

# Auditor's report

passion

teamwork

quality

clarity



# Independent Auditor's report

on the annual consolidated financial statements  
of the Polski Fundusz Rozwoju S.A. Capital Group  
for the financial year from 1 January 2020 to 31 December 2020



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*This document is a free translation of the independent auditors' report issued in Polish in electronic format. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation to enhance understanding. The binding Polish original should be referred to in matters of interpretation.*

# INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

For the General Meeting of Polski Fundusz Rozwoju S.A.

## Report on the financial statements

### *Opinion on the annual consolidated financial statements*

We have audited the accompanying annual consolidated financial statements of Polski Fundusz Rozwoju S.A. Capital Group, hereinafter referred to as the "Group", where the parent company is Polski Fundusz Rozwoju S.A. with its registered office in Warsaw at Krucza Street 50, hereinafter referred to as the "Parent Company", for the financial year from 1 January 2020 to 31 December 2020, which comprise the consolidated balance sheet as of 31 December 2020, the consolidated profit and loss account, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year then ended and related notes including introduction to the consolidated financial statements as well as supplementary information and explanations.

The financial statements have been prepared in an electronic format as a file entitled „PFR\_PFR\_SSF2020”, and have been signed with electronic signatures by the Management Board of the Parent Company on 25 May 2021.

The annual consolidated financial statements have been prepared in accordance with the applicable financial reporting framework of the Accounting Act of 29 September 1994 (Dz.U. [Journal of Laws] of 2019, item 351 as amended), hereinafter referred to as the "Accounting Act" and Regulation of the Minister of Finance of 25 September 2009 on Detailed Principles for Preparation by Entities Other than Banks, Insurance and Reinsurance Undertakings of Consolidated Financial Statements of Capital Groups (Dz.U. [Journal of Laws] of 2017, item 676), hereinafter referred to as the "Regulation on the Principles of Consolidation".

In our opinion, the accompanying annual consolidated financial statements of Polski Fundusz Rozwoju S.A. Capital Group:

- give true and fair view of the financial position of the Group as of 31 December 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with the Accounting Act and applied accounting principles (policies),
- comply, in all material respects, as to the form and content with the Accounting Act and the Regulation on the Principles of Consolidation as well as with the provisions of the Parent Company's articles of association that affect its content.

### *Basis for Opinion*

We conducted our audit of the annual consolidated financial statements in accordance with the National Standards on Auditing being International Standards on Auditing as adopted in Poland by the National Chamber of Statutory Auditors, hereinafter referred to as "National Standards on Auditing", applicable to audit of financial statements prepared for the periods ended on 31 December 2020, and the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Dz.U. [Journal of Laws] of 2020, item 1415, with amendments), hereinafter referred to as "the Act on Statutory Auditors".

Our responsibilities under those standards are further described in the "Statutory Auditor's Responsibilities for the Audit of the Annual Consolidated Financial Statements" section of our report.

We are independent of the Group in accordance with the International Code of Ethics of Professional Accountants (including the International Independence Standards) hereinafter referred to as the "IFAC Code", adopted by the National Chamber of Statutory Auditors and the requirements of independence specified in the Act on Statutory Auditors. We have also fulfilled our other ethical responsibilities required by the Act on Statutory Auditors and IFAC Code.

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

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual consolidated financial statements of the current period. They are determined from:

- a) areas of higher assessed risk of material misstatement,
- b) significant risks,
- c) significant auditor judgments relating to areas in the annual consolidated financial statements that involved significant management judgments,
- d) the effect on audit of significant events and transactions that occurred during the period.

The key audit matters were addressed in the context of our audit of the annual consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



*Key audit matter: Assets and liabilities related to the government's Financial Shield programs*

Description of the key audit matter	How the matter was addressed in the audit
<p>Pursuant to the Act of 4 July 2019 on the system of development institutions (Journal of Laws, item 1572, as amended), the Parent Entity performs tasks entrusted by state administration bodies. In 2020, these tasks mainly included servicing the government programs of the Financial Shield of the Polish Development Fund for Large Companies, the government program of the Financial Shield of the Polish Development Fund for Small and Medium-sized Enterprises and for the government support program of Polskie Linie Lotnicze LOT S.A. (hereinafter referred to as "Financial Shields", "Financial Shield", respectively).</p> <p>The Parent Entity, when servicing the above programs, in accordance with the agreement on the terms and procedure of transferring funds for the implementation of government programs concluded between the Polski Fundusz Rozwoju S.A. and the State Treasury, undertakes activities for the account of the State Treasury and at its sole cost and risk. These activities include, among others obtaining external financing through the issue of bonds and distribution of aid instruments in accordance with the terms of the above programs.</p> <p>In the consolidated financial statements as at 31 December 2020, the Group discloses the assets of Financial Shields in the amount of PLN 65 880 635 thousand and liabilities of Financial Shields in the total amount of PLN 65 880 635 thousand.</p> <p>Recognition in the financial statements of transactions resulting from the operation of the Financial Shields programs required the use of judgment by the Management Board of the Parent Entity when defining the accounting principles (policy).</p> <p>Considering the value of the assets and liabilities related to Financial Shields, we found this to be a key audit matter for us.</p> <p>Incorrect recognition and measurement of assets and liabilities of such material importance to the financial statements could result in a material misstatement of the financial statements.</p> <p>The introduction to the consolidated financial statements describes the principles of valuation of assets and liabilities related to the government Financial Shields programs, and note 1 of the additional information "Government Financial Shields programs" presents detailed information on the structure and value of these assets and liabilities.</p>	<p>In the course of the audit, we performed procedures to obtain sufficient appropriate audit evidence about the recognition, balance sheet valuation and presentation in the consolidated financial statements of assets and liabilities related to government Financial Shield programs. Below, we present the procedures performed which, in our opinion, were key to achieving the objectives of the audit:</p> <ul style="list-style-type: none"> <li>• discussions with the key personnel of the Parent Entity in order to understand the most important conditions of individual Financial Shield programs and the Company's tasks in terms of their operation,</li> <li>• analysis of regulations, an agreement on the terms and procedure of transferring funds for the implementation of government programs, terms of bond issue as well as program documents and regulations regarding government Financial Shield programs,</li> <li>• gaining an understanding of internal controls in the process relating to their operation,</li> <li>• analysis of the accounting policy regarding the valuation and presentation of assets and liabilities of the Financial Shields programs,</li> <li>• assessment of the valuation and presentation of assets and liabilities of the government Financial Shields programs in the financial statements,</li> <li>• performing reliability procedures in the scope of existence, completeness, recognition and valuation of assets and liabilities of Financial Shields,</li> <li>• assessment of the completeness and adequacy of disclosures in the consolidated financial statements related to the assets and liabilities of the government Financial Shield programs.</li> </ul>

**Other information included in the consolidated annual report**

Other information includes financial and non-financial information included in the consolidated annual report, other than the annual consolidated financial statements and the audit report. Other information includes, but is not limited to, the report on the Group's activities for the year ended 31 December 2020, as well as the following elements of the annual report: selected financial data, expressed in EUR, statements of the Management Board.

Responsibility for the preparation of other information lies with the Management Board and members of the Supervisory Board of the Parent, respectively.

Our opinion on the annual consolidated financial statements does not cover this other information and, unless expressly stated in the "Report on Other Legal and Regulatory Requirements" section, we do not express any form of assurance on this other information. In addition, the scope of our work and the nature of our assurances are only as described.

In connection with the audit of the annual consolidated financial statements, our obligation, in accordance with the National Auditing Standards, to read other information during the audit, consider whether other information is not materially inconsistent with the annual consolidated financial statements or our knowledge obtained in the course of the audit or otherwise. the way they appear to be materially distorted.



If, based on the work we have performed on other information that we obtained prior to the date of this audit report, we conclude that there is a material misstatement of that other information, we are required to include that information in the audit report. We have nothing to say in this regard.

By the date of our audit report, we have received the report on the Group's operations, and the annual report will be available after that date. In the event that we find a material misstatement in the annual report, we are required to inform the Supervisory Board of the Parent Company about it.

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

The Management Board of the Parent Company is responsible for the preparation of the annual consolidated financial statements that give true and fair view in accordance with the Accounting Act and the Regulation on Principles of Consolidation, their compliance with applicable to the Group laws and the Parent Company's articles of association.

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

In preparing financial statements, the Management Board of the Parent Company is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management wither intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board members are responsible for overseeing the financial reporting process.

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

*Statutory Auditor's Responsibilities for the Audit of the Annual Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance as to whether the annual consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above mentioned standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual consolidated financial statements.

While carrying out the audit, in compliance with the National Standards on Auditing:

- we exercise professional judgment and maintain professional scepticism and
- identify and assess the risks of material misstatement of the annual 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 or other irregularities is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may relate to any area of law and regulations, not only the one that directly impacts the annual consolidated financial statements,

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control,
- evaluate the appropriateness of accounting principles (policies) used and the reasonableness of accounting estimates and related disclosures made by the Parent Company's Management Board,
- conclude on the appropriateness of use by the Parent Company's Management Board of the going concern basis while applying the adopted accounting principles (policies) 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 audit report to the related disclosures in the annual consolidated financial statements or, if such disclosures are inadequate, to modify our opinion about the annual consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our audit 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 annual consolidated financial statements, including the disclosures, and whether the annual consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation,
- obtain audit evidence that is sufficient and appropriate with respect to the financial information of entities and business activities within the Group to express our opinion on the annual consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the annual consolidated financial statements and remain solely responsible for our audit opinion.

We communicate with the Supervisory Board of the Parent Company 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.

Our audit does not involve any assurance on the future viability of the Group nor the efficiency nor effectiveness with which the Parent Company's Management Board has conducted or will conduct the affairs of the Group.

From the matters communicated with the Supervisory Board of the Parent Company, we determine those matters that were of most significance in the audit of the annual consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our audit report in the "Key audit matters (issues)" section", with the exception of matters in case of which law or regulation preclude 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.

Under the Act on Statutory Auditors, we are also obliged to express in the audit report an opinion on whether the annual consolidated financial statements comply, in terms of their form and content, with the provisions of law applicable to the Group as well as the Parent Company's articles of association. We report on these matters based on the work undertaken in the course of the audit.

## Report on Other Legal and Regulatory Requirements

### Report on the Group's activities

The report on the Group's activities and the management report of the Parent Company have been prepared as a single document in electronic format as a file entitled "PFR\_SZ2020", signed with electronic signatures by the Management Board of the Parent Company on 25 May 2021.

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

The Management Board of the Parent Company is responsible for preparation of the other information in compliance with the law. The Management Board and members of the Supervisory Board of the Parent Company are required to ensure that the report on the Group's activities and other information comply with the Accounting Act.

#### *Responsibilities of the Statutory Auditor*

Under the Act on Statutory Auditors, we are required to express an opinion on whether the consolidated management report has been prepared in accordance with provisions of the Accounting Act and whether it is consistent with the information included in the annual consolidated financial statements.

Furthermore, we are also required to state, whether, in the light of the knowledge of the Group and its environment obtained during the course of the audit, we have not identified material

misstatements in the report on the Group's activities, and report on these misstatements if noted.

We have read the report on the report on the Group's activities. We considered whether it disclosed the information required by these laws and whether the information included therein is consistent with the information included in the annual consolidated financial statements. Reading the report on operations we also considered whether, in the light of our knowledge of the Group and its environment, it did not include material misstatements.

#### *Opinion on the report on the Group's activities*

In our opinion, based on the work undertaken in the course of the audit of the annual consolidated financial statements, the accompanying report on the Group's activities of Polski Fundusz Rozwoju S.A. Capital Group for the financial year ended on 31 December 2020:

- has been prepared in accordance with Article 49 of the Accounting Act,
- the information presented therein is consistent with information in the audited annual consolidated financial statements.

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

#### **Other Information**

The financial statements have been prepared in an electronic form, in accordance with the logical framework and format published in the Public Information Bulletin on the website of the office supporting the minister competent for public finance. In order to read the data and information included in these financial statements correctly and fully, it is necessary to use an appropriate IT tool that reads such data and information based on relevant schemas and definitions specified in the Bulletin.

*Digital signature on the Polish original*

Przemysław Koblak  
Statutory Auditor No. 13416

Key Statutory Auditor conducting the audit  
on behalf of PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k.  
the audit firm number 477

Orzycka 6 lok. 1B  
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Warsaw, 25 May 2021

