

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

Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.

with registered office in Wrocław

for the financial year from 1st January 2023 to 31st December 2023

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 audit of annual separate financial statements for the General Meeting of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.

Opinion on the financial statements

We have audited the accompanying annual separate financial statements of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A., with its registered office in Wrocław, 24 Łowiecka Street (50-220), hereinafter referred to as the "Company", for the financial year from 1 January 2023 to 31 December 2023, which comprise the separate statement of financial position as at 31 December 2023, the separate statement of comprehensive income, the separate statement of changes in equity, the separate statement of cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information, hereinafter the „financial statements”.

The financial statements have been prepared in the form of an electronic file entitled *Sprawozdanie_jednostkowe_KGN_2023.xhtml* and have been signed with the electronic signatures by the Management Board of the Company on 18 March 2024.

The financial statements have been prepared using the accounting and financial reporting principles set out in International Accounting Standards, International Financial Reporting Standards and related interpretations promulgated as regulations of the European Commission, hereinafter "IFRS EU".

In our opinion, the accompanying financial statements Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. :

- gives a true and fair view of the Company's assets and financial position as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with the applicable IFRS EU and the accounting policies adopted,
- complies as to the form and content with the applicable laws of the Company and with the provisions of the Company's articles of association affecting its content,
- has been prepared on the basis of properly maintained accounting records in accordance with the provisions of Chapter 2 of the Act of 29 September 1994 on Accounting applicable to the audit of financial statements prepared for periods ending 31 December 2023, hereinafter the "Accounting Act".

Our opinion on the financial statements is consistent with the supplementary report to the Audit Committee that we issued on 18 March 2024.

Basis for opinion on the financial statements

We conducted our audit of the financial statements in accordance with the National Auditing Standards, in the wording of the International Auditing Standards, adopted by the National Council of Statutory Auditors, the National Auditing Standard 220 (Z) adopted by the Polish Audit Supervision Agency, hereinafter referred to as the "National Auditing Standards", the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision, hereinafter referred to as the "Act on Statutory Auditors", applicable to audits of financial statements prepared for periods ending 31 December 2023, and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements for the statutory audit of public-interest entities, repealing Commission Decision 2005/909/EC (Official Journal of the EU L 158 of 27 May 2014, p. 77 and OJ EU L 170 of 11 June 2014, p. 66), hereinafter "Regulation 537/2014".

Our responsibilities under these standards are described in the section "Auditor's responsibility for the audit of the financial statements".

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We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including the "IESBA Code", adopted by the National Council of Statutory Auditors, and with the independence requirements set out in the Act on Statutory Auditors and Regulation 537/2014. We have also fulfilled our other ethical responsibilities set out in the Act on Statutory Auditors and the IESBA Code. In conducting the audit, the key auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and Regulation 537/2014.

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

Key audit matter(s)

Key audit matters are those matters that, in our professional judgement, were most significant during the audit of the financial statements for the current reporting period. They include the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. We have addressed these matters in the context of our audit of the financial statements as a whole and in forming our opinion and have summarised our response to these risks, and, where we considered it appropriate, we have provided key observations relating to these risks.

At the same time, Regulation 537/2014 requires us to report on all the most significant risks of material misstatement in the audit report, including those that were not a key audit matter for us. Significant risks of material misstatement are risks of material misstatement that we have identified that, in our judgement, require special consideration in the audit.

The key audit matters set out below include all the most significant risks of material misstatement referred to in Regulation 537/2014 and other matters that we have identified as key audit matters.

We do not express a separate opinion on these matters.

<i>Key audit matter: Impairment of tangible fixed assets</i>	
<i>Whether the key audit matter represented a significant risk: YES</i>	
Description of the key audit matter	How the matter was addressed during the inquiry
<p>As at 31 December 2023, the net value of tangible fixed assets presented in the separate statement of financial position was PLN 1,920,245 thousand, representing 60.4% of the Company's assets.</p> <p>In accordance with IAS 36 „Impairment of Assets”, at the end of each reporting period, the Company's Management Board assesses whether there are any indications of impairment of tangible fixed assets and performs an impairment test on these assets if they are found to be impaired. Assets grouped into cash-generating units are tested for impairment.</p> <p>Given the risk of uncertainty associated with the significant judgements and estimates made by the Company's Management Board and the significant value of the balance sheet position, we considered this to be a key audit matter for us.</p> <p>Detailed figures for tangible, an analysis of the indications of impairment and disclosures concerning their impairment testing are presented in sections 6 "Tangible fixed assets" and 13 "Asset impairment testing" of the notes to the statement of financial position.</p>	<p>We reviewed the applicable accounting policies for the valuation of tangible fixed assets and impairment testing and assessed their compliance with the relevant financial reporting standards.</p> <p>We discussed with the Company's Management Board the identification of indications of possible impairment of tangible fixed assets and sources of information about them.</p> <p>We gained an understanding of the process, including the internal control environment, of identifying the rationale and assessing the impairment of tangible fixed assets.</p> <p>We assessed the Company's reasoning that there was no indication at the balance sheet date that would oblige it to re-test tangible fixed assets's impairment and use the tests performed as at 30 June 2023 for the annual report.</p> <p>We have received impairment tests for tangible fixed assets carried out as at 30 June 2023.</p> <p>We assessed whether the assumptions used in the valuation model for the cash generating units at 30 June 2023 are reasonable and based on macroeconomic data. In particular, we assessed the financial forecast assumptions used by the Management Board and the weighted average cost of capital calculation. We verified the mathematical correctness of the discounted cash flow model.</p> <p>We assessed the adequacy of the disclosures in the annual separate financial statements.</p>

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Key audit matter: Recognition and timing of sales revenue recognition	
Whether the key audit matter represented a significant risk: YES	
Description of the key audit matter	How the matter was addressed during the inquiry
<p>The sales revenue presented in the statement of profit and loss for the period from 1 January 2023 to 31 December 2023 is PLN 1,689,818 thousand.</p> <p>In accordance with the accounting policy, the Company recognises revenue in accordance with IFRS 15 when goods and services are transferred to the customer, i.e. when the customer obtains control of the transferred good.</p> <p>Due to the significant value of the item and its susceptibility to the risk of misstatement, including the assumption made by the National Auditing Standards regarding the risk of fraud in revenue recognition, it was identified as a key audit matter.</p> <p>The principles of revenue recognition and detailed revenue figures are included in section No. 1. <i>Sales revenues</i> in the notes to the financial statements.</p>	<p>We have reviewed the Company's accounting policies on revenue recognition and measurement and confirmed their continued application.</p> <p>We assessed whether the accounting policies adopted comply with the applicable financial reporting framework.</p> <p>We gained an understanding of the internal controls operating within the Company as part of the sales process. This gave us an understanding of how to determine the timing of sales and how to record revenues in the accounting books, particularly in the sale of electricity and heat.</p> <p>We have performed a monthly analysis of the margins realised in 2023 by sales type to identify unusual transactions.</p> <p>We carried out analytical substantive procedures in the area of heat energy sales by estimating the volume of revenue on the basis of reports on the volume of heat received and tariffs published for the Company by the President of the Energy Regulatory Office.</p> <p>On a selected sample, we verified the consistency of the amounts and the correct recognition of revenue in the correct reporting period. We verified the accuracy's recognition of correct invoices after the balance sheet date.</p> <p>We checked the completeness of the recognition of compensation revenue.</p> <p>We have reviewed the revenue disclosures and assessed whether they are appropriate in light of the requirements of IFRS 15.</p>

Responsibility of the Management Board and Supervisory Board for the financial statements

The Company's Management Board is responsible for the preparation, on the basis of properly maintained accounting records, of financial statements that give a true and fair view of the Company's assets, financial position and result in accordance with IFRS EU, the accounting principles (policies) adopted and the laws and articles of association applicable to the Company.

The Company's Management Board is also responsible for such internal control as it 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 Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, where applicable, matters related to going concern and adopting the going concern basis of accounting, except where the Management Board either intends to liquidate the Company or to cease operations or has no realistic alternative but to liquidate or cease operations.

The Management Board of the Company and the members of the Supervisory Board are responsible for ensuring that the financial statements meet the requirements of the Accounting Act. The members of the Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objective is 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 audit report that includes our opinion. Reasonable assurance is a high level of assurance, but does not guarantee that an audit performed in accordance with the standards indicated above will always detect an existing material misstatement. Distortions may arise from fraud or

error and are considered material if they could reasonably be expected to influence, either individually or in the aggregate, the economic decisions of users taken on the basis of those financial statements.

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The scope of the audit does not include assurance as to the future viability of the Company or the efficiency or effectiveness of the management of its affairs now or in the future.

During an audit in accordance with the National Auditing Standards, we use professional judgement and maintain professional scepticism and:

- we identify and assess the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures appropriate 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 greater than that resulting from error because fraud may involve collusion, forgery, deliberate omissions, misrepresentation or circumvention of internal control;
- we obtain an understanding of the internal control relevant to the audit for the purpose of designing 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;
- we assess the appropriateness of the accounting policies used, the reasonableness of the accounting estimates and related disclosures made by the Company's Management Board;
- we conclude on the appropriateness of the Company's Management Board's application of the going concern basis of accounting and, based on the audit evidence obtained, whether there is a material uncertainty 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, we modify our opinion. Our conclusions are based on 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;

- we assess the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that achieves a fair presentation.

We communicate information related to the audit to the Supervisory Board and the Audit Committee, in particular about the planned scope and timing of the audit and the significant findings of the audit, including any significant internal control weaknesses we identified during the audit.

We have made a statement to the Audit Committee that we comply with the relevant ethical requirements for independence and that we will inform the Committee of all relationships and other matters that could reasonably be considered to pose a threat to our independence and, where applicable, report on the safeguards in place.

Of the matters reported to the Supervisory Board, we have identified those matters that were most significant in the audit of the financial statements for the current reporting period and therefore considered them to be key audit matters. We describe these matters in our audit report in the section "Key audit matter(s) and significant risks of material misstatement presented in accordance with Regulation 537/2014", except for matters for which disclosure to the public is prohibited by law or regulation or where, in exceptional circumstances, we determine that the matter should not be presented in our report because the adverse consequences could reasonably be expected to outweigh the benefit of such information to the public interest.

Pursuant to the Act on Statutory Auditors, we are also required to include in the audit report an opinion as to whether the financial statements comply in form and content with the applicable laws and the articles of association of the Company and an opinion as to whether they have been prepared on the basis of properly maintained accounting records. We formulated our opinion in this respect based on the work performed in the course of the audit.

Other information, including a Management report

Other information is the financial and non-financial information included in the annual report, other than the financial statements and the audit report. Other information includes the Management report on the Company's activities for the year ended 31 December 2023, together with the statement on the application of corporate governance referred to in Article 49(2a) of the Accounting Act and the statement on non-financial information referred to in Article 49b(1)

of the Accounting Act, which are separate parts of this management report.

Responsibility of the Management Board and Supervisory Board

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

The Management Board and the Supervisory Board are required to ensure that the Management report, together with its separated parts meet the requirements provided for in the Accounting Act and the Regulation of the Minister of Finance of 29 March 2018 on current information and

periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state, hereinafter the "Regulation on current and periodic information".

Auditor's Responsibility

Our audit opinion on the financial statements does not include Other Information. In connection with our audit of the financial statements, our responsibility is to review the Other Information and in doing so, to consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, on the basis of the work performed, we conclude that the Other Information is materially misstated, we are required to disclose this in our audit report.

Our responsibility under the requirements of the Act of Statutory Auditors is also to give an opinion as to whether the report of on the Company's activities has been prepared in accordance with the

regulations and whether it is consistent with the information contained in the financial statements.

In addition, we are required to report whether the Company has prepared a statement on non-financial information and to issue an opinion on whether the Company has included the required information in its corporate governance statement.

We obtained the Management report prior to the date of this audit report and the Annual Report will be available after that date. In the event that we identify a material misstatement in the Annual Report, we are required to inform the Supervisory Board.

Management report

The Management Report has been prepared together with the consolidated Management report for the KOGENERACJA S.A. Group as a single document in the form of an electronic file entitled *Sprawozdanie_Zarzadu_GK_KGN_i_KGN_2023.xhtml* and has been

signed with the electronic signatures by the Management Board on 18 March 2024.

Opinion on the Management report

In our opinion, based on the work performed in connection with the audit of the financial statements, the accompanying Management Report of Zespołu Elektrociepłowni Wrocławskich KOGENERACJA S.A. for the financial year ended 31 December 2023:

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

- the information presented in this report is consistent with the information contained in the audited financial statements.

In light of the knowledge of the Company and its environment obtained during the audit, we declare, that we have found no material misstatements in the Management report.

Opinion on the corporate governance statement

In our opinion, based on the work performed in connection with the audit of the financial statements:

- The corporate governance statement contains the information set out in section 70(6)(5) of the Regulation on current and periodic information,

- the information indicated in paragraph 70(6)(5)(c) to (f), (h) and (i) of this Regulation contained in this statement is consistent with the applicable regulations and with the information contained in the audited financial statements.

Information on the preparation of the statement on non-financial information

In accordance with the requirements of the Act on Statutory Auditors, we would like to inform you that the Management Board has prepared the statement on non-financial information referred to in Article 49b(1) of the Act Accounting Act, as a separate part of the report on operations.

We have not performed any assurance work on the statement on non-financial information and do not express any assurance on it.

Report on other legal and regulatory requirements

Regulatory requirements under Article 44 of the Act dated 10 April 1997, the Energy Law (Journal of Laws 2023, item 1681, as amended), hereinafter referred to as the "Energy Law"

The relevant items of the statement of financial position included in part C of the Disclosures of the Company's activities regulated by the Energy Act of the financial statements of the Statement of Comprehensive Income and the Statement of Financial Position prepared separately for each of the electricity

distribution and other business activities carried out meet, in all material respects, the requirements to ensure equal treatment of customers and the elimination of cross-subsidies between these activities as set out in Article 44 Section 2 of the Energy Law.

Other Information and statements required by Regulation 537/2014

Appointment of the audit firm and period of total uninterrupted the engagement

We were appointed to audit the Company's financial statements by resolution 42/870/2021 of the Supervisory Board dated 30 September 2021. We have audited the financial statements of the

Company as a public interest entity continuously, for a period of 2 subsequent years.

Non-statutory services

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited by Article 5(1) of Regulation 537/2014 during the periods indicated therein.

Digitally signed on the Polish original

Jolanta Sękowska
Auditor No. 12749

key auditor conducting the audit
on behalf of PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k.
of the auditing firm No. 477

6 Orzycka Street 1B
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Wrocław Branch

Wrocław, 18 March 2024

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