

Independent Certified Auditor's Report for the General Meeting and Supervisory Board of Boryszew S.A.

Report on audit of annual financial statements

Opinion

We have audited the annual financial statements of Boryszew S.A. ("Company"), which comprise the statement of financial position as at 31 December 2020, as well as statement of comprehensive income, statement of changes in equity, cash flow statement for financial year from 1 January 2020 to 31 December 2020, and additional information consisting of description of adopted accounting principles and notes to financial statements ("financial statements").

In our opinion, the accompanying financial statements:

- give a true and fair view of the Company's assets and financial standing as at 31 December 2020 and of its financial result and cash flows for the financial year ended on that day, in compliance with the applicable International Financial Reporting Standards confirmed by the European Union and with adopted accounting principles (policy);
- are formally and substantially compliant with regulations applicable to the Company and provisions of its articles of association;
- have been prepared on the basis of properly kept books of account, in compliance with provisions of Chapter 2 of the Act of 29 September 1994 on accounting ("Accounting Act") - Journal of Laws of 2021, item 217).

This opinion is consistent with the additional report for the Audit Committee, which we issued on 30 April 2021.

Basis of the opinion

We conducted the audit in compliance with the International Standards on Auditing adopted as the National Standards of Auditing ("NSA") by a resolution of the National Chamber of Certified Auditors, and pursuant to the Act of 11 May 2017 on certified auditors, audit firms and public supervision ("Certified Auditors Act" - consolidated text: Journal of Laws of 2020 item 1415 as well as Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities („EU Regulation” - OJ L 158). Our responsibility under the standards is described below in the section *Scope of certified auditor's responsibility for audit of financial statements*.

We are independent of the Company as required by the International Code of Ethics for professional accountants (including the International Standards of Independence) issued by the International Federation of Accountants ("IFAC Code") and adopted by a resolution of the National Chamber of Certified Auditors, and in compliance with other ethical requirements applicable to audit of financial statements in Poland. We have discharged our other ethical obligations in compliance with those requirements and the IFAC Code. During the audit, the key certified auditor and the audit firm remained independent of the Company in compliance with the independence requirements as laid down in the Certified Auditors Act and the EU Regulation.

BDO spółka z ograniczoną odpowiedzialnością spółka komandytowa, District Court for the capital city of Warsaw, 13th Commercial Division, National Court Register (KRS): 0000729684, Business Registry Number REGON: 141222257, Tax Identification Number NIP: 108-000-42-12. Capital contribution: PL 10,037,500. BDO offices in Poland: Katowice 40-007, ul. Uniwersytecka 13, Tel.: +48 32 661 06 00, katowice@bdo.pl; Kraków 31-548, al. Pokoju 1, Tel.: +48 12 378 69 00, krakow@bdo.pl; Poznań 60-650, ul. Piątkowska 165, Tel.: +48 61 622 57 00, poznan@bdo.pl; Wrocław 53-332, ul. Powstańców Śląskich 7a, Tel.: +48 71 734 28 00, wroclaw@bdo.pl

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

Key audit issues

Key audit issues are the issues that, according to our professional judgment, were of the greatest importance during the audit of financial statements for the current reporting period. They include the most important assessed types of risk of material distortions, including assessed types of risk of material distortion caused by fraud. We have addressed those issues in the context of our audit of financial statements as a whole and when formulating our opinion; we have summarized our response to these risk types and, where we considered it appropriate, have provided key observations related to these risks. We do not express a separate opinion on those issues.

Impairment of investments in subsidiaries

The individual statement of financial position discloses shares in and stocks of subsidiaries totaling of PLN 853,656, which constitutes 33.5% of the balance sheet total. As at the balance sheet date, the Company also has loans of significant value awarded to subsidiaries as well as other receivables that are part of the aggregate financing of their operations presented as financial assets.

In accordance with the accounting policy adopted by the Company, shares in subsidiaries are carried at cost less impairment.

Estimates of impairment of investments in subsidiaries are highly dependent on the assessment of future events and are therefore exposed to significant risk of change due to changing market conditions. Due to the inherent uncertainty regarding the achievement of significant assumptions in the future and the materiality of those assets, we consider impairment analysis of investments in subordinated entities to be a key audit issue.

Disclosures made in financial statements

The relevant disclosures have been included in point 3, "Accounting Policies Applied," and in Notes 13 and 19 to the financial statements.

Certified auditor's procedures in response to identified risk

Our audit procedures with respect to the discussed key audit issue included, among other things:

- assessment of compliance of the Company's accounting policy in the area of valuation of investments in subordinated entities with principles that arise from the relevant financial reporting standards;
- identification, understanding and evaluation of the process of impairment testing of shares in subordinated entities and the internal controls in that respect;
- analysis of financial statements of subsidiaries, including their financial results, comparison of the value of net investment in the Company's books to that of the subsidiaries' net assets for possible indications of impairment of shares;
- evaluation of the Management's analysis of possible indications of impairment of the shares in subsidiaries;
- evaluation of rationality of the Company's judgments and assumptions underlying the tests performed, and of the accounting and factual correctness of the recoverable amount estimates and impairment write-offs made on that basis,
- with the support of our valuation specialists, assessment of the macroeconomic assumptions used in the model, including the discount rate, adopted by the Company's

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- Management by comparing them to publicly available information, and verification of key assumptions and rationality of business projections by comparing them to historical data;
- verification of the implementation of budgets prepared in previous years with their execution;
 - analysis of the model's sensitivity to changes in assumptions;
 - assessment of the impact of Covid-19 and post balance sheet events on prudent valuation;
 - assessment of the adequacy of disclosures relating to impairment tests of shares in subsidiaries
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Management's and Supervisory Board's responsibility for financial statements

The Company's Management is responsible for preparation, based on properly kept books of account, of financial statements giving a true and fair view of the Company's assets, financial standing and financial result in compliance with the International Financial Reporting Standards, adopted accounting principles (policy) as well as regulations applicable to the Company and its articles of association, and also for internal audit as considered indispensable by the Management for preparation of financial statements free from any material distortions resulting from fraud or error.

Preparing the financial statements, the Company's Management is responsible for appraisal of the Company's going concern, disclosure of going concern-related matters if applicable, and adoption of the going concern principle as the basis for accounting, except in situations where the Management contemplates either liquidation of the Company or discontinuance of its operations, or where no other realistic alternatives to such liquidation or discontinuance are available.

The Company's Management and members of the Supervisory Board are obliged to ensure compliance of the financial statements with requirements laid down in the Accounting Act. Members of the Supervisory Board are responsible for supervision of the Company's financial reporting process.

Certified auditor's responsibility for audit of the financial statements

Our purposes are to acquire reasonable certainty that the financial statements as a whole contain no material distortions resulting from fraud and error, and to issue the audit report containing our opinion. Reasonable certainty means a high level of certainty but does not guarantee that an audit conducted pursuant to the NSA will detect all existing material distortions. Distortions may result from fraud or error; they are considered material if it can be reasonably expected that whether individually or jointly, they might influence the users' business decisions made on the basis of the financial statements containing such distortions.

The materiality concept is applied by the auditor both when planning and carrying out the audit, and when appraising the impact on financial statements of any misstatements and uncorrected misstatements identified within the audit, and also when formulating the audit opinion. Therefore, all opinions and statements contained in the audit report are formulated taking into account the materiality level in terms of quality and value, established in compliance with the audit standards and the certified auditor's professional judgment.

The scope of the audit does not comprise assurance as to future profitability of the Company or the effectiveness and efficiency of management of its affairs by the Management at present or in the future.

During the audit compliant with the NSA, we apply professional judgment and maintain professional skepticism, as well as:

- we identify and assess the risk of material distortion of financial statements resulting from fraud or error; we design and carry out audit procedures corresponding to those risks; and we obtain audit evidence that is sufficient and appropriate as the basis for our opinion. The risk of non-detection of a material distortion resulting from fraud is higher compared to distortion resulting from error, as the fraud may relate to conspiracy, forgery, intentional omissions, misrepresentation or circumvention of internal audit;
- we acquire sufficient understanding of the internal audit so as to design appropriate audit procedures in specific circumstances, but not to give opinion on efficiency of the Company's internal audit;
- we assess the adequacy of the accounting principles (policy) applied and the validity of accounting estimates and related disclosures made by the Company's Management;
- we conclude on the adequacy of application by the Company's Management of the going concern principle as the basis of accounting and, based on audit evidence gathered, on existence of any material uncertainty related to events or circumstances and capable of significantly challenging the Company's going concern. If we conclude that such material uncertainty does exist, we are required to call attention, in our certified auditor's report, to related disclosures made in the financial statements, or to modify our opinion if such disclosures are inadequate. Our conclusions base on audit evidence as obtained until the date of preparation of our certified auditor's report; however, the Company may cease operations due to future events or circumstances;
- we appraise the general presentation, structure and content of the financial statements, disclosures included, and whether the financial statements present the underlying transactions and events in a manner that guarantees their fair presentation.

We provide the Supervisory Board with information about, among other things, the planned scope and time of the audit and material findings made within it, including any material weaknesses of internal audit that we identify during our works.

We certify to the Supervisory Board that we have complied with applicable ethical requirements for independence and that we will inform them of all relationships and other matters that could reasonably be deemed to pose a threat to our independence and, where applicable, we report on the safeguards in place.

Among issues reported to the Board, we have identified those most significant in our audit of the financial statements for the current reporting period, which we treated as key audit issues. We describe these issues in our certified auditor's report unless a law or regulation prohibits their public disclosure or when, in exceptional circumstances, we determine that the issue should not be presented in our report because the adverse consequences could reasonably be expected to outweigh the benefit of such information for the public interest.

Other information, including the report on operations

Other Information comprises the Report on Operations of the Company and Group for financial year ended on 31 December 2020 ("Report on Operations") together with the corporate governance statement constituting a separate part of the Report, a separate non-financial report referred to in Article 49b clause 9 of the Accounting Act, as well as the Annual Report for financial year ended on 31 December 2020 ("Annual Report") (jointly: "Other Information").

Scope of responsibility of the Management and Supervisory Board

The Company's Management is responsible for drafting other information in compliance with applicable law.

The Company's Management and members of the Supervisory Board are obliged to ensure compliance of the Report on operations of the Company and the Group, the separate part included, with requirements laid down in the Accounting Act.

Scope of responsibility of the certified auditor

Our opinion on the audit of financial statements does not cover Other Information. Within the audit of financial statements, we are obliged to familiarize ourselves with Other Information and, when doing so, to consider whether such Other Information is not materially inconsistent with the financial statements or our knowledge gained during the audit, or seems materially misstated otherwise. Having found material misstatements within our work, we are obliged to include information to the effect in our audit report. It is also our duty pursuant to the Certified Auditors Act to assess whether the Report on Operations has been drafted in compliance with the law and corresponds to information contained in financial statements. Besides, we are required to inform whether the Company has prepared the non-financial report, and to provide an opinion on whether the Company has included the required information in its corporate governance statement.

We obtained the Report on Operations of the Company and Group before the date of this audit report, while the Annual Report will be available after that date. Having identified a material distortion in the Annual Report, we are obliged to inform the Company's Supervisory Board accordingly.

Opinion on the Report on operations

Based on our works performed within the audit, we are of the opinion that the Report on Operations of the Company:

- has been prepared in compliance with Article 49 of the Accounting Act and § 70 of Regulation of the Minister of Finance of 29 March 2018 concerning on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a non-EU member may be recognized as equivalent ("Current Information Regulation" - Journal of Laws item 757, as amended);
- conforms to information contained in the financial statements.

Besides, in the light of our knowledge of the Company and its environment as acquired during our audit, we hereby declare that we have found no material distortions in the Report on operations of the Company and the Group.

Opinion on the corporate governance statement

In our opinion, the Company provided in its corporate governance statement information specified in § 70 clause 6 point 5 of the Current Information Regulation. Besides, in our opinion, information specified in § 70 clause 6 point 5 letters "c"- "f", "h" and "i" of that Regulation that is contained in the corporate governance statement is compliant with applicable provisions and with information contained in financial statements.

Non-financial report

As required by the Certified Auditors Act, we hereby confirm that the Company informed, in its Report on Operations, on preparation of a separate non-financial report of the Company and Group, as

referred to in Article 49b clause 9 of the Accounting Act, and that the Company prepared such a separate report.

We have not performed any certifying works on the non-financial report, and we make no assurance relating to that report.

Report on other legal requirements and regulations

Energy law requirements - regulatory financial information

The regulatory financial information presented in Note 40, comprising items of the statement of financial position and the statement of comprehensive income prepared separately for each type of business activity involving trading, distribution and generation of electricity, as well as the indicated basis for preparation of that information and the rules of allocation of assets and liabilities, costs and revenues for each of these activities, was prepared by the Company's Management Board to meet the requirements of Article 44 of the Act of 10 April 1997: Energy Law (Journal of Laws of 2012, item 1059, as amended - hereinafter "Energy Law") (hereinafter: "the Act"), including with respect to ensuring equal treatment of customers and eliminating cross-subsidization between these activities.

The scope of the regulatory financial information is defined in the Act. Our audit did not include an assessment of sufficiency of the information required by the Act from the viewpoint of the purpose of its preparation, particularly with respect to ensuring equal treatment of customers and eliminating cross-subsidizing between the activities concerned.

In our opinion, the regulatory financial information has been prepared, in all material respects, in compliance with the basis of preparation set out in Note 40 and complies with the requirements of Article 44 clause 2 of the Act.

Statement on non-audit services provided

To the best of our knowledge and belief, we represent that the non-audit services that we have provided to the Company and its subsidiaries comply with Polish laws and regulations, and that we have not provided non-audit services that are prohibited under Article 5 clause 1 of the EU Regulation and Article 136 of the Certified Auditors Act.

The non-audit services that we provided to the Parent Entity and its subsidiaries in the period under review are listed in the Report on Operations of the Company and the Group.

Audit firm selection

We were appointed to audit the Company's financial statements by resolution of the its Management Board of 26 May 2020. We have audited the Company's financial statements continuously starting from financial year ended on 31 December 2018, that is for 3 consecutive years.

The key certified auditor in charge of the audit that resulted in this independent certified auditor's report is Artur Staniszewski.

BDO spółka z ograniczoną odpowiedzialnością sp.k. with registered office in Warsaw
entered in the list of audit firms under No. 3355

represented by the key certified auditor

Artur Staniszewski
Certified Auditor
Register No. 9841

Warsaw, 30 April 2021