

## INDEPENDENT AUDITOR'S REPORT

To the General Meeting of Shareholders and Supervisory Board

Report on the Audit of the Annual Financial Statements

### Opinion

We have audited the annual financial statements of Ciech S.A. (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (the "financial statements").

In our opinion, the financial statements:

- give a true and fair view of the economic and financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union ("IFRSs") and the adopted accounting policies;
- comply, as regards their form and content, with the applicable laws and the articles of association of the Company;
- have been prepared based on properly kept accounting records, in accordance with Section 2 of the Accounting Act of 29 September 1994 (the "Accounting Act", Journal of Laws of 2021, item 217, as amended).

Our opinion is consistent with the Additional Report to the Audit Committee, which we issued on 29 March 2022.

### Basis for Opinion

We conducted our audit in accordance with Polish Standards on Auditing ("PSAs") in line with the wording of International Standards on Auditing, adopted by the National Council of Statutory Auditors, and in compliance with the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (the "Act on Statutory Auditors", Journal of Laws of 2020, item 1415, as amended) as well as Regulation (EU) No 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation", Official Journal of the European Union L158, as amended). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the principles of professional ethics set out in the International Code of Ethics for Professional Accountants (including the International Independence Standards) ("Code of Ethics"), adopted by the National Council of Statutory Auditors, which has been developed and approved by the International Ethics Standards Board for Accountants, together with the ethical requirements that are relevant to the audit of the financial statements in Poland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. Throughout the audit, both the key statutory auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

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

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## Emphasis of Matter

We draw attention to Note 9.6 to the financial statements, where the Management Board refers to an analysis and assessment of the impact of the military conflict between Russia and Ukraine on the Company's operations as well as the potential effect of the economic consequences of these events on the Company's financial information in future reporting periods.

Our opinion is not qualified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They encompass the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to 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 those risks and, where appropriate, we presented the key findings related to those risks. We do not provide a separate opinion on these matters.

Key audit matter	How we addressed the matter
<p><i>Impairment of investments in subsidiaries</i></p>	
<p>The Company holds significant interest in subsidiaries, including shares and granted loans. As discussed in Notes 5.4 and 5.7 to the separate financial statements, the net value of shares in subsidiaries as well as loans to subsidiaries is PLN 2,066.2 million and PLN 1,651.1 million, respectively, whereas the accumulated impairment losses on these assets amount to PLN 34.5 million, including PLN 13.6 million recognized in the current year.</p> <p>As indications of impairment had been analyzed and factors which could contribute to a change in the value of shares and loans had been identified, the investments were tested for impairment.</p> <p>The impairment of the aggregate interest in controlled entities constitutes a major area of focus of our audit due to the Management Board's judgment and estimates, mainly in respect of the assumptions about future cash flows, where the key factors are, among others, long-term financial projections, macroeconomic assumptions as well as discount rate calculation in the DCF model being the basis for impairment testing.</p>	<p>In particular, our audit procedures included:</p> <ul style="list-style-type: none"> <li>a. gaining an understanding of the internal control environment for the process of identification of indications of impairment and performance of impairment tests for shares and loans to controlled entities;</li> <li>b. an analysis of the indications of impairment of shares in controlled entities;</li> <li>c. with the support of Deloitte's valuation experts – a critical assessment of the Management Board's assumptions and estimates in the DCF models, including: <ul style="list-style-type: none"> <li>- an analysis of the assumptions about future cash flows (financial projections);</li> <li>- an analysis of the reasonableness of the key macroeconomic assumptions;</li> <li>- evaluation of the consistent application and reasonableness of the methodology used in the models in relation to determination of cash flows and residual values;</li> <li>- an analysis of the consistency of the discount rate calculation methodology and the correctness of such calculations;</li> </ul> </li> <li>d. evaluation of the correctness and completeness of impairment disclosures.</li> </ul>

### *The existence of an inherent uncertainty related to taxes*

The Company is the parent in a Group whose structure is complex and whose operations in the volatile legal and tax environment cause a material uncertainty related to taxes. In the audited period, the Company was subject to inspections and a party to court proceedings with taxation authorities with regard to corporate income tax. In the context of pending proceedings, the Management Board is required to conduct ongoing analyses and assessments of their risk as well as taking decisions regarding the recognition of provisions for tax cases in the financial statements or the estimation and disclosure of the associated contingent liabilities. Due to the necessity for the Management Board to make significant assumptions and judgments in the assessment of those matters, we consider the Company's taxes to be a key audit matter.

The inspections and court proceedings instituted with regard to corporate income tax have been discussed in Note 9.2 to the financial statements, while Note 4.3 describes the existence of an inherent uncertainty related to taxes in connection with the General Anti-Avoidance Rules (GAAR).

In particular, our audit procedures included:

- a. gaining an understanding of the Management Board's judgment as to the identification and assessment of transactions which could potentially fall within the scope of the General Anti-Avoidance Rules as well as their impact on tax reporting and provisions for tax risks;
- b. an analysis of the documentation of tax cases and proceedings regarding corporate income tax, including the findings of tax inspections, decisions issued by authorities as well as rulings in court proceedings;
- c. with the support of tax experts – an analysis of the current case-law issued in similar proceedings;
- d. evaluation of the Management Board's judgment and assumptions made in the assessment of the risks involved in those cases, including the possibility of the occurrence of a tax liability in the future;
- e. verification of the level of provisions recognized for tax risks and disclosures in the financial statements in terms of the completeness of the tax cases described as well as contingent liabilities on that basis.

### *Fair value measurement of derivatives*

In the audited period, the Company was a party to transactions in derivatives.

As discussed in Notes 8.1 and 8.4 to the separate financial statements, the value of assets and liabilities associated with measurement of the Company's derivatives is PLN 102.9 million and PLN 151.6 million, respectively.

Given the significant volume of transactions and the considerable complexity of the fair value measurement of transactions in derivatives, including those designated for hedge accounting purposes, as well as the risk of uncertainty related to significant estimates made in the measurement of such instruments, we consider the measurement of derivatives to be a key audit matter.

Determination of the fair value of derivatives requires significant judgment – adoption of assumptions about future parameters for each instrument as well as the use of an appropriate measurement model.

In particular, our audit procedures included:

- a. gaining an understanding of the process of fair value measurement of derivatives, along with the underlying assumptions;
- b. with the support of Deloitte's experts in financial markets:
  - an assessment of the model used by the Company;
  - verification of the measurement of derivatives by means of independent fair value measurements of such instruments;
  - an analysis of the recognition and presentation of transactions in derivatives;
- c. a comparison of the result of the measurement of derivatives as regards the fair value determined by Deloitte and the fair value determined by the Management Board, including an analysis of differences, considering discrepancies resulting from the use of estimates for variable measurement parameters in the model.

### **Responsibilities of the Management Board and the Supervisory Board for the Financial Statements**

The Company's Management Board is responsible for the preparation – based on properly kept accounting records – of financial statements which give a true and fair view of the economic and financial position of the Company and of its financial performance in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union ("IFRSs") and the adopted accounting policies as well as the applicable laws and the articles of association, and for such internal control as the Company's 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 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 Management Board and members of the Supervisory Board of the Company are obliged to ensure that the financial statements meet the requirements of the Accounting Act. Members of the Supervisory Board are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities 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 PSAs 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 financial statements.

The scope of an audit does not include an assurance about the future profitability of the Company or the effectiveness or efficiency of the Management Board in managing the Company's affairs at present or in the future.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism 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 Company's Supervisory Board 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 Company's Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and that we will communicate with it 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 the Supervisory Board, we determined 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 Activities

Other information includes a report on the activities of the Company and of the Group in the financial year ended 31 December 2021 (the "Report on the Activities"), together with a statement of compliance with corporate governance principles, which constitutes a separate part of the Report, a separate non-financial report of the Company and of the Group, as referred to in Article 49b.1 of the Accounting Act, and the Annual Report for the financial year ended 31 December 2021 (the "Annual Report") (together the "Other Information").

### *Responsibilities of the Management Board and the Supervisory Board*

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

The Management Board and members of the Supervisory Board of the Company are obliged to ensure that the Report on the Activities of the Company and of the Group, along with the separate parts, as well as the separate non-financial report of the Company and of the Group meet the requirements of the Accounting Act.

### *Auditor's Responsibilities*

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

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise 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 in our auditor's report. Additionally, under the Act on Statutory Auditors we are obliged to express an opinion on whether the Report on the Activities of the Company and of the Group has been prepared in accordance with the applicable laws and whether it is consistent with the information contained in the financial statements. Furthermore, we are obliged to state whether a separate non-financial report has been prepared by the Company and to express an opinion on whether the Company has included the necessary information in the statement of compliance with corporate governance principles.

## Opinion on the Report on the Activities

Based on our work performed during the audit, we are of the opinion that the Report on the Activities of the Company and of the Group:

- has been prepared in accordance with Section 49 of the Accounting Act and par. 70 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (the "Current Information Regulation", Journal of Laws of 2018, item 757, as amended);
- is consistent with the information contained in the financial statements.

Furthermore, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements of the Report on the Activities.

## Opinion on the Statement of Compliance with Corporate Governance Principles

In our opinion, the statement of compliance with corporate governance principles contains all the information referred to in par. 70.6.5 of the Current Information Regulation. We are also of the opinion that the information referred to in par. 70.6.5(c)-(f), (h) and (i) of the Regulation, as contained in the statement of compliance with corporate governance principles, is in accordance with the applicable laws and consistent with the information included in the financial statements.

## Information on Non-Financial Information

In accordance with the requirements of the Act on Statutory Auditors, we confirm that the Company has prepared a non-financial report of the Company and of the Group, as referred to in Article 49b.1 of the Accounting Act, as a separate report.

We have not performed any assurance services relating to the non-financial report of the Company and of the Group and we do not express any form of assurance conclusion thereon.

## Report on Other Legal and Regulatory Requirements

### Statement Concerning Provision of Non-Audit Services

To the best of our knowledge and belief, we represent that non-audit services which we have provided to the Company and to its subsidiaries are not prohibited under Article 5.1 of the EU Regulation and Article 136 of the Act on Statutory Auditors. The key statutory auditor and the audit firm have provided the following non-audit services which have not been disclosed in the financial statements or in the Report on the Activities, to the Company or to entities which are controlled by the Company:

- verification of the report on remuneration of the Management Board and Supervisory Board of Ciech S.A.;
- a review of the interim financial statements of Ciech S.A. and of the Ciech Group;
- a review and an audit of IFRS consolidation packages prepared by selected Ciech Group companies for purposes of the interim review and audit of the consolidated financial statements of the Group;
- verification of the ratios set out in the loan agreement;
- an opinion on the correctness of the calculation of the factor referred to in the Excise Duty Act for Ciech Soda Polska S.A.;
- verification of the disclosures under Article 44 of the Energy Law in the financial statements of Ciech Soda Polska S.A. and Ciech Sarzyna S.A.

### Appointment of the Auditor

We were appointed as the auditor of the Company's financial statements by Resolution No 82 of the Supervisory Board of 1 April 2020. Our total uninterrupted period of engagement to audit the Company's financial statements is two consecutive financial years, i.e. starting from the financial year ended 31 December 2020.

The key statutory auditor on the audit resulting in this independent auditor's report is Adrian Karaś.

Acting on behalf of Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered seat in Warsaw, entered under number 73 on the list of audit firms, in the name of which the financial statements have been audited by the key statutory auditor:

Adrian Karaś

Registered under number 12194

Warsaw, 29 March 2022

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**The above audit opinion together with audit report is a translation from the original Polish version.  
In case of any discrepancies between the Polish and English version, the Polish version shall prevail.**