Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of Zespół Elektrowni Pątnów-Adamów-Konin S.A.

Report on the audit of financial statements

Our opinion

In our opinion the attached annual financial statements:

- Give a true and fair view of the financial position of Zespół Elektrowni Pątnów-Adamów-Konin S.A. (the "Company") as at 31 December 2020 r. and its financial performance and the cash flows for the year then ended in accordance with the applicable provisions of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2021, item 217, as amended) 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.

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

What we have audited

We have audited the annual financial statements of Zespół Elektrowni Pątnów-Adamów-Konin S.A. which comprise:

- balance sheet as at 31 December 2020;

and the following prepared for the financial statement year from 1 January to 31 December 2020:

- the income statement;
- cash flow statement;
- statement of changes in equity, and
- the introduction to the financial statements and additional explanatory notes.

Basis for opinion

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing as adopted as National Standards on Auditing by the National Council of Statutory Auditors ("NSA") and pursuant to the Act of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight ("the Act on Registered Auditors" – Journal of Laws of 2017, item 1089 as amended) and 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 those NSA are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

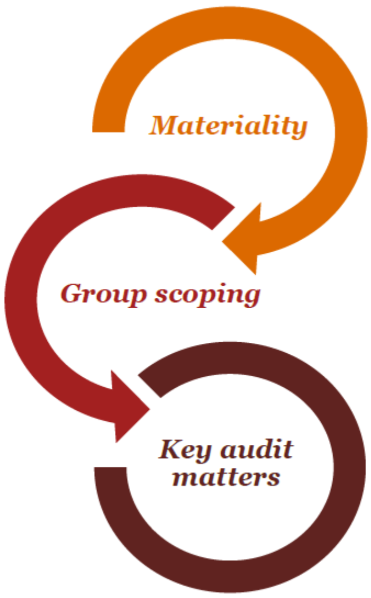
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Federation of Accountants' *Code of Ethics for Professional Accountants* ("the IFAC Code") as adopted by resolutions 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 IFAC's 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.

Our audit approach

Overview



- The overall materiality threshold adopted for the purposes of our audit was set at PLN 18.5 million, which represents 1% of the net sales of finished goods, goods for resale and raw materials sold

- We have audited the annual financial statements of the Company for the period ended 31 December 2020.

- Impairment of investments in subsidiaries
- Impairment of property, plant and equipment
- Provision for decommissioning cost

We designed our audit by determining materiality and assessing the risks of material misstatement of the financial statements. In particular, we considered where the Management Board of the Company made its subjective judgments; for example, in relation to significant accounting estimates that required assumptions and the consideration of future events that are inherently uncertain. We also addressed the risk of management bypassing internal control, including, among other matters, we considered whether there was evidence of management bias that would pose a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the financial statements as a whole 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 presented below. These thresholds, 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, both individually and in aggregate on the financial statements as a whole.

Overall materiality	PLN 18.5 million
Basis for determination	1% of the net sales of finished goods, goods for resale and raw materials sold

Rationale for the materiality benchmark applied	We have adopted net sales of finished goods, goods for resale and raw materials sold as the basis for determining materiality because, in our opinion, this measure best reflects the scale of the Company's operations and it is free from fluctuations in market prices of cost components as well, which significantly affected the Company's profitability in the recent period. We adopted the materiality threshold at 1% because based on our professional judgement it is within the acceptable quantitative materiality thresholds.

We agreed with the Company's Audit Committee that we would report to them of misstatements identified during our audit of the financial statements above PLN 1.85million, as well as any misstatements below that amount, that in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion. We do not express a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Impairment of investments in subsidiaries

In the financial statements prepared as at 31 December 2020, the Company presents investments in subsidiaries in the net value of PLN 155.8 million (which is 6.4% of total assets), i.e. less the cumulative impairment loss of PLN 258.1 million PLN. The accounting policies for the initial recognition and valuation of shares and stocks in related entities are presented in point 6 of the Introduction to the financial statements.

In accordance with the information contained in point 40 of the Additional information and explanations to the financial statements, the Management Board of the Company identified impairment indicators of shares held in the subsidiaries PAK-Volt S.A. and PAK Kopalnia Węgla Brunatnego Konin S.A. and therefore impairment tests of investments in these subsidiaries were carried out. As a result of the performed impairment tests, the necessity to recognize the investment impairment write-offs in the amount of PLN 148.4 million was identified.
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Our procedures included in particular:

• understanding and evaluating the process of identifying impairment indicators of the assets;
• evaluation of the mathematical correctness and methodological consistency (with the use of PwC's internal valuation specialists) of the valuation models prepared by the Management Board of the Company based on discounted cash flows;
• a critical assessment of the assumptions and estimates made by the Management Board of the Company used to determine the recoverable amount of fixed assets, including:
  ○ the forecasted period of future cash flows and the assumed level of revenues, operating margin and outlays necessary to maintain the activity in an unchanged scope,
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Calculation of the recoverable amount is related to the need to adopt a number of assumptions and make judgments by the Management Board of the Company regarding, inter alia, the adopted strategy, financial plans and cash flow forecasts for the coming years, as well as macroeconomic and market assumptions (mainly regarding electricity prices, raw material prices, level and the schedule of decommissioning and extraction of coal, the amount of decommissioning costs).

Bearing in mind the material value of investments in the financial statements, as well as due to the sensitivity of the results of the above-mentioned tests on the assumptions made, this issue was the subject of our analyzes.

  - the applied discount rate (based on the weighted average cost of capital),

- assessment of the sensitivity analysis on the assumptions made by the Management Board of the Company, which may affect the result of the valuation;
- assessing the correctness and completeness of disclosures in the financial statements.

Impairment of tangible fixed assets

In point 7 of Additional information and explanations to the financial statements, the Company presented disclosures regarding impairment tests carried out in relation to cash flow generating units (CGUs) carried out as at 30 June 2020, including the test results, assumptions adopted to calculate the value in use and the sensitivity analysis on the calculations to a reasonably possible change in the main assumptions used in the value in use calculation. The company also presented an analysis of the indicators for conducting impairment tests as at 31 December 2020.

The carrying amount of tangible fixed assets as at 31 December 2020 is PLN 1,328.6 million (which accounts for 54.2% of the total assets). As a result of the impairment tests carried out during the year, the necessity to write down the value of assets related to CGU Elektrownia Pątnów I and CGU Elektrownia Pątnów II was identified and impairment of tangible fixed assets in the amount of PLN 437 million was recognized. For the assets related to CGU Elektrownia Konin, as a result of the tests performed, it was decided to reverse the impairment of tangible fixed assets recognized in previous years in the amount of PLN 296 million.

Pursuant to the Accounting Act and the National Accounting Standard No. 4 "Impairment of Assets", the Management Board of the Company at the end of the reporting period conducts an analysis of indications of impairment, and for assets with indications of impairment or reduction of a previously recognized impairment loss tests are carried out for impairment on a given reporting date.

Calculation of the recoverable amount is related to the necessity to adopt a number of assumptions and make judgments by the Management Board

Our procedures included in particular:

- understanding and evaluating the process of identifying impairment indicators of assets and the correctness of grouping assets into cash-generating units in accordance with the relevant financial reporting standards;
- evaluation of the mathematical correctness and methodological consistency (with the use of PwC's internal valuation specialists) of the valuation models prepared by the Management Board of the Company based on discounted cash flows;
- a critical assessment of the assumptions and estimates made by the Management Board of the Company used to determine the value in use of non-current assets, including:
  - the period of future cash flow projection and the assumed level of revenues, operating margin and outlays necessary to maintain the activity in an unchanged scope
  - the applied discount rate (based on the weighted average cost of capital),
- assessment of the sensitivity analysis on the assumptions made by the Management Board of the Company, which may affect the result of the valuation;

of the Company regarding, inter alia, the adopted strategy of the Company, financial plans and cash flow forecasts for the following years, as well as macroeconomic and market assumptions (mainly regarding electricity prices, CO2 emission allowance prices), raw material prices, the level and a schedule of ground extraction and coal extraction, the amount of decommissioning costs, the support system for renewable energy sources and the capacity market). Bearing in mind the significance of the items in the consolidated financial statements, as well as due to the sensitivity of the results of the above-mentioned test for assumptions, this issue was the subject of our analyzes.

- assessing the correctness and completeness of disclosures in the consolidated financial statements.

Povision for decommissioning costs

Due to the type of its activity, the Company is required to recognize provisions specific to the activity of power generation industry. These include, inter alia, provisions for the costs of fixed assets liquidation and provisions for decommissioning costs of land used in connection with the conducted activity, including ash landfill. As at 31 December 2020, these provisions totaled PLN 85.8 million.

The issue of estimating the provision for decommissioning costs and other costs related to the conducted activity is a key audit issue due to the value of the provisions, which is material from the point of view of the financial statements. Additionally, estimates of future costs require professional judgment and the adoption of significant assumptions regarding carrying out decommissioning works, the time of their implementation, the amount of expected costs and discount rates. When determining the amount of the provisions, the services of external independent experts were used.

Considering the materiality of the items in the financial statements, this issue was the subject of our analyzes.

Accounting policy, details of the assumptions made and significant estimate calculation as well as other significant information regarding provisions for liabilities are included in point 6 of the Introduction to the financial statements and in point 13 of the Additional information and explanations to the financial statements.

In order to address the identified risk, we obtained detailed knowledge of the processes related to estimating provisions for liabilities, the adopted assumptions and the accounting policies applied in this area.

Our procedures also included:

- evaluating assumptions adopted by the Company for the calculation of the provision, correctness of input data used in the calculation (including the completeness of the components of fixed assets that will be liquidated or recultivated);
- verification of the mathematical correctness of the provisions calculation, as well as the correctness of the depreciation of assets related to future liquidation costs and the discount settlement;
- assessment of the independence and competence of an external expert, in particular considering whether he has the appropriate knowledge, experience and database to reliably estimate the amount of future costs of decommissioning a mining plant and land reclamation;
- assessment of the correctness and completeness of disclosures in the financial statements.

Responsibility of the Management and Supervisory Board for the financial statements

The Management Board of the Company is responsible for the preparation, based on the properly maintained books of account of annual financial statements that give a true and fair view of the Company's financial position and results of operations, in accordance with the provisions of the Accounting Act, 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 its Supervisory Board are obliged to ensure that the financial statements comply with the requirements specified in the Accounting Act.

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

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 the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

Other information, including the Management Board's report on the operations

Other information

Other information comprises Management Board's report on the Company's operations for the financial year ended 31 December 2020 ("Report on operations") together with a statement on the application of corporate governance and a statement on non-financial information referred to in Article 49b section 1 of the Act on accounting, which are separate parts of this report together ("Other information"). The other information does not include the financial statements and the auditor's report thereon.

Responsibility of the Management and Supervisory Boars

The Management Board of the Company is responsible for preparing 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 Act..

Registered auditor's responsibility

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

In connection with our audit of the financial statements, our responsibility is to read Other Information and, in doing so, consider whether it 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 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 on the operations

Based on the work we carried out during the 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 para. 70 of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("Regulation on current information" - Journal of Laws 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 Company's operations.

Opinion on the corporate governance statement

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 49b(1) 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.

Report on other legal and regulatory requirements

Opinion on the requirements of Article 44 of the Power Industry Law

The Management Board of the Company is responsible for the preparation of regulatory financial information in accordance with the requirements of Art. 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 point 41 of the additional information. Our audit did not cover an evaluation 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 balance sheet items as at 31 December 2020 and the shortened income statements for the year ended on that date, included in the regulatory financial information (explanatory note 41), meet, in all material respects, the requirements of Article 44 section 2a of the Energy Law.

Statement on the provision of non-audit services

To the best of our knowledge and belief, we declare that the non-audit services we provide 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 that are prohibited under Article 5 (1) of the EU regulation and Article 136 of the Law on Registered Auditors.

In the audited period, we did not provide the Company and entities controlled by it in the European Union with services other than audit of the financial statements.

Appointment

We have been appointed to audit the annual financial statements of the Company by the Resolution of the Supervisory Board of 29 September 2020. We have been auditing the Company's financial statements without interruption since 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., a company entered on the list of Registered Audit Companies with the number 144., is Borys Malinowski.

Borys Malinowski

Key Registered Auditor

No. 12798

Warsaw, 19 April 2021 r.