Translation note:

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent Registered Auditor's Report

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

Report on the audit of financial statements

Our opinion

In our opinion, the attached annual financial statements of CIECH S.A. ("the Company"):

- give a true and fair view of the financial position of the Company as at 31 December 2018 and its financial performance and its 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 Company and the Company's Articles of Association;
- have been prepared on the basis of properly maintained books of account in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act" – Consolidated text: Journal of Laws of 2019, item 351, as amended).

Our opinion is consistent with our additional report to the Audit Committee issued on 25 March 2019.

What we have audited

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

- the statement of financial position as at 31 December 2018;

and the following prepared for the financial year from 1 January to 31 December 2018:

- the statement of profit or loss;
- the statement of other comprehensive income;
- the statement of cash flows, and
- the statement of changes in equity;
- 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 2017, item 1089 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 financial statements* section of our report.

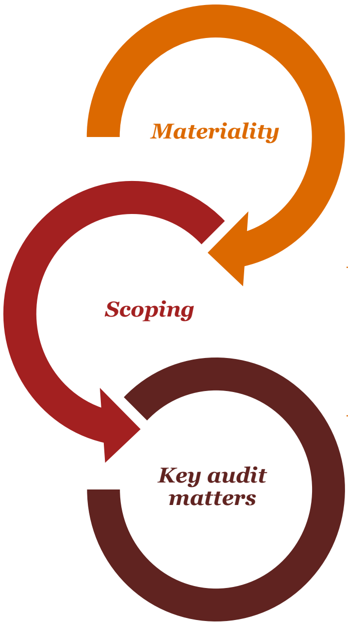
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and ethics

We are independent of the Company 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 Company 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 24.180 thousand, which represents 1% of the profit before tax.

- We have audited the annual financial statement of the Company for the period ended 31 December 2018.

- Impairment of receivables in respect of loans granted and investments in subsidiaries;
- Fair value measurement of derivative instruments ;
- Recoverability of a deferred income tax asset and the existence of an inherent uncertainty over income tax settlements.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the 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.

Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. 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 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 materiality	PLN 24.180 thousand (PLN 23.650 thousand in 2017)
Basis for determination	1% of the Company's total revenue
Rationale for the materiality benchmark applied	We have adopted total revenue as the basis for determining materiality because, in our opinion, it is an indicator commonly used by the users of financial statements to evaluate the Company's operations and is a generally adopted benchmark, especially for entities with significant level of external debt. 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 Company's Audit Committee that we would report to them of misstatements identified during our audit of the financial statements above PLN 2.400 thousand, as well as any 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 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 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***
Impairment of receivables in respect of loans granted and investments in subsidiaries As at the balance sheet date, the impairment provision in respect of loans granted and investments in subsidiaries amounts to PLN 161.2 million. The impairment provision write-offs has been described in notes 5.3 and 5.6 to the financial statements. The correct estimation of the impairment	Our audit procedures covered, in particular: • understanding and assessment of the process of identification by the Management Board triggers for impairment of investments in subsidiaries and critical analysis of the triggers identified by the Management Board and credit risk assessment used for expected credit loss estimation; • in case of indications of impairment, analysis of the impairment tests performed by the Management Board, in particular: (a) the forecasts regarding future cash flows, (b) consideration the reasonableness of

provision in respect of loans granted and investments in subsidiaries requires significant judgment to be made by the Management Board. The identification of impairment triggers and the determination of the recoverable amount for these financial assets requires from the Management Board estimation, among others, expected future cash flows and market values. Estimation of the provision in the respect to loans requires recoverability assessment and estimation, based on that, the expected credit loss. The use of various valuation techniques and various assumptions may result in significantly different estimates of impairment provision in respect to loans granted and the investments in subsidiaries. The methodology for the impairment provision has been described in the accounting policies in the note 3.5 and 8.1 to the financial statements.

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

the assumptions based on our knowledge, practice and experience and comparison estimates with external evidence if available,(c) verification of the mathematical correctness of the models used to carry out the tests;

- loans impairment provision recalculation using the assumptions related to expected credit loss to compare with the Management calculations and to assess the potential difference;
- assessing the completeness and correctness of disclosures about impairment provision in respect of loans granted and the investments in subsidiaries.

Fair value measurement of derivative instruments

The Company is a party to transactions in derivative instruments based on the volatility of interest rates, exchange rates. The derivative instruments are described in Note 8.2 to the financial statements.

In accordance with the Company's accounting policies, derivative instruments are measured at fair value at each balance sheet date. Determining the fair value of derivative instruments is an area which requires a material estimate of the Management Board because, due to there being no active market, it requires making assumptions about movements in interest rates, exchange rates 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

Our audit procedures covered, 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 Company;
- 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;
- assessing the differences in the fair value measurements of the derivative instruments between our valuations and the valuations prepared by the Management Board. In certain cases, we achieved results which differed from those calculated by the Company's management. However, in our opinion these differences are within an acceptable range in the light of taking into account the estimates relating to future interest rates, exchange rates in the valuation.

audit.

Based on the procedures performed, we concluded that the valuations fall within the expected range, and the disclosures in the financial statements as being in compliance with the requirements of the standards.

Recoverability of a deferred income tax asset and the existence of an inherent uncertainty over income tax settlements

As at the balance sheet date, the Company recognized a deferred tax asset of PLN 35.7 million, including PLN 15.9 million in respect of tax losses carried forward. The above amounts are material to the financial statements. The deferred income tax asset is described in Note 4.3 to the financial statements.
As of 31.12.2018, in connection with the received the First Instance Decision related to CIT for 2012 CIECH S.A. created a provision for potential tax liability of PLN 43.7 million and interest for delay in of PLN 23.5 million (interest accrued until the balance sheet date). The status of all ongoing controls is described in note 9.2 to the consolidated financial statements.

We paid special attention to the analysis of the correctness of 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 determination of the tax bases of the 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 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 which differ significantly.

Bearing in mind the inherent risk of uncertainty over the material estimates made

Our audit procedures covered, in particular:

- gaining an understanding of and assessing 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 Company was a party and their effect on the recognition of deferred income tax assets and provisions for tax risks;
- discussing with the Management Board 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 Company with respect to 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 the provision for tax risk;
- reviewing the disclosures presented in the financial statements with respect to significant estimates and judgements relating to the recognized deferred tax asset and tax risks arising from the provisions of the General Anti-Abuse Regulation.

by the Management Board, we have concluded that this is a key matter for our audit.

Responsibility of the Management and Supervisory Board for the financial statements

The Management Board of the Company is responsible for the preparation of annual financial statements that give a true and fair view of the Company'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 Company's Articles of Association, and for such internal control as the Management Board 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 Company's Management Board is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management Board and members of its Supervisory Board are obliged to ensure that the financial statements comply with the requirements specified in the Accounting Act. Members of the Supervisory Board are responsible for overseeing the financial reporting process.

Auditor's responsibility for the audit of the financial statements

Our objectives are 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 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 financial statements.

The scope of the audit does not cover an assurance on the Company's future profitability or the efficiency and effectiveness of the 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 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 the Company's Management Board.
- Conclude on the appropriateness of the 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 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, 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 Company 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 Company's and CIECH Group ("the Group") operations for the financial year ended 31 December 2018 ("the Combined Report on the operations") and the corporate governance statement which is separate part of the Combined Report on the operations, and a separate report on non-financial information of the Company and Group (together "Other Information").

Responsibility of the Management and Supervisory Board

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

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

Registered auditor's responsibility

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

In connection with our audit of the financial statements and 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 financial statements and 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 financial statements.

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

Opinion on the Report on the operations

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

- Has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 70 and para. 71 – for the Group 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.

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

Opinion on the corporate governance statement

In our opinion, in its corporate governance statement, the 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.

Information on non-financial information

In accordance with the requirements of the Act on the Registered Auditors, we confirm that the Company and the Group has prepared a statement on non-financial information referred to in Article 49b(1) for the Group of the Accounting Act as a separate section of the Combined Report on the operations.

We have not performed any assurance work relating to the statement 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 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 an appendix to this report.

Appointment

We have been appointed to audit the annual financial statements of the Company by Resolution of the Supervisory Board dated 26 May 2015 based on paragraph 21(2)(8) of Company's articles of association and followed with Resolution dated 16 April 2018. We have been auditing the Company's financial statements without interruption since the financial year ended 31 December 2015, i.e. for 4 consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (formerly: PricewaterhouseCoopers sp. z o.o.), 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, 26 March 2019

Annex to the Independent Registered Auditor's Report on the audit of annual financial statements of CIECH Group as at 31 December 2018.

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

- Reviews of the half-year condensed consolidated financial statements of the Group and the financial statement 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 financial statement of the Group;
- Verification of the excise coefficient in relation to the company CIECH Soda Polska S.A.;
- Verification of the coefficient of the intensity of energy consumption for companies CIECH Soda Polska S.A. and CIECH Vitroslicon S.A.;