and liabilities concerning the Financial Shields, we decided that this was a key audit matter for us.</p> <p>Recognizing and valuing assets and liabilities of such significant importance for the financial statements could result in their material misstatement.</p> <p>The introduction to the financial statements includes a description of the valuation principles applied to the assets and liabilities relating to the government Financial Shield programs, and in note 1 "Government Financial Shield Programs" of the notes detailed information concerning the structure and value of these assets and liabilities is presented.</p>	<ul style="list-style-type: none"> assessing the completeness and adequacy of the disclosures in the consolidated financial statements relating to the assets and liabilities of the government Financial Shield programs.
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<i>Key audit matter: Valuation of financial investments</i>	
<i>Did the key audit matter constitute a significant risk: YES</i>	
<i>Description of the key audit matter</i>	<i>How was that matter addressed in the course of the audit</i>
<p>The value of financial investments in the balance sheet as at 31 December 2023, with the exclusion of the investments of the government Financial Shield programs, was PLN 17,375,519 thousand, which is ca. 19% of the Company's assets. The main financial investment items are:</p> <ul style="list-style-type: none"> – shares in related parties in the amount of PLN 302,194 thousand, measured at the purchase price minus impairment losses, – shares in other entities, in which the company holds an equity stake, classified as financial assets available for sale, measured at fair value at PLN 5,109,833 thousand, – investment certificates with a value of PLN 11,147,043 thousand, measured at fair value, – bonds with a value of PLN 379,960 thousand, measured at adjusted purchase price, – shares in other entities in which the company holds an equity stake are measured at fair values in accordance with the market price as at the balance sheet date. <p>At the end of each reporting period, the Company's Management Board assesses whether there are any indicators that any asset might be impaired. If it is concluded that there are such indicators, an impairment test is conducted.</p> <p>The identification of impairment indicators is an issue requiring the Management Board to apply its significant judgment. The</p>	<p>We conducted procedures in the course of the audit which were aimed at obtaining sufficient appropriate audit evidence to confirm the correctness of the valuation of financial investments. Below we present the procedures applied which in our assessment were of key importance for achieving the audit objectives:</p> <ul style="list-style-type: none"> • analyzing the accounting policy concerning financial investment valuation, • understanding the process of measuring investment certificates at fair values, • understanding key processes in the Company, including the operation of internal control procedures as regards the identification of asset impairment indicators, • discussing the occurrence of potential asset impairment indicators with the Company's Management Board, • communicating with key employees regarding the assumptions adopted in asset impairment tests, • critically assessing the assumptions adopted by the Company's management in the applied valuation models, • mathematically verifying the correctness of calculations in impairment tests,

<p>results of impairment tests depend on the adopted assumptions relating to, among other things, the future cash flow and discount rate forecasts. Such forecasts carry a significant risk of volatility in connection with changing market conditions.</p> <p>Bearing in mind the risk of uncertainty relating to significant judgments and estimates made by the Management Board, we decided it was a key audit matter for us.</p> <p>The introduction to the financial statements includes a description of the investment valuation principles, and the required information concerning the value of these assets is presented in notes 10, 14 and 37, i.e. "Investments", "Current investments" and "Information on financial instruments".</p>	<ul style="list-style-type: none"> analyzing financial statements and reports on the audit of the investment funds constituting the basis for determining the fair value of investment certificates, reviewing and analyzing selected reports on the fair value measurements of funds' deposits, prepared by third-party experts appointed by the management, verifying the applied market price constituting the basis for the valuation of shares in which the company holds an equity stake, verifying the prepared bond value measurements at the adjusted purchase price, assessing the completeness and adequacy of the disclosures in the financial statements relating to investment value measurements.
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Responsibility of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation, on the basis of properly kept accounting records, financial statements presenting a true and fair view of the Company's assets and financial standing and its financial result, in accordance with the provisions of the Accounting Act, the adopted accounting policies and the provisions of law applicable to the Company and the Company's Articles of Association.

The Management Board is also responsible for internal control, which it considers necessary for preparing financial statements free from any material misstatement due to fraud or error.

When preparing financial statements, the Company's Management Board is responsible for assessing the Company's ability to operate as a going concern, for disclosing, if applicable, matters relating to the operation as a going concern and for adopting the going concern assumption as the accounting basis, except where the Management Board either intends to liquidate the Company or discontinue its operation as a going concern, or where there is no real alternative for liquidation or the discontinuation of operations.

The Company's Management Board and the members of the Supervisory Board are obliged to ensure that financial statements meet the requirements set out in the Accounting Act. The Supervisory Board members are responsible for overseeing the Company's financial reporting process.

Statutory auditor's responsibility for auditing financial statements

Our objective is to reach reasonable assurance about whether the financial statements as a whole are free from any material misstatement due to fraud or error, and to produce an audit report including our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that the audit conducted in line with the above-specified standards will always detect an existing material misstatement. Misstatements may arise as a result of fraud or error and are considered material if it can be reasonably expected that they might, whether individually or in combination, affect users' business decisions taken on the basis of the consolidated financial statements.

- we draw a conclusion regarding the appropriateness of the application of the going concern assumption by the Parent Entity's Management Board as the accounting basis and, based on the audit evidence obtained, conclude whether there is material uncertainty relating to events or conditions that might cast significant doubt on the Group's ability to operate as a going concern. If we conclude that there is material uncertainty, we are required to point out, in our statutory auditor's report, the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on audit

The scope of the audit does not cover assurance as to the Group's future profitability or the effectiveness or efficiency of the running of its affairs by the Parent Entity's Management Board at present or in the future.

When performing an audit complying with the National Auditing Standards, we apply a professional judgment and maintain professional skepticism, as well as:

- we identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, we design and conduct audit procedures corresponding to these risks and obtain audit evidence that is sufficient and appropriate to constitute the basis for our opinion. The risk of failing to detect a material misstatement due to fraud is greater than that due to error, since fraud may involve collusion, forgery, deliberate omission, misleading or circumventing internal control procedures;
- we gain understanding of internal control suitable for the audit in order to design audit procedures which are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we assess the appropriateness of the applied accounting policies, the reasonableness of accounting estimates and related disclosures made by the Company's Management Board;
- we draw a conclusion regarding the appropriateness of the application of the going concern assumption by the Company's Management Board as the accounting basis and, based on the audit evidence obtained, conclude whether there is material uncertainty relating to events or conditions that might cast significant doubt on the Company's ability to operate as a going concern. If we conclude that there is material uncertainty, we are required to point out, in our statutory auditor's report, the related disclosures in the financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on audit evidence obtained by the date of the statutory auditor's report, but future events or conditions may result in the Company discontinuing its operation as a going concern;

evidence obtained by the date of the statutory auditor's report, but future

- we assess the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present the transactions and events underlying them in a manner ensuring fair presentation;

We provide the Supervisory Board with information relating to the audit, in particular information concerning the planned scope and time of the audit and significant audit findings, including any significant internal control weaknesses identified by us in the course of the audit.

Among the matters referred to the Supervisory Board, we identified matters that were the most significant during the audit of the financial statements for the reporting period in question and therefore we found them to be key audit matters. We describe these matters in our audit report in the section entitled "Key audit matters", except for those matters that are not permitted by law or regulations to be disclosed to the public or where, in exceptional circumstances, we determine that the matter should not be presented in our report, because the adverse consequences are likely to outweigh the benefits of such information to the public interest.

Pursuant to the Act on Statutory Auditors, we are also required to include, in the report, an opinion as to whether the financial statements comply, in terms of their form and content, with the provisions of law applicable to the Company and with the Company's Articles of Association, and an opinion on whether they were prepared on the basis of correctly kept accounting records. We have formulated an opinion in this respect on the basis of the work carried out in the course of the audit.

Other information, including the Group Activity Report

Other information is financial and non-financial information included in the annual report, other than financial statements and an audit report. Other information includes the Group Activity Report for the year ended 31 December 2023, as well as the following elements of the annual report: selected financial data (translated into EUR), the Management Board's statement.

Responsibility of the Management Board and the Supervisory Board

The Management Board is responsible for preparing the Other Information in compliance with provisions of law.

The Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Company activity report, along with its separate parts, meet the requirements set out in the Accounting Act.

Statutory auditor's responsibility

Our opinion on the audit of the financial statements does not cover the Other Information. In connection with auditing the financial statements, our responsibility is to become familiar with the Other Information and, while doing it, considering whether or not the Other Information is significantly inconsistent with the financial statements or our knowledge gained in the course of the audit, or otherwise seems materially misstated. If, based on our work, we identify a material misstatement in the Other Information, we are required to note this in our audit report.

It is also our duty, pursuant to the requirements set out in the Act on Statutory Auditors, to express an opinion on whether the activity report has been prepared in accordance with regulations and whether it is consistent with the information disclosed in the financial statements.

We obtained the Company activity report before the date of this audit report, and the annual report will be available after that date. If we identify a material misstatement in the annual report, we are required to notify the Company's Supervisory Board of this fact.

Activity report

The activity report was prepared along with a consolidated Group Activity Report of the Polski Fundusz Rozwoju S.A. Corporate Group as a single document in the form of an electronic file under the name "PFR_SZ2023", bearing electronic signatures of the Company's Management Board affixed on 24 May 2024.

Opinion on the Group Activity Report

In our view, based on the work carried out in connection with auditing the financial statements, the enclosed activity report of Polski Fundusz Rozwoju S.A. for the financial year ended 31 December 2023:

- has been prepared in accordance with Article 49 of the Accounting Act and section 70 of the Regulation on current and periodic information,

- presents information consistent with information included in the audited financial statements.

In light of the knowledge about the Company and its environment obtained in the course of the audit, we declare that we have not identified material misstatements in the Company activity report.

Signed by
Przemysław
Koblak
Date
24 May 2024 5:26 PM

Przemysław Koblak
Statutory auditor No. 13416

Key statutory auditor conducting the audit on behalf of PKF Consult Grupa z ograniczoną odpowiedzialnością Sp. k., audit firm No. 477

ul. Orzycka 6 unit 1B
02-695 Warsaw
Branch in Warsaw

Warsaw, 24 May 2024