



ITEM 6

Acceptance of the Report of the registered auditor on review and audit of the Consolidated Annual Financial Statements of the Company for the year 2021

Electrorazpredelitelni mreji Zapad AD (*with former business name CEZ Distribution Bulgaria AD*) is the sole owner of the capital of Electrohold ICT EAD (*with former business name CEZ Information and communication technologies Bulgaria AD*), UIC 203517599. In this regard, Electrorazpredelitelni mreji Zapad constitutes a Parent Company which performs control under the meaning of the Accountancy Act and the Law on the Public Offering of Securities (LPOS) and as such for the company is provided an obligation for preparation of annual consolidated financial statements.

The auditor of the AFA OOD, appointed by recommendation of the Audit Committee of the Company, with resolution of the Extraordinary General Meeting passed on 29.12.2021 on the grounds of Article 221(6) of the Law on Commerce and Article 48 (8) of the Company's By-laws.

The auditor establishes whether the consolidated annual financial statements are duly prepared pursuant to the Accountancy Act and the Company's By-laws. The results of the audit are reported by the auditor in a separate report, a copy of which is submitted together with the consolidated annual financial statements and the consolidated report on the activities of the Company.

The audit report contains an opinion that the consolidated annual financial statements presents truthfully, in all material respects the financial status of the Parent Company and its subsidiary as of 31st December 2021, as well as for their financial results from the activity, and their cash flows for the year, in compliance with the International Financial Reporting Standards.

According to the requirements of Art. 37, Par. 6, item 1 of the Accountancy Act the report of the registered auditor contains an opinion that the annual Consolidated Report on the activities for 2021 submitted by the management is in compliance with the Consolidated Annual Financial Statements for the same reporting period.

Proposed resolution:

"The General Meeting accepts the Report of the registered auditor on review and audit of the Consolidated Annual Financial Statements of the Company for the year 2021."

Appendices:

1. Report of the independent auditor Grant Thornton OOD for the audit of the Consolidated Annual Financial Statements of CEZ Distribution Bulgaria AD for 2021 – in English language

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
CEZ Razpredelenie Bulgaria AD
159 Tsarigradsko Shosse Blvd.
BenchMark Business Center
Sofia 1784

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of CEZ Razpredelenie Bulgaria AD and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the EU and the Bulgarian legislation.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). 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 International Code of Ethics for Professional Accountants (Including International Independent Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements of Bulgarian Independent Financial Audit Act, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 36. Events after the end of the reporting period to the consolidated financial statements, which describes that the Group's management is unable to reliably assess the impact of military action in Ukraine on the future financial condition and results of its activities in 2022 in terms of the overall impact on the national economy, energy prices, inflation processes, the cost of building energy facilities and other elements of the supply chain but considers that it may have a negative impact.

The Group's management will continue to monitor the potential impact on all economic sectors and other countries in the region, in particular those that provide energy sources, taking all necessary measures to limit the potential future negative effects on the financial condition and results of its activities.

Our opinion has not been modified on this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of greatest significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue from contracts with customers	
Note 3 to the consolidated financial statements	
Key audit matter	How was this matter addressed during the audit
<p>In the consolidated financial statements for the year ended 31 December 2021, the Group has reported revenues from electricity distribution, access and connection to the electricity distribution network in the total amount of BGN 394 906 thousand, including revenues from contracts with customers from access and distribution of electricity in the amount of BGN 361 918 thousand and revenue from the connection fee at the amount of BGN 25 828 thousand.</p> <p>Also, as disclosed in Note 2.6.19.1 Recognition of revenue from contracts with customers, contract assets represent uninvoiced but transferred energy, and their value is determined by applying an approved methodology for the service of transmission and access of electricity, which is not actually measured and reported. The Group makes an estimate of the amount of uninvoiced network services in order to recognize the corresponding revenues from the sale of network services at the end of the reporting period. The estimate takes into account historical data on the supply and sale of network services. Due to the nature of the factors stated and assumptions used, estimates may differ from actual results.</p> <p>Due to the material amount of the revenues from electricity distribution, access and connection to the electricity distribution network, the significant assessments and assumptions made regarding the reporting of agency relationships for the above-mentioned transactions of the Group, the reporting of revenues from contracts with customers from access and distribution of electricity in the amount of BGN 361 918 thousand has been identified as a key audit matter.</p>	<p>On this matter, our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - Obtaining an understanding about the processes and a review of the accounting policy for revenue recognition from electricity distribution, access and connection to the electricity distribution network; - Obtaining an understanding and a review of the significant types of sales contracts to which the Group is a counterparty; - We have analysed the trend of revenues by types (Revenues from contracts with customers for access, transmission and other services related to the licensing activities of the Group) by months, as well as the quantities of energy transferred by types of markets (regulated and open); - In addition, based on information on the quantities of electricity transmitted through the electricity distribution network of the Group for the year, as well as the prices for electricity transmission and access to the electricity distribution network set by the Energy and Water Regulatory Commission in force during the reporting period, we performed an analytical recalculation of the revenues from contracts with customers for the sale of transmission services, including the amount of uninvoiced amounts for transmitted electricity; - Review and assessment of the completeness, appropriateness, and adequacy of the disclosures in the consolidated financial statements in relation to revenues from electricity distribution, access and connection to the electricity distribution network, including significant accounting policies, estimates and assumptions disclosed by management.

Property, plant and equipment, acquired during the year	
Note 13 to the consolidated financial statements	
Key audit matter	How was this matter addressed during the audit
<p>CEZ Razpredelenie Bulgaria AD (the Parent Company within the Group) is the owner and the operator of the electricity distribution network on the territory of the licensed regions of Blagoevgrad, Sofia, Plevan and Montana.</p> <p>The Group uses, maintains, repairs, and develops the electricity distribution network, as well as the supporting facilities and networks and transports electricity through the network in order to provide quality supplies of electricity to end customers.</p> <p>As of 31 December 2021, the Group reports Property, plant and equipment (PPE) with a carrying amount of BGN 814 315 thousand, and newly acquired PPE during the year are BGN 103 233 thousand.</p>	<p>During our audit, our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the key controls and processes put in place in relation to the capitalization of costs and the acquisition of tangible fixed assets. - Testing of selected IT applications and manual controls related to the process of capitalization of acquisition costs. - The following audit procedures were performed in order to verify the assets capitalized during the period: <ul style="list-style-type: none"> o tests of controls in connection to the authorization, implementation and

<p>Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The acquisition cost also includes costs for replacement of parts of machinery and equipment when these costs are incurred and provided that they meet the criteria for recognition of a tangible fixed asset.</p> <p>The acquisition of new assets and the capitalization of acquisition costs involve a level of judgment, transactions high in volume and in size, and therefore there is a risk of misstatements in this area.</p> <p>This risk is especially related to the possibility of improper capitalization of costs for the acquisition of property, plant and equipment. The risk is to capitalize costs that do not qualify for recognition in accordance with IAS 16 Property, Plant and Equipment. Improper capitalization of expenses could have a significant impact on the carrying amount of the Group's energy equipment in the statement of financial position. This could lead to overvalued assets and revenues during the year.</p> <p>Due to the materiality of the item Property, plant and equipment, the estimates and assumptions made, the reporting of newly acquired property, plant and equipment is identified as a key audit issue.</p>	<p>review of capital expenditures in the Group.</p> <ul style="list-style-type: none"> o Detailed substantive tests based on a sample of newly acquired assets and newly capitalized asset acquisition costs with an analysis that the capitalized costs are subject to capitalization in accordance with accounting standards and an accurate estimate is applied. <ul style="list-style-type: none"> - Tests of accounting records for completeness of capitalized expenses, analysis of records for non-standard or unusual records. Gathering supporting information, in accordance with the approach to testing newly acquired fixed assets, for all identified records. - Review of the minutes of meetings of the management and supervisory bodies of the Group in order to identify all unusual or specific projects that have received significant attention from the Management and follow up the documents specified in the working documents to confirm the conclusions of the procedures in response to the assessed risks. - Review of disclosures to assess their adequacy and completeness in accordance with relevant accounting standards.
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Other matters

The consolidated financial statements of CEZ Razpredelenie Bulgaria AD for the year ended 31 December 2020, was audited by another auditor who issued an audit report with an unmodified opinion and an emphasis of matter on this consolidated financial statement dated 28 April 2021.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the consolidated activity report, including the consolidated corporate governance statement, the consolidated report on compliance with the remuneration policy, and the consolidated non-financial declaration, prepared in accordance with Bulgarian Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information 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. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation, and for such internal control system as management 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, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the 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 ISAs and Bulgarian Independent Financial Audit Act 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.

As part of our audit in accordance with ISAs, we exercise professional judgment 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 management;
- conclude on the appropriateness of management'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 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 financial statements, including the disclosures, and whether the Group financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence about the financial information of the companies or companies within the Group to express an opinion on the consolidated financial statements. We are responsible for the management, oversight and performance of the audit of the Group. We are solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine 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 of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Consolidated Financial Statements and Auditor's Report Thereon", regarding annual consolidated management report, including the consolidated corporate governance statement and the consolidated non-financial declaration we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act and Article 100m, paragraph (10) in relation to Article 100m, paragraph (8), subparagraphs (3) and (4) of Bulgarian Public Offering of Securities Act.

Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act

Based on the procedures performed, we describe the outcome of our work:

- (a) the information in the consolidated activity report is consistent with the consolidated financial statements for the same reporting period;
- (b) the consolidated activity report is prepared in accordance with the applicable legal requirements. We pay attention to item 17 of item IX. Information according to Appendix № 2 to Art. 10, item 1 of Ordinance № 2 of 09.11.2021 to the consolidated activity report, containing information on the remuneration and incentives of key management personnel, which does not disclose complete information on remuneration. Our opinion has not been modified on this issue;
- (c) as a result of the acquired knowledge and understanding of the activities of the Group and the environment in which it operates, we have found no cases of material misrepresentation in the consolidated activity report;
- (d) the consolidated corporate governance statement for the financial year contains the required information in accordance with the applicable legal requirements;
- (e) the consolidated non-financial declaration is prepared and made available in accordance with the requirements of Bulgarian Accountancy Act;

Statement Pursuant to Article 100m, Paragraph (10) of Bulgarian Public Offering of Securities Act

Based on the procedures performed and our knowledge of the Group and the environment in which it operates, in our opinion, there is no material misstatement in the description of the main characteristics of the internal control system and of the risk management system of the Group in connection with the financial reporting process and also in the information pursuant to Article 10, paragraph 1, items "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, which are included in the consolidated corporate governance statement, being a component of the consolidated activity report.

Reporting on compliance with the electronic format of the consolidated financial statement included in the annual consolidated financial statement for the activity under Art. 100m, para 4 of Public Offering of Securities Act with the requirements of the ESEF Regulation

We have undertaken a reasonable assurance engagement on the compliance of the electronic format of the consolidated financial statements of CEZ Razpredelenie Bulgaria AD for the year ended on 31 December 2021 included in the digital file „549300WKP6IQDP3A7Y38-20211231-EN-CON.zip“, 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 ("ESEF Regulation"). Our opinion is only regarding the electronic format of the consolidated financial statements and does not include the other information contained in the annual consolidated financial report on the activity under art. 100n, para. 5 of Bulgarian Public Offering of Securities Act.

Description of subject matter and applicable criteria

Management has prepared the electronic format of Group's consolidated financial statements for the year ended 31 December 2021 in accordance with ESEF Regulation in order to comply with Bulgarian Public Offering of Securities Act. The rules for preparation of the consolidated financial statements in this electronic format are described in the ESEF Regulation and in our opinion, they are applicable criteria for providing reasonable assurance.

Responsibilities of management and those charged with governance

Group's management is responsible for the application of the requirements of ESEF Regulation in preparing the electronic XHTML format of the consolidated financial statements. These responsibilities include the selection and application of suitable iXBRL tags in accordance with the taxonomy of ESEF Regulation, as well as the application of such internal controls, which are necessary for the preparation of the electronic format of Group's annual consolidated financial statements, that are free from material misstatements in accordance with ESEF Regulation.

Those charged with governance are responsible for the oversight of the process of preparing the Group's annual consolidated financial statements, including the implementation of the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to obtain reasonable assurance about whether the electronic format of the consolidated financial statements complies with ESEF Regulation. We applied the "Guidance on issuing an opinion on the application of ESEF Regulation by issuers whose securities are admitted to trading on a regulated market in the European Union" and conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised))". The standard requires that we comply with ethical requirements, design and perform audit procedures to obtain reasonable assurance whether the electronic format of Group's consolidated financial statements have been prepared in accordance with the applicable criteria described above. The nature, timing and extent of our procedures depend on our professional judgement, including the risk of material misstatements whether due to fraud or error, in applying the requirements of ESEF Regulation.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAE 3000 (Revised) will always detect a material misstatement when it exists.

Quality Control Requirements

We have applied the requirements of International Standard on Quality Control (ISQC) 1 and accordingly, maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements of the registered auditors in Bulgaria. We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independent Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and adopted by BICPA, together with the ethical requirements of Bulgarian Independent Financial Audit Act.

Summary of the Work Performed

The purpose of the designed and performed procedures was to obtain reasonable assurance whether the electronic format of the consolidated financial statements has been prepared in all material aspects in compliance with the requirements of ESEF Regulation. In performing procedures for assessing compliance with the requirements of ESEF Regulation on electronic (XHTML) format of Group's consolidated financial statements, we used professional judgement and applied professional skepticism. We also:

- obtained an understanding of the internal control and processes, related to the application of ESEF Regulation in preparing Groups' consolidated financial statements in XHTML format with iXBRL tags;
- checked that the enclosed XHTML format is valid;
- reconciling the data in the electronic format of the consolidated financial statements with the audited consolidated financial statements;
- evaluated the completeness of Group's tagging of the consolidated financial statements using the XBRL markup language;
- evaluated the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified; and
- evaluated the use of anchoring in relation to the extension elements in accordance with ESEF Regulation.

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

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

Opinion on compliance of the electronic format of the consolidated financial statements with ESEF Regulation

Based on the performed procedures, our opinion is that the electronic format of the consolidated financial statements of the Group for the year ended 31 December 2021, contained in the attached electronic file „549300WKP6IQDP3A7Y38-20211231-EN-CON.zip“, has been prepared in all material respects in accordance with the requirements of the ESEF Regulation.

Reporting Pursuant to Article 59 of Bulgarian Independent Financial Audit Act in relation to Article 10 of Regulation (EC) № 537/2014

In accordance with the requirements of Bulgarian Independent Financial Audit Act and in relation with Article 10 of Regulation (EC) № 537/2014, we report additionally the information as follows:

- Grant Thornton OOD was appointed as statutory auditor of the consolidated financial statements of CEZ Razpredelenie Bulgaria AD for the year ended on 31 December 2021 by the general meeting of shareholders, held on 29 December 2021, for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended on 31 December 2021 has been made for the first consecutive year of a continuing engagement for statutory audit of the Group, performed by us.
- In support of our audit opinion, we have provided a description of the most significant assessed risks of material misstatement, a summary of the auditor's response and where relevant, key observations arising with respect to those risks in the section „Key audit matters“ of this report.
- We confirm that our audit opinion is consistent with the additional report to the Audit Committee of the Parent Company of the Group, which is in accordance with Article 60 of Bulgarian Independent Financial Audit Act.
- We declare that prohibited non-audit services referred to in Article 64 of Bulgarian Independent Financial Audit Act were not provided.
- We confirm that we remained independent of the Company in conducting the audit.
- For the period for which we were engaged as statutory auditors, in addition to the statutory audit we have not provided any other services to the CEZ Razpredelenie Bulgaria AD and its subsidiary that have not been disclosed in the consolidated activity report or consolidated financial statements.

Mariy Apostolov
Managing partner

Grant Thornton OOD
Audit firm, registration № 032

18 April 2022
Bulgaria, Sofia, 26, Chern Vrah Blvd



Zornitsa Djambazka
Registered auditor, responsible for the audit

