



#### TRANSLATORS' EXPLANATORY NOTE

The English content of this report is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts as well as the auditor's report should be prepared and presented in Polish and in accordance with Polish legislation and the accounting principles and practices generally adopted in Poland.

The accompanying translation has not been reclassified or adjusted in any way to conform to the accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.

## Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of ZE PAK Spółka Akcyjna (previously: Zespół Elektrowni Pątnów-Adamów-Konin Spółka Akcyjna)

### Report on the audit of financial statements

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#### Our opinion

In our opinion, the accompanying annual financial statements:

- give a true and fair view of the financial position of ZE PAK S.A. (the "Company") as at 31 December 2021 and the Company's financial performance and the cash flows for the year then ended in accordance with the applicable provisions of the Accounting Law of 29 September 1994 (the "Accounting Law") 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 Law of 29 September 1994 (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 ZE PAK S.A. which comprise:

- the balance sheet as at 31 December 2021;

and the following prepared for the financial year from 1 January to 31 December 2021:

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

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### Basis for opinion

#### Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the wording of the International Standards on Auditing as adopted by the resolution of the National Council of Statutory Auditors ("NSA") and pursuant to the Law of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight (the "Law on Registered Auditors") and the Regulation (EU) No.



537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities (the “EU Regulation”). Our responsibilities under NSA are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

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

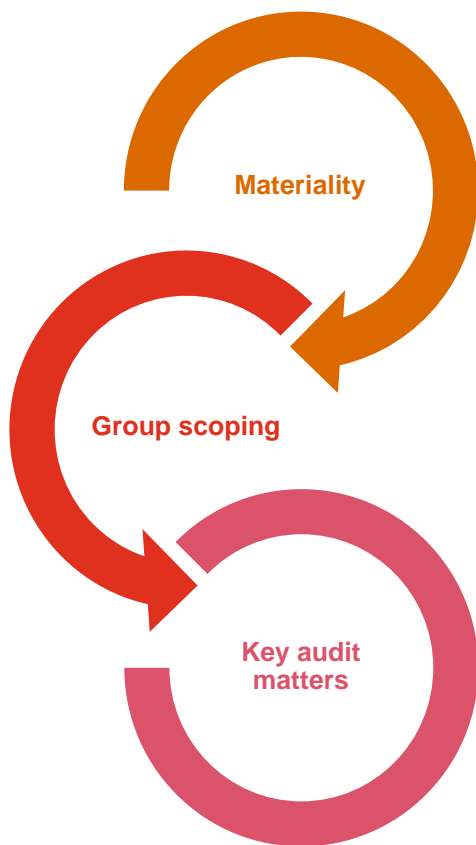
### **Independence**

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by resolution of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

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## Our audit approach

### Overview



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- The overall materiality threshold adopted for the purposes of our audit was set at PLN20 million, which represents 0,9% of the net sales of finished goods, goods for resale and raw materials sold.

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- We have audited the annual financial statement of the Company for the period ended 31 December 2021.

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- Impairment of property, plant and equipment
  - Provision for decommissioning cost
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### **Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole, as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

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<b>Overall Company materiality</b>	PLN 20 million
<b>How we determined it</b>	0,9% of the net sales of finished goods, goods for resale and raw materials sold
<b>Rationale for the materiality benchmark applied</b>	<p>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.</p> <p>We adopted the materiality threshold at 0,9% because based on our professional judgement it is within the acceptable quantitative materiality thresholds.</p>

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We agreed with the Audit Committee that we would report to them misstatements identified during our audit above PLN 2 million, as well as 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 judgement, were of most significance in our audit of the financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment of tangible fixed assets</b></p> <p>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.</p> <p>In point 7 of Additional information and explanations to the financial statements, the Company presented the required analysis of the premises for conducting impairment tests as at 31 December 2021 of two identifiable cash flow generating units (CGU), which analysis showed the need to conduct impairment tests as at balance sheet for one of the CGU.</p> <p>As a result of the impairment tests performed as at the balance sheet date, the necessity to write down the value of assets related to CGU Elektrownia Pątnów was identified and the impairment of property, plant and equipment in the amount of PLN 690,3 million was recognized.</p> <p>For the assets related to CGU Elektrownia Konin, there were no indications to conduct impairment tests.</p> <p>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 of the Company (changes in the strategy</p>	<p>Our procedures included in particular:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• 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: <ul style="list-style-type: none"> <li>○ 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</li> <li>○ the applied discount rate (based on the weighted average cost of capital),</li> </ul> </li> <li>• assessment of the sensitivity analysis on the assumptions made by the Management Board of the Company,</li> </ul>

are described in Note 7 of Additional information and explanations to the financial statements), financial plans and cash flow forecasts for the following years, as well as macroeconomic and market assumptions (mainly regarding electricity prices, prices of CO2 emission rights, prices of raw materials, the level and schedule of decommissioning and coal extraction, the amount of rehabilitation costs, the renewable energy support system and the capacity market).

The aforementioned point 7 of the Additional information and explanations to the financial statements also contains disclosures on impairment tests carried out in relation to the cash-generating unit (CGU Elektrownia Pątnów) as at 31 December 2021, including the test results, assumptions made to calculate the value of and an analysis of the sensitivity of the calculations to a reasonably possible change in the main assumptions used in the value in use calculation.

Bearing in mind the significance of the items in the financial statements, as well as due to the sensitivity of the results of the above-mentioned of the test for assumptions, this issue was the subject of our analyzes.

#### Provision 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 2021, these provisions totaled PLN 95,5 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

which may affect the result of the valuation; assessing the correctness and completeness of disclosures in the consolidated financial statements.

- assessment the correctness and completeness of disclosures in the consolidated 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

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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 14 of the Additional information and explanations to the financial statements.

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.

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## 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 the 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 the 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.

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## Auditor's responsibility for the audit of the financial statements

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

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board.
- Conclude on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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## Other information, including the report on the operations

### Other information

Other information comprises a Report on the Company's operations for the financial year ended 31 December 2021 ("the Report on the operations") and the corporate governance statement and the



statement on non-financial information referred to in Article 49b(1) of the Accounting Act which are separate parts of this report (together “Other Information”). Other information does not include the financial statements and our auditor’s report thereon.

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

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

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

### **Registered auditor’s responsibility**

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

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the information in the financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in the Other Information, we are obliged to inform about it in our audit report. In accordance with the requirements of the Law 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.

If we identify a material misstatement in the Annual Report, we are obliged to inform the Company’s Supervisory Board of this fact.

### **Opinion on the Report on the operations**

Based on the work we carried out during our audit, in our opinion, the Report on the operations of the Company:

- 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”);
- is consistent with the information in the financial statements.

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

### **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.

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## **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 preparing regulatory financial information in accordance with the requirements of Article 44 of the Energy Law of 10 April 1997 ("Energy Law").

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

Regulatory financial information has been presented in Note 42 to the financial statements. Our audit did not cover an evaluation as to whether the information required to be disclosed under the Energy Law is sufficient to ensure equal treatment of consumers and to eliminate cross-subsidization between segments.

In our opinion, the relevant balance sheets as at 31 December 2021 included in the regulatory financial information and income statements for the year then ended comply, in all material respects, with the requirements referred to in Article 44(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 have provided to the Company and its subsidiaries are in accordance with the applicable laws and regulations in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the 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 were first appointed to audit the annual financial statements of the Company by resolution of the Supervisory Board dated 9 May 2018 and re-appointed by resolution dated 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 four 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, 28 April 2022