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Deloitte Audyt
Spółka z ograniczoną odpowiedzialnością Sp. k.
al. Jana Pawła II 22
00-133 Warszawa
Polska

Tel.: +48 22 511 08 11
Fax: +48 22 511 08 13
www.deloitte.com/pl

INDEPENDENT AUDITOR'S REPORT

To the General Meeting and the Supervisory Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.

Report on the Audit of the Annual Consolidated Financial Statements

Opinion

We have audited the annual consolidated financial statements of the group (the "Group") with Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. as the parent (the "Parent"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements:

– give a true and fair view of the economic and financial position of the Group as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the applicable in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union, and the adopted accounting policies;

– comply, as regards their form and content, with the applicable laws and the articles of association of the Parent.

Our opinion is consistent with the Additional Report to the Audit Committee, which we issued on 22 March 2021.

Basis for Opinion

We conducted our audit in accordance with the Polish Standards on Auditing ("PSAs") in the wording of the International Standards on Auditing adopted by the National Council of Statutory Auditors and in compliance with the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (the "Act on Statutory Auditors", Journal of Laws of 2020, item 1415) as well as Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation", Official Journal of the European Union L158). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the principles of professional ethics specified in the International Code of Ethics for Professional Accountants (including International Independence Standards) ("Code of ethics") developed and issued by the International Ethics Standards Board for Accountants and adopted by the National Council of Statutory Auditors, together with the ethical requirements that are relevant to the audit of the financial statements in Poland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. Throughout the audit, both the key statutory auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They encompass the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We summarized our response to those risks and, where appropriate, we presented the key findings related to those risks. We do not provide a separate opinion on these matters.

Key audit matter	How we addressed the matter
Impairment of property, plant and equipment Net value of property, plant and equipment held by Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. Capital Group, presented in the consolidated financial statements as at 31 December 2020 was PLN 1 609 million. As at 31 December 2020 the Management Board of the Parent analyzed impairment indicators of these assets. Analysis included: -financial plan, -investment plan, -prices projections of the energy and gas, -assumptions in reference for energy market, support for high-efficiency cogeneration -margins assumptions for production and sales of electricity in future periods, in reference to forecast of prices the electricity, coal and greenhouse gas emission certificates. Carried out impairment indicators analysis proved that cash-generating units generates positive cash flows in financial plan for 2021-2022. Therefore, the Management Board of the Parent Company did not identified impairment indicators. The impairment of property, plant and equipment was considered a key audit matter due to the value of these assets as reported in the consolidated financial statements, and due to material and complex estimates, included in the prepared impairment indicators analysis. Group's disclosures regarding impairment tests performed are presented in Note 12 "Impairment tests of assets". Disclosures regarding material estimates are presented in Note 5 "Professional judgement and uncertainty of estimates and assumptions".	During the audit, we documented our understanding of the process and identified controls regarding identification of impairment indicators. Further, we evaluated the approach to identification of cash generating units. We designed and carried out audit procedures regarding the analyzed impairment indicators. These procedures: - assessment of financial projections adopted by the Management Board of the Parent in the form of comparison of the actual performance to former projections; - analysis of the changes in significant macroeconomics data impacting entity performance; - comparison of the applied discount rates to market data; - evaluation of the adequacy of disclosures.
Impairment of goodwill Net value of intangible assets held by the Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. Capital Group, presented in the consolidated financial statements as at 31 December 2020 was PLN 42,5 million and the goodwill amounted to PLN 41,5 million. In accordance with IAS 36 – Impairment of Assets -	During the audit, we documented our understanding of the process and identified controls regarding the process of testing assets for impairment and we evaluated the approach to identification of cash generating units. We designed and carried out audit procedures regarding the performed impairment tests.

Management Board of the Parent carried out annual test, to check if the goodwill is impaired. Impairment tests were carried out based on the discounted cash-flows method of cash generating units to which goodwill was assigned. The tests were based on estimates adopted by the Management Board of the Parent, relying among others on price projections regarding electricity, gas, greenhouse gas emission certificates and including other key assumptions related to operational parameters, and Weighted Average Cost of Capital (“WACC”). The impairment of goodwill was considered a key audit matter due to the value of these assets as reported in the consolidated financial statements, and due to material and complex estimates, included in the prepared impairment tests. Group’s disclosures regarding goodwill impairment tests performed are presented in Note 8 “Intangible assets”.	These procedures included assessment of the impairment model with underlying assumptions, were performed with support of evaluation experts and comprised: - assessment of financial projections adopted by the Management Board in the form of comparison of the actual performance to former projections; - comparison of the model assumptions (including future revenue, costs and generated margins) to market data presented by the Management Board; - comparison of the applied discount rates to market data; - analysis of arithmetical correctness of the discounted cash flows model and reconciliation of source data to the financial projections presented by the Management Board; - evaluation of the adequacy of disclosures related to impairment tests.

Compensation for early termination of long-term contracts for the sale of power and electricity (LTC) Elektrociepłownia “Zielona Góra” S.A. (“EC Zielona Góra”), a subsidiary of the Parent, is participating in the system of stranded costs refunding regulated in the Act of 29 June 2007 on covering costs incurred by generation companies due to early termination of long-term contracts for the sale of power and electricity (“orphaned costs”, “Orphaned Cost Act”). Pursuant to the provisions of the Act, EC Zielona Góra receives compensation for the orphaned costs arising from early termination of long-term contracts for the sale of power and electricity (LTC) in the form of quarterly advance payments adjusted on an annual basis. After the end of the contractual period for which an LTC has been concluded, the final adjustment is made. Compensation payments to EC Zielona Góra recognised in the consolidated statement of comprehensive income for the year ended 31 December 2020 amounted to PLN 30 million. Revenue from annual adjustments and the expected final adjustment arequantified using a comprehensive financial model prepared by the Management Board of EC Zielona Góra, based on estimated operating performance of EC Zielona Góra during the period of its participation in the orphaned costs refunding system, i.e. until 2025. The compensation for early termination of long-term contracts is considered a key audit matter due to the scale of the transactions and to the fact it is the subject of material estimates made by the Management Board. Disclosures of costs related to LTC compensation are included in Note 2 “Compensation to cover orphaned costs in EC Zielona Góra S.A., a subsidiary”,	During the audit, we analysed and evaluated the accounting policy with regard to the recognition of revenue from the compensation and the methodology of determining and recognizing the revenue, adopted by the Management Board. Further, we documented our understanding of the process and of the related controls regarding accounting treatment of the compensation amounts, including annual compensation, the final adjustment and refund of compensation carried out in prior years. Our procedures included also: - evaluation of assumptions underlying the financial model used to calculate the final adjustment; - assessment of the arithmetical correctness of this model; - evaluation of adequacy of disclosures regarding revenue from the compensation, reported in the consolidated financial statements.

presented in notes to the consolidated financial statements. Disclosures regarding material estimates are presented in Note 5 "Professional judgement and uncertainty of estimates and assumptions".	

Responsibilities of the Management Board and the Supervisory Board of the Parent for the Consolidated Financial Statements

The Parent's Management Board is responsible for the preparation of consolidated financial statements which give a true and fair view of the economic and financial position of the Group and of its financial performance in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union, the adopted accounting policies as well as the applicable laws and articles of association of the Parent, and for such internal control as the Parent's Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Management Board and members of the Supervisory Board of the Parent are obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 (the "Accounting Act", Journal of Laws of 2021, item 217). Members of the Parent's Supervisory Board are responsible for overseeing the financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The scope of an audit does not include an assurance about the future profitability of the Group or the effectiveness or efficiency of the Parent's Management Board in managing the Group's affairs at present or in the future.

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

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

– obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Management Board;

– conclude on the appropriateness of the Parent'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

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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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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

We communicate with the Parent's Supervisory Board 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 Parent's Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and that we will communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent's Supervisory Board, we determined those matters that were of most significance in the audit of the consolidated 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 Report on the Activities

Other information includes a report on the Group's activities in the financial year ended December 31, 2020 (the "Report on the Activities"), together with a statement of compliance with corporate governance principles and a non-financial information statement, as referred to in Article 49b.1 of the Accounting Act, which constitute separate parts of the Report (together: the "Other Information").

Responsibilities of the Management Board and the Supervisory Board

The Parent's Management Board is responsible for the preparation of the Other Information in accordance with the applicable laws.

The Management Board and members of the Supervisory Board of the Parent are obliged to ensure that the Report on the Activities, along with the separate parts, meet the requirements of the Accounting Act.

Auditor's Responsibilities

Our opinion on the consolidated financial statements does not cover the Other Information. In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our auditor's report. Additionally, under the Act on Statutory Auditors we are obliged to express an opinion on whether the Report on the Activities has been prepared in accordance with the applicable laws and whether it is consistent with the information contained in the consolidated financial statements. Furthermore, we are obliged to state whether a non-financial information statement has been prepared by the Group and to express an opinion on whether the Group has included the necessary information in the statement of compliance with corporate governance principles.

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Opinion on the Report on the Activities

Based on our work performed during the audit, we are of the opinion that the Report on the Activities:

- has been prepared in accordance with Article 49 of the Accounting Act and par. 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (the “Current Information Regulation”, Journal of Laws of 2018, item 757, as amended);
- is consistent with the information contained in the consolidated financial statements.

Furthermore, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements of the Report on the Activities.

Opinion on the Statement of Compliance with Corporate Governance Principles

In our opinion, the statement of compliance with corporate governance principles contains the information referred to in par. 70.6.5 of the Current Information Regulation. We are also of the opinion that the information referred to in par. 70.6.5(c)-(f), (h) and (i) of the Regulation, as contained in the statement of compliance with corporate governance principles, is in accordance with the applicable laws and consistent with the information included in the consolidated financial statements.

Information on Non-Financial Information

In accordance with the requirements of the Act on Statutory Auditors, we confirm that the Group has prepared a non-financial information statement, as referred to in Article 49b.1 of the Accounting Act, as a separate part of the Report on the Activities.

We have not performed any assurance services relating to the non-financial information statement and we do not express any form of assurance conclusion thereon.

Report on Other Legal and Regulatory Requirements

Scope of the Engagement

With regard to the audit of the consolidated financial statements we have performed a reasonable assurance engagement to evaluate whether or not the Group’s consolidated financial statements for the year ended 31 December 2020 were prepared in compliance with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation”).

Identification of Criteria

In accordance with the ESEF Regulation, issuers should prepare their IFRS consolidated financial statements in the single electronic reporting format (XHTML), in addition to tagging the information contained therein in line with the IFRS taxonomy, using the Inline XBRL standard (the “ESEF format”).

Responsibilities of the Management Board and the Supervisory Board of the Parent

The Management Board is responsible for the preparation of the consolidated financial statements in the ESEF format. This responsibility includes the selection and application of appropriate XBRL tags, using the taxonomy set out in the ESEF Regulation.

The Management Board is also responsible for the design, implementation and maintenance of internal controls to enable the preparation of consolidated financial statements in the ESEF format that are free from material non-compliance with the requirements of the ESEF Regulation.

Members of the Supervisory Board of the Parent are responsible for overseeing the financial reporting process, which also involves the preparation of consolidated financial statements in the ESEF format.

Auditor's Responsibilities

Our objective was to express, based on a reasonable assurance engagement, a conclusion whether the Group's consolidated financial statements for the year ended 31 December 2020 were prepared in compliance with the requirements of the ESEF Regulation.

The engagement was performed in accordance with National Standard on Assurance Engagements Other than Audits or Reviews 3000 (Revised) in line with the wording of International Standard on Assurance Engagements 3000 (Revised) – "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", as adopted by the National Council of Statutory Auditors ("NSAE 3000 (Revised)").

The Standard requires that we plan and perform the procedures so as to obtain information and explanations that we consider to be necessary to obtain reasonable assurance that the consolidated financial statements were prepared in the ESEF format.

Reasonable assurance is a high level of assurance, but is not a guarantee that an engagement conducted in accordance with NSAE 3000 (Revised) will always detect a material misstatement when it exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in the ESEF format, in order to design procedures that are appropriate in the circumstances to enable the auditor to obtain sufficient appropriate evidence, but not for the purpose of expressing a conclusion on the effectiveness of the entity's internal control.

Quality Control Requirements

We adhere to the National Standards on Quality Control in line with the wording of International Standard on Quality Control 1 – "Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements", as adopted by the National Council of Statutory Auditors, and maintain a comprehensive system of quality control that includes documented policies and procedures with regard to compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Ethical and Independence Requirements

We comply with independence and other ethical requirements set out in the International Code of Ethics for Professional Accountants, as adopted by the National Council of Statutory Auditors (including the International Independence Standards), which has been developed and approved by the International Ethics Standards Board for Accountants.

Summary of the Work Performed

The procedures we planned and performed included:

– gaining an understanding of the process of the Company's selection and application of XBRL tags as well as ensuring compliance with the ESEF format requirements, including an understanding of the internal controls relevant to this process;

– evaluation of compliance with the technical standards applicable to the specification of the ESEF format, including application of the XHTML format, with the use of specialist software;
– testing the correctness of arithmetical calculations for each iXBRL tagged item;
– reconciliation of tagged information contained in the files with the consolidated financial statements with the audited consolidated financial statements;
– evaluation of the completeness of XBRL tagged information in the consolidated financial statements;
– evaluation of whether the iXBRL tags from the taxonomy set out in the ESEF Regulation were applied properly and whether extension taxonomy elements were used in the event that the relevant elements were not identified in the core taxonomy set out in the ESEF Regulation; and
– evaluation of the correctness of anchoring of the extension taxonomy elements used to the core taxonomy set out in the ESEF Regulation.

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

Conclusion

In our opinion, the consolidated financial statements were prepared, in all material respects, in compliance with the requirements of the ESEF Regulation.

Statement Concerning Provision of Non-Audit Services

To the best of our knowledge and belief, we represent that non-audit services which we have provided to the Parent and to its subsidiaries are not prohibited under Article 5.1 of the EU Regulation and Article 136 of the Act on Statutory Auditors. The non-audit services which we provided to the Parent and to its subsidiaries in the audited period have been listed in Point Agreement with the Auditor

The key statutory auditor on the audit resulting in this independent auditor's report is Adrian Karaś.

Acting on behalf of Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered seat in Warsaw, entered under number 73 on the list of audit firms, in the name of which the consolidated financial statements have been audited by the key statutory auditor:

Adrian Karaś
Registered under number 12194

Warsaw, 22 March 2021

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