TRANSLATORS' EXPLANATORY NOTE

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

Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of CIECH S.A.

Report on the audit of consolidated financial statements

Our opinion

In our opinion, the attached annual consolidated financial statements of Group CIECH S.A. („the Group"), in which CIECH S.A. is the parent entity ("the Parent Company"):

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Group and the Parent Company's Articles of Association;

Our opinion is consistent with our additional report to the Audit Committee issued on the date of this report March 31st, 2020.

What we have audited

We have audited the annual consolidated financial statements of the Group CIECH S.A. which comprise:

- the consolidated statement of financial position as at 31 December 2019;

and the following prepared for the financial year from 1 January to 31 December 2019:

- the consolidated statement of profit and loss;
- the consolidated statement of other comprehensive income;
- the consolidated statement of cash flows;
- the consolidated statement of changes in consolidated equity, and
- the notes comprising a description of the adopted accounting policies and other explanations.

Basis for opinion

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing as adopted as National Standards on Auditing by the National Council of Statutory Auditors ("NSA") and pursuant to the Act of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight ("the Act on Registered Auditors" – Journal of Laws of 2019, item 1421, as amended) and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities ("the EU Regulation" – Journal of Laws EU L158. Our responsibilities under those NSA are further described in the *"Auditor's responsibilities for the audit of the consolidated financial statements section of our report"*.

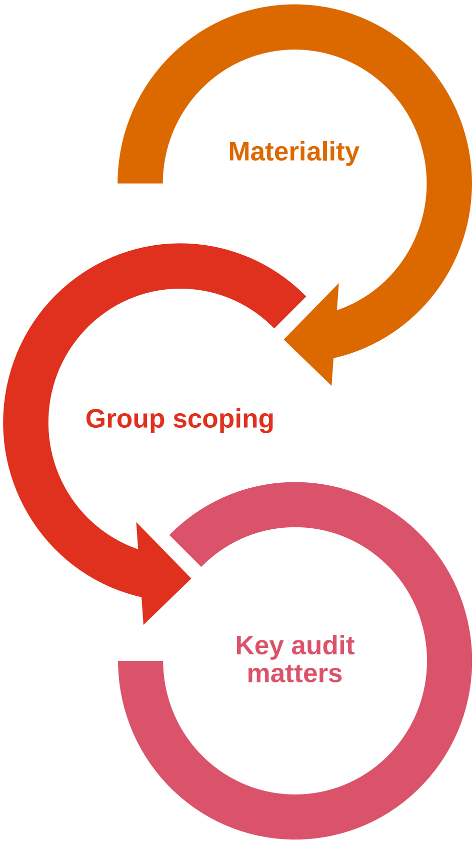
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and ethics

We are independent of the Group in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants ("the IFAC Code") as adopted by resolutions of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC's Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

Our audit approach

Overview



- The overall materiality threshold adopted for the purposes of our audit was set at PLN 35 489 thousand, which is 1% of total sales revenues of the Group.

- We conducted an audit of the Parent Company and 5 subsidiaries in Poland (CIECH Soda Polska S.A., CIECH Sarzyna S.A., CIECH Vitrosilicon S.A., CIECH Pianki Sp. z o.o., CIECH Trading S.A.), 3 subsidiaries in Germany (SDC GmbH, CIECH Soda Deutschland GmbH & Co.KG Stassfurt, CIECH Energy Deutschland GmbH) and 1 subsidiary in Romania (CIECH Soda Romania SA) and we carried out selected auditing activities for other companies of the Group (CIECH Nieruchomości S.A., Verbis ETA Sp. z o.o. SKA, CIECH Cargo Sp. z o.o., Plant Plan Protection Company SL, CIECH Salz Deutschland GmbH).

- The scope of our audit covered 97% of the Group's revenues and 88% of the total assets of all consolidated companies of the Group after consolidation exclusions.

- The recoverability of a deferred tax asset and the inherent uncertainty associated with income tax and value added tax settlements
- Goodwill impairment
- Fair value measurement of derivative instruments
- First time adoption of IFRS 16
- Impairment of tangible fixed assets in a subsidiary CIECH Soda Romania S.A.

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

We adjusted the scope of our audit to perform sufficient work enabling us to issue an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, accounting processes and controls as well as the industry in which the Group operates.

Materiality

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

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

The concept of materiality is used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the unadjusted misstatements (if any), on the financial statements, and also when forming the registered auditor's report. Therefore, all opinions, assertions and statements contained in the registered auditor's report have been made taking into consideration the quantitative and qualitative materiality levels determined in accordance with the audit standards and the registered auditor's professional judgement.

Overall Group materiality	PLN 35.489 thousand (PLN 36.730 thousand in 2018)
How we determined it	1% of the Group total revenue from sales
Rationale for the materiality benchmark applied	We have adopted revenues as the basis for determining materiality, because, in our opinion, it is indicator commonly used by the users of financial statements to evaluate the Group's operations and is a generally adopted benchmark, especially for entities with significant level of external debt and depreciation expenses. We adopted the materiality threshold at 1% because based on our professional judgement it is within the acceptable quantitative materiality thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above PLN 3.549 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We summarized our response to these risks and, when deemed appropriate, presented the most important observations relating to these risks. We do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
The recoverability of a deferred tax asset and the inherent uncertainty associated with income tax and value added tax settlements As at the balance sheet date, the Group recognized a deferred tax asset of PLN 198.4 million, including PLN 28.6 million in respect of tax losses carried forward and PLN 93.9 million in respect of a Special Economic Zone. The above amounts are material for the consolidated financial statements. The deferred tax asset was described in note 4.3 to the consolidated financial statements.	Our audit procedures included in particular: • gaining an understanding and assessing of the process of identification of temporary differences and the calculation of deferred income tax assets; • engaging PwC tax experts in analysing tax rulings and correspondence with the tax authorities and in assessing the tax implications of the material transactions to which the Group companies were parties and their effect on the recognition of deferred income tax assets and potential provisions for

As at the balance sheet date, six Polish companies of the Group were undergoing control proceedings or tax inspections. The subject of the inspections is to assess the fairness of the declared tax bases as well as the correctness of the calculation and payment of the corporate income tax for 2012, 2013, 2014, 2015 and 2016. In addition, four companies were subject to control proceedings or tax inspections regarding the right to deduct VAT. The status of all ongoing audits is described in note 9.2 to the consolidated financial statements. We paid special attention to the analysis of the correctness of income tax settlements and VAT as well as the recognition of the deferred income tax asset due to the fact that it involves the need for material assumptions and judgements to be made by the Management Board. These relate to, in particular, the identification and assessment of transactions and operations which might potentially be subject to the provisions of the General Anti-Abuse Regulation, and in the case of deferred tax assets also the determination of the tax bases of individual assets and liabilities, the assessment of the period and manner of their settlement, the probability that future taxable profits will arise, from which it will be possible to deduct tax benefits, among other things, in the face of the control proceedings and tax inspections in progress. As disclosed in note 4.3, in assessing the recoverability of the deferred tax asset and the inherent uncertainty over income tax, the Management Board took into account the General Anti-Abuse Regulation. Changes in the assumptions made by the Management Board may lead to the recognition of deferred tax asset balances and provision for tax risks, which differ significantly. Bearing in mind the inherent risk of uncertainty over the material estimates made by the Management Board, we have concluded that this is a key matter for our audit.	tax risks; • discussing with the Parent's Company Management Board and making a critical assessment of: (a) the assumptions and the estimates made by the Management Board with respect to the recoverability of the recognized deferred income tax assets, including the tax losses for the previous years; and (b) the Management Board's comprehensive analysis of the tax position of the Group entities regarding the identification and assessment of transactions and operations which might potentially be subject to the GAAR provisions, and their effect on deferred tax, the tax bases of assets and provisions for tax risks; • reviewing the disclosures presented in the consolidated financial statements in respect of significant estimates and judgments regarding the recognized deferred tax asset and tax risks arising from the provisions of the General Anti-Abuse Regulation.
Goodwill impairment The goodwill balance recognized in the Group's consolidated financial statements as at the balance sheet date is PLN 139.5 million. Goodwill was described in note 5.4 and 5.5 to the consolidated financial statements. In accordance with IFRS and the Group's accounting policy, the Management Board conducts impairment tests for goodwill allocated to cash-generating unit at least at the end of each financial year, calculating the recoverable	Our audit procedures included in particular: • gaining an understanding of and assessing the process of estimating impairment for goodwill and the principles of determination of cash-generating units; • analysing the impairment test conducted by the Management Board, in particular: (a) a critical assessment of the assumptions and estimates made by the Parent Company's Management Board, used to determine the recoverable amount (a five-year forecast

amount using the fair value method less costs of sale. Conducting the impairment test involves the need to make a number of material assumptions and judgments concerning, among others, the adopted strategy of the cash-generating unit to which the goodwill has been allocated, the financial plans and cash flow forecasts for the following years, including after the period covered by detailed forecasts, with macroeconomic and market assumptions.

As a result of impairment tests conducted, no impairment was recognized in the consolidated financial statements.

Bearing in mind the inherent risk of the uncertainty over the material estimates made by the Management Board, we have concluded that this is a key matter for our audit..

period for future cash flows and the assumed revenue level, operating margin level and future capital expenditure, the discount rate used, marginal growth rate after the forecast period), including benchmarking the values assumed by the Management Board against independent market data;(b) verification of the mathematical accuracy and methodological consistency of a valuation model based on discounted cash flows, using PwC in-house valuation specialists;

- assessing the analysis of the sensitivity of the assumptions made to the result of the impairment assessment, carried out by the Management Board;
- assessing the correctness and completeness of the disclosures with respect to impairment tests in the financial statements.

Fair value measurement of derivative instruments

The Group is a party to transactions in derivative instruments based on the volatility of interest rates, exchange rates and raw material prices. The derivative instruments are described in notes 8.1 and 8.2 to the consolidated financial statements.

In accordance with the Group's accounting policy, derivatives are measured at fair value as at each balance sheet date. Determining the fair value of derivative instruments is an area requiring a significant estimate by the Management Board because, due to there being no active market, it requires making assumptions about movements in interest rates, exchange rates and raw material prices in the future, and it involves using an instrument valuation model which is appropriate in a given situation.

Bearing in mind the inherent risk of uncertainty over the material estimates made by the Management Board, we have concluded that this is a key matter for our audit.

Our audit procedures included in particular:

- gaining an understanding of and assessing the process of measuring derivative instruments, including the adopted methodology and the sources of market data and unobservable parameters;
- verifying the key parameters of the derivative instruments in comparison to external data, independent of the Group;
- using PwC in-house valuation specialists to perform independent fair value measurements of the derivative instruments;
- comparing the fair values calculated by the Management Board to the fair values calculated by us and assessing the differences in the fair value measurement of derivatives between our valuations and the valuations prepared by the Management Board - in some cases, we have obtained results that differ from those calculated by the management of the Group, but in in our opinion, these differences are within an acceptable range in view of including in the valuation estimates of future interest rates, exchange rates and commodity prices.

First-time adoption of IFRS 16

As of 1 January 2019 the Group adopted for use the new IFRS 16 “Leases” (“IFRS 16”). Pursuant to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, information necessary to assess the impact of the new standards that have been published and became binding has to be disclosed in the financial statements.

Our audit procedures included in particular:

- gaining an understanding and the assessment of the process of identifying and assessing the impact of the new IFRS 16 on the Group’s consolidated financial statements;
- a critical assessment of the key accounting assumptions and judgments adopted by the Parent Company’s Management Board (such as the discount rate, the term of the

The Group adopted IFRS 16 retrospectively, as of 1 January 2019, but has not transformed the comparative data for the financial year 2018. The impact of the new standard is shown in Note 1.5.1 to the consolidated financial statements. As of January 1, 2019, the Group recognized in the consolidated financial statements "*Lease liabilities*" in the amount of PLN 119.1 million and recognized and recognized "*Rights to use an asset*" in the same amount.

The qualitative and quantitative assessment of the impact of use of the new standard and the disclosures in Note 1.5.1 prepared by the Group were analysed by us due to the necessity of making material accounting assumptions and judgments in the process of their implementation by the Group's Management Board, which could result in a material misstatement in the consolidated financial statements.

lease);

- a critical assessment of the completeness of the analyses performed by the Parent Company's Management Board;
- detailed tests consisting, among other things, of verifying the correctness of the declared impact of IFRS 16 (as presented in the consolidated financial statements) on the Group's consolidated financial statements as at 1 January 2019;
- an assessment of the completeness of disclosures in respect of IFRS 16 in the consolidated financial statements.

Impairment of tangible fixed assets in a subsidiary CIECH Soda Romania S.A.

Due to the discontinuation of production as from 18 September 2019 by a subsidiary, CIECH Soda Romania S.A., the Group assessed the indications of impairment of fixed assets and expenditure incurred on fixed assets under construction based on possible action scenarios.

As a result of the analysis, in accordance with the provisions of IAS 36 "Impairment of Assets", the Group recognized a write-down of tangible fixed assets and fixed assets under construction totalling PLN 73.5 million in its consolidated financial statements for 2019.

The determination of a recoverable amount involves the need to make several material assumptions and judgements covering, in particular, the Group's strategy and changes in the market environment.

The disclosures regarding the impairment of tangible fixed assets are described in Note 3.4 to the consolidated financial statements.

Bearing in mind the inherent risk of uncertainty relating to material estimates made by the Management Board in measuring the recoverable amount of tangible fixed assets, we decided that this was a key matter for our audit.

Our testing procedures included in particular:

- gaining an understanding of and evaluating the principles adopted in the process of estimating the recoverable amounts of the individual assets tested for impairment;
- a critical assessment of the key accounting assumptions and judgements made by the Management Board of the Parent Company in determining a recoverable amount;
- a critical assessment of the completeness of the analyses carried out by the Management Board of the Parent Company;
- an assessment of the correctness and completeness of the disclosures regarding the impairment tests in the consolidated financial statements.

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

The Management Board of the Parent Company is responsible for the preparation, of annual consolidated financial statements that give a true and fair view of the Group's financial position and results of operations, in accordance with the International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the applicable laws and the Parent Company's Articles of Association, and for such internal control as the 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 Company'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 Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Parent Company's Management Board and members of its Supervisory Board are obliged to ensure that the consolidated financial statements comply with the requirements specified in the Accounting Act of 29 September 1994 ("the Accounting Act" – Consolidated text: Journal of Laws of 2019, item 351, as amended). Members of the Supervisory Board are responsible for overseeing the financial reporting process.

Auditor's responsibility 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 the NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements.

The scope of the audit does not cover an assurance on the Group's future profitability or the efficiency and effectiveness of the Parent Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with the NSA, we exercise professional judgement and maintain professional scepticism 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 Company's Management Board.
- Conclude on the appropriateness of the Parent Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated to the Audit Committee, 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 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 operations

Other information

Other information comprises a Combined Report on the Parent Company's and Group's operations for the financial year ended 31 December 2019 ("the Combined Report on the operations") and the corporate governance statement which is a separate part of the Combined Report on the operations, and the Combined report on non-financial information of the Parent Company and the Group (together "Other Information").

Responsibility of the Management and Supervisory Board

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

The Parent Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Combined Report on the operations including its separate parts and a separate Combined report on non-financial information complies with the requirements of the Accounting Act.

Registered auditor's responsibility

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

In connection with our audit of the consolidated financial statements, our responsibility is to read Other Information and, in doing so, consider whether it is materially inconsistent with the information in the consolidated financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in Other Information, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on the Registered Auditors, we are also obliged to issue an opinion on whether the Combined Report on the operations has been prepared in accordance with the law and is consistent with information included in annual consolidated financial statements.

Moreover, we are obliged to issue an opinion on whether the Parent Company and the Group provided the required information in its corporate governance statement and to inform whether the Parent Company and the Group prepared a separate report on non-financial information.

Opinion on the Combined Report on the operations

Based on the work we carried out during the audit, in our opinion, the Combined Report on the Parent Company's and Group's operations:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 70 and para. 71 of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("Regulation on current information" – Journal of Laws 2018, item 757);

- is consistent with the information in the financial statements and the consolidated financial statements.

Moreover, based on the knowledge of the Parent Company and the Group and its environment obtained during our audit, we have not identified any material misstatements in the Combined Report.

Opinion on the corporate governance statement

In our opinion, in its corporate governance statement, the Parent Company and the Group included information set out in para. 70.6 (5) of the Regulation on current information.

In addition, in our opinion, information specified in paragraph 70.6 (5)(c)–(f), (h) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the law and with information included in the financial statements and the consolidated financial statements.

Information on non-financial information

In accordance with the requirements of the Act on the Registered Auditors, we confirm that the Parent Company and the Group has included in its Combined Report on the operations, information on the preparation of a separate report on non-financial information referred to in Article 49b(9) and Article 55(2c) of the Accounting Act and that the Parent Company and the Group has prepared such a separate combined report on non-financial information.

We have not performed any assurance work relating to the separate report on non-financial information and we do not provide any assurance with regard to it.

Report on other legal and regulatory requirements

Statement on the provision of non-audit services

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Parent Company and its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Act on Registered Auditors.

The non-audit services which we have provided to the Company and its subsidiaries in the audited period are disclosed in the appendix to this report.

Appointment

We have been appointed to audit the annual consolidated financial statements of the Group by Resolution of the Supervisory Board of 26 May 2015 and again by Resolution of the Supervisory Board of 16 April 2018. We have been auditing the Group's financial statements without interruption since the financial year ended 31 December 2015, i.e. for 5 consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered on the list of Registered Audit Companies with the number 144., is Piotr Wyszogrodzki.

Piotr Wyszogrodzki
Key Registered Auditor
No. 90091

Warsaw, 31 March 2020

Annex to the report of the Independent Registered Auditor's Report on the audit of the consolidated annual financial statements of CIECH Group for the period ended December 31, 2019.

The list of the non-audit services which we have provided to the Parent Company and its subsidiaries in the audited period:

- Review of the interim condensed consolidated financial statements of the Group and the financial statements of the Parent Company;
- Confirmation of the conditions contained in the credit agreement on the basis of the financial information analysis derived from the audited consolidated financial statements of the Group;
- Verification of the excise coefficient in relation to CIECH Soda Polska S.A.;
- Verification of the coefficient of the intensity of energy consumption for companies CIECH Soda Polska S.A. and CIECH Vitrosilicon S.A.