

**REPORT**

**ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF**

**CIECH S.A.**

*for financial year 2017*

Warsaw, May 2018

The Supervisory Board of CIECH S.A. herewith submits its report on its activities in financial year 2017 containing, among others, report on the results of the evaluation referred to in article 382 § 3 of the Code of Commercial Companies, i.e. on the evaluation of: the Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2016, Separate Financial Statements of CIECH S.A. for 2016, Consolidated Financial Statements of CIECH Group for 2016 and the Management Board's proposal regarding distribution of profit for 2016.

**The scope of this report includes:**

- **Information on the composition of the Supervisory Board of CIECH S.A. in 2017.**
- **Discussion of the activities of the Supervisory Board of CIECH S.A. in the period from 1 January 2017 to 31 December 2017, including information on the issues discussed at the Supervisory Board's meetings;**
- **Information on the activities of the Audit Committee of the Supervisory Board of CIECH S.A. in 2017;**
- **Information on the activities of the Remuneration Committee of the Supervisory Board of CIECH S.A. in 2017;**
- **Evaluation of the Report of the Management Board on the activities of CIECH Group and CIECH S.A. in 2016 in terms of compliance with the accounting books and documents, as well as the actual state of affairs, and the proposal of the Management Board of CIECH S.A. regarding the distribution of the net profit of CIECH S.A. for the financial year 2016.**
- **Assessment of the Separate Financial Statements of CIECH S.A. for the financial year 2016 and the Consolidated Financial Statements of CIECH Group for the financial year 2016 in terms of compliance with the accounting books and documents, as well as the actual state of affairs.**
- **Assessment of the situation of CIECH S.A. in 2017, including the assessment of the internal control system and the system to manage any risk which is significant for the company.**
- **Recommendations to the Annual General Meeting of CIECH S.A.**

**INFORMATION ON THE COMPOSITION OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2017**

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The composition of the Supervisory Board in the period from 1 January 2017 to 31 December 2017 did not change, and as at 31 December 2017 it was as follows:

1. Sebastian Kulczyk – Chairman of the Supervisory Board
2. Tomasz Mikołajczak – Deputy Chairman of the Supervisory Board
3. Mariusz Nowak
4. Dominik Libicki
5. Artur Olech
6. Piotr Augustyniak.

In 2017, two committees operated as part of the Supervisory Board of CIECH S.A., i.e.:

- 1) the Audit Committee of the Supervisory Board of CIECH S.A.
- 2) the Remuneration Committee of the Supervisory Board of CIECH S.A.

Information on the activities of the aforementioned committees is presented in the subsequent parts of this Report.

## **DISCUSSION OF THE ACTIVITIES OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2017**

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In 2017, 4 meetings of the Supervisory Board of CIECH S.A. were held.

In 2017, the Supervisory Board adopted a total of 32 resolutions, including:

- 30 resolutions adopted at meetings of the Supervisory Board,
- 2 resolutions adopted using means of distance communication.

Acting on the basis of § 21 section 1 of the Articles of Association of CIECH S.A. and § 3 section 1 of the Regulations of the Supervisory Board, the Supervisory Board of CIECH S.A. exercised continuous supervision over the activities of the Company.

The following are some of the major issues dealt with by the Supervisory Board in the financial year 2017.

### **FINANCIAL PLAN FOR 2017 AND 2018**

On 14 December 2016, the Supervisory Board reviewed the Financial Plan of CIECH Group for 2017, the final approval of which was postponed until the next meeting of the Board.

At the meeting of the Supervisory Board on 4 April 2017, the Management Board of CIECH S.A. presented the most important changes to the Financial Plan of CIECH Group for 2016 (hereafter referred to as the “**Plan**”), presented to the Supervisory Board on 14 December 2016, which were discussed in detail.

The Management Board of CIECH S.A. also presented the priorities for 2017 for CIECH Group and CIECH S.A. incorporated in the Plan, including: 2017 risks, strategic activities and initiatives of the Value Growth Programme, the Reshape Project activities (changes to the business model), and the implementation plan for the ERP-class integrated IT system.

The Supervisory Board of CIECH S.A. decided to approve the Financial Plan of CIECH Group for 2017.

At the meeting on 4 December 2017, a draft Financial Plan of the Group for 2018, with the indication of issues that were still open, was presented to the Supervisory Board, including contract award procedures, which will have the greatest impact on the Financial Plan of CIECH Group for 2018.

The Supervisory Board will review the Financial Plan of CIECH Group for 2018 after every issue affecting the presented results has been closed.

### **PREPARATIONS FOR THE ANNUAL GENERAL MEETING OF CIECH S.A. HELD ON 22 JUNE 2017**

At its meeting on 4 April 2017, the Supervisory Board reviewed the financial statements that were presented by the Company for approval at the Annual General Meeting, i.e.:

1. Separate Financial Statements of CIECH S.A. for the financial year 2016, which was assessed by the Supervisory Board as prepared in accordance with the accounting books and documents as

- well as the actual state of affairs and meeting the requirements of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2016, item 1047, as amended).
2. Consolidated Financial Statements of CIECH Group for the financial year 2016, which was assessed by the Supervisory Board as prepared in accordance with the accounting books and documents as well as the actual state of affairs and meeting the requirements of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2016, item 1047, as amended).
  3. Report of the Management Board on the activities of CIECH Group and CIECH S.A. for the year 2016, which was assessed by the Supervisory Board as exhaustively presenting the functioning of the Group and the Company in 2016 and as consistent with the financial data included in the Consolidated Financial Statements of CIECH Group and CIECH S.A. for 2016, and meeting the requirements provided for in article 49 of the Accounting Act.

Issues related to the assessment of the proposal of the Management Board of CIECH S.A., regarding allocation of the net profit generated by CIECH S.A. in 2016 and adoption of the Report of the Supervisory Board for 2016, were postponed to the next meeting of the Supervisory Board.

The Supervisory Board, after the aforementioned reviews and assessments, recommended to the Annual General Meeting of CIECH S.A. that the reports listed in points 1-3 should be approved.

In addition, the Supervisory Board of CIECH S.A. recommended to the Annual General Meeting of CIECH S.A. that discharge be granted to the following individuals holding office of members of the Management Board in 2016:

- 1) Mr Maciej Tybura with regard to performance of his duties as the President of the Management Board in the period from 1 January 2016 to 31 December 2016.
- 2) Mr Artur Osuchowski with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2016 to 31 December 2016.
- 3) Mr Artur Król with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2016 to 31 December 2016.

At its meeting on 24 May 2017, the Supervisory Board reviewed the proposal of the Management Board regarding the proposed allocation of the net profit for the financial year 2016 in the amount of PLN 152,439,960.97 (in words: one hundred fifty two million four hundred thirty nine thousand nine hundred sixty and 97/100 zlotys), in its entirety, to the supplementary capital.

The Supervisory Board, after reviewing the proposal of the Management Board of CIECH S.A. and analysing the financial situation of the Company, decided to recommend to the Annual General Meeting of CIECH S.A. that the net profit for the financial year 2016, in the amount of PLN 152,449,960.00, be allocated in its entirety to the Company's supplementary capital.

Following that, the Supervisory Board discussed the Report of the Supervisory Board of CIECH S.A. on the activities in 2016, containing the report on the results of evaluation of reports on activities of CIECH S.A. and CIECH Group in 2016 and the proposal of the Management Board regarding the distribution of the net profit of CIECH S.A. for the financial year 2016, and taking into account the assessment of the internal control system and risk management system in terms of major risks for the Company, which, following a discussion, were adopted.

## **ONGOING SUPERVISION OVER FINANCIAL SITUATION AND OPERATING ACTIVITIES**

As part of supervision over the current operations of the Company, the financial situation and results of operating activities are subject of regular analysis of the Supervisory Board.

The basis of analyses carried out by the Supervisory Board was the Financial Plan of CIECH Group for the year 2017, positively evaluated by the Audit Committee and approved by the Supervisory Board on 4 April 2017 by Resolution No. 97/IX/2017.

The Supervisory Board also dealt with issues arising from the current operations of the Company, including intercompany loans extended to CIECH Group companies and an increase in the factoring limit held by one of the Group companies - CIECH Trading S.A., which were considered at the meeting on 30 March 2016.

## **MARKET RISKS HEDGING**

The Supervisory Board reviewed the proposal to change the Market Risk Hedging Strategy (hereinafter referred to as the “SZRR”) adopted by Resolution No. 82/IX/2016 of the Supervisory Board of CIECH S.A. of 26/04/2016 in the scope of market risk in the area of CO<sub>2</sub>, by extending the maximum maturity term for CO<sub>2</sub> transactions from 3 to 10 years.

The Supervisory Board, after the discussion and taking into account the opinion of the Audit Committee, in order to update the principles for market risk management in CIECH Group, positively evaluated the SZRR, taking into account a change of the maturity terms for CO<sub>2</sub> transactions to 10 years, and agreed to conclude hedging transactions compliant with the SZRR in the value exceeding the limit specified in § 21 section 2 point 10) of the Articles of Association of CIECH S.A.

The above change was proposed by the Management Board of CIECH S.A. due to the existing risk of the Group's costs related to CO<sub>2</sub> emissions, in connection with the ongoing legislative work on the reform of the EU system of CO<sub>2</sub> emission permits. The Audit Committee expressed a positive opinion on the proposal to change the SZRR in the area of CO<sub>2</sub>.

## **PROJECTS RELATED TO GROWTH OF VALUE OF CIECH GROUP**

The Supervisory Board, at its meeting on 24 May 2017, became acquainted with the proposal of the Management Board of CIECH S.A. regarding the conclusion of an agreement between CIECH Soda Polska S.A. and Fugor Sp. z o. o. for the construction of an installation for the production of granulated salt and salt licks for animals.

The construction of the installation will enable the development of salt business by introducing new products, i.e. salt granules and salt licks, while using salt dust for their production, which is now part of a product that is difficult to sell, mixed with wet salt.

After the discussion, the Supervisory Board gave its consent to the conclusion by CIECH Soda Polska S.A. of an agreement with Fugor Sp. z o.o. for the construction of an installation for the production of granulated salt and salt licks for animals.

The Supervisory Board, at its meeting on 19 October 2017, became acquainted with the proposal of the Management Board of CIECH S.A. regarding the conclusion of an agreement by CIECH Soda Deutschland GmbH & Co.KG for the construction of a crystallisation installation for the production of coarse-grained (bicarbonate) soda as part of the Golden Eye project.

The Supervisory Board, after discussing and analysing the above-mentioned proposal of the Management Board of CIECH S.A., gave its consent to the conclusion by CIECH Soda Deutschland GmbH & Co. KG with its registered office in Stassfurt, an agreement with Chemnieranlagenbau Chemnitz GmbH for the construction of a crystallisation plant for the production of coarse-grained (bicarbonate) soda ash. The agreement is the second stage of implementation of sales of soda for dialysis by CIECH Group. The above consent was expressed on the condition that Chemnieranlagenbau Chemnitz GmbH and the main supplier - GEA MESSO GmbH technology, undertake not to place the crystallisation technology for the production of coarse-grained (bicarbonate) soda ash on the market within 1 year from the day when the Guaranteed Parameters specified in the Agreement reach 75% as a minimum. The above condition has been fulfilled.

The Management Board of CIECH S.A. also presented the Grain project aimed at increasing the sales of salt products by launching new production capacities at CIECH Soda Deutschland GmbH & Co.KG with its registered office in Stassfurt at the level of 450,000 t/year.

The Supervisory Board of CIECH S.A., after discussing the planned activities under the Grain project, accepted the plan of carrying out the abovementioned project.

## **RULES AND REGULATIONS ADOPTED BY THE SUPERVISORY BOARD**

The Supervisory Board at its meeting on 24 May 2017:

- adopted the Regulations of the Supervisory Board of CIECH S.A., which were submitted to the Annual General Meeting of CIECH S.A. for approval,
- approved the Regulations of the Management Board of CIECH S.A.
- positively evaluated matters to be the subject of resolutions of the Annual General Meeting of CIECH S.A., including amendments to the Articles of Association of CIECH S.A.

In addition, due to the entry into force of the Act of 11 May 2017 on statutory auditors, auditing companies and public supervision (hereinafter referred to as the "Act"), the Supervisory Board of CIECH S.A., adapting to the requirements of the Act, at the meeting on 19 October 2017 approved new Regulations of the Audit Committee of the Supervisory Board of CIECH S.A.

The provisions introduced to the new Regulations of the Audit Committee of the Supervisory Board of CIECH S.A. required the Audit Committee to develop the following policies, which the Supervisory Board adopted at its meeting on 19 October 2017, i.e.:

- Policy and procedure for selecting an audit firm to examine the statutory financial statements of CIECH S.A. and the consolidated financial statements of CIECH Group,

- Policy concerning provision by the auditing firm, examining the company's financial statements, of permitted non-audit services.

## **INFORMATION ABOUT THE ACTIVITIES OF THE AUDIT COMMITTEE OF THE SUPERVISORY BOARD OF CIECH S.A. in 2017**

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The report of the Audit Committee includes:

- information on the composition and tasks of the Audit Committee of the Supervisory Board of CIECH S.A. in 2017;
- discussion of the activities of the Audit Committee of the Supervisory Board of CIECH S.A. in 2017, including information on the issues raised at Committee meetings;
- and assessment of interim (periodic) reports of CIECH S.A. for 2017 and CIECH Group for 2017.

## **INFORMATION ON THE COMPOSITION AND TASKS OF THE AUDIT COMMITTEE IN 2017**

As of 1 January 2017, the composition of the Audit Committee was as follows:

- 1) Mariusz Nowak - Chairman of the Committee
- 2) Piotr Augustyniak - Member of the Committee
- 3) Artur Olech - Member of the Committee.

The Chairman of the Audit Committee, Mr Mariusz Nowak, due to the fact that he does not meet the independence criterion introduced by the Act of 11 May 2017 on statutory auditors, auditing companies and public supervision (the "**Act**"), submitted, to the minutes, his resignation from the position of the Chairman of the Audit Committee of the Supervisory Board of CIECH S.A.

In connection with the above, the Audit Committee on 19 October 2017 appointed a new Chairman of the Audit Committee, who meets the independence criterion and by Resolution No. 2/2017 entrusted Mr Piotr Augustyniak the duties of the Chairman of the Audit Committee.

As at 31 December 2017, the composition of the Audit Committee was as follows:

- 1) Piotr Augustyniak - Chairman of the Committee
- 2) Mariusz Nowak - Member of the Committee
- 3) Artur Olech - Member of the Committee.

The tasks of the Audit Committee were defined in the Regulations of the Audit Committee, which were approved by Resolution No. 57/IV/2005 of the Supervisory Board of 16 February 2005, and subsequently amended by Resolution No. 148/VI/2010 of the Supervisory Board of CIECH S.A. of 29 November 2010.

By Resolution No. 116/IX/2017 of the Supervisory Board of CIECH S.A. of 19 October 2017, new Regulations of the Audit Committee were introduced (hereinafter referred to as the "**Regulations of the Audit Committee**") adjusting the tasks of the Audit Committee to the Act of 11 May 2017.

In accordance with the Regulations of the Audit Committee, the tasks of the Audit Committee include in particular:

- a) monitoring:
  - financial reporting process,
  - effectiveness of internal control systems and risk management systems as well as internal audit, including financial reporting,
  - performing auditing activities, in particular conducting an audit by the audit firm, including all proposals and findings of the Audit Oversight Commission resulting from inspections carried out in the audit firm;
- b) controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when other auditing services are provided to the Company by the auditor;
- c) informing the Supervisory Board about the results of the audit and explaining how it contributed to the reliability of financial reporting in the Company and the role of the Audit Committee in the audit process;
- d) assessing the independence of the auditor and consenting to the provision of permitted services that are not related to the Company's audit;
- e) developing a policy of selecting an audit firm to conduct the examination;
- f) developing a policy of providing - by the auditing firm, by entities related to such auditing firm and by a member of the auditing firm's network, permitted non-audit services;
- g) determining the procedure for the selection of an audit firm by the Company;
- h) presenting recommendations to the Supervisory Board regarding the appointment of an audit firm in accordance with the policies referred to in points e) and f) above. In the recommendation, the Audit Committee shall:
  - i. identify the auditing company which it proposed to entrust with the statutory audit,
  - ii. declare that the recommendation is free from the influence of third parties,
  - iii. state that the audited entity of public interest did not conclude agreements containing clauses referred to in art. 66 section 5a of the Accounting Act;
- i) where the choice referred to in section 1 h) does not apply to the extension of the contract for auditing the financial statements, the recommendation of the Audit Committee shall contain at least two options for the selection of the audit firm along with justification and indication of the justified preferences of the Audit Committee as to one of them;
- j) an annual review of internal audit programmes;
- k) analysis of the results of internal controls, including internal audits and deadlines for removing identified deficiencies;
- l) review of significant contracts concluded with related entities;
- m) preliminary assessment of the annual financial plan prepared by the Management Board and reports on its implementation;
- n) submitting recommendations aimed at ensuring the reliability of the financial reporting process in the Company.

## **DISCUSSION OF THE ACTIVITIES OF THE AUDIT COMMITTEE IN 2017**

In 2017, 9 (nine) meetings of the Audit Committee were held.

The main issue of the Audit Committee's work in 2017 was the analysis and assessment of both annual and interim/periodical financial statements of CIECH S.A. and CIECH Group as well as the strategy for market risk hedging. In addition, due to the new requirements imposed by the Act of 11 May 2017 on statutory auditors, auditing companies and public supervision, the Audit Committee developed:

- the policy and procedure for selecting an audit firm to audit the statutory financial statements of CIECH S.A. and the consolidated statements of CIECH Group, adopted by Resolution No. 117/IX/2017 of the Supervisory Board of CIECH S.A. on 19.10.2017,
- the policy of providing - by the auditing firm - permitted non-audit services, adopted by Resolution No. 118/IX/2017 of the Supervisory Board of CIECH S.A. on 19.10.2017
- and adopted the Regulations of the Audit Committee, which were approved by Resolution No. 116/IX/2017 of the Supervisory Board of CIECH S.A. on 19.10.2017.

The above documents, detailing terms and criteria for the selection of an audit firm for the examination of separate and consolidated statements and conditions for the non-audit services to be provided by the auditor, as well as procedure for commissioning such services, organisation, rules of operation and the manner of performing activities by the Audit Committee, were presented to the Supervisory Board CIECH S.A. for approval (effectively approved at the meeting of the Supervisory Board on 19 October 2017).

Moreover, a procedure for the Audit Committee's evaluation of provision by PwC of additional services, excluded from the statutory audit, was also established, both during and outside meetings of the Audit Committee (by email), based on which the Management Board of CIECH S.A. will make its decision.

#### **The following are some of the major issues dealt with by the Audit Committee in 2017**

- ***Cooperation with a certified auditor, including commissioning of additional services***

In 2017, the Audit Committee held meetings with the auditor of CIECH S.A., PricewaterhouseCoopers Sp. z o.o. (hereinafter referred to as "**PwC**"), in order to discuss the scope of conducted audits and reviews of periodical / interim reports of CIECH S.A. and CIECH Group for the first half of 2017, as well as separate financial statements for the financial year 2016 and the consolidated financial statements for the financial year 2016.

Members of the Audit Committee were informed about the progress of the work related to the audit of financial statements by PwC.

The Audit Committee of the Supervisory Board of CIECH S.A., on 20 July 2017, consented to the provision by a German company affiliated with PwC Sp. z o. o. - auditor of CIECH S.A. services involving verification of information submitted by a subsidiary company of CIECH Group - CIECH Energy Deutschland GmbH with its registered office in Stassfurt (Germany), on the amount of electricity supplied to the final consumer, according to German law on renewable energy (the German Renewable Energy Law). The above decision resulted from changes to laws and the establishment of a new procedure for awarding contracts to entities related to the auditor, pursuant to art. 130 section 1 point 4 of the Act of 11 May 2017 on statutory auditors, auditing companies and public supervision.

In addition, the Audit Committee agreed to PwC providing additional services (other than statutory audit) to CIECH S.A. and its subsidiaries. The list of additional services includes:

- 1) confirmation of the fulfilment of the terms of loan agreements on the basis of the analysis of financial information originating from the audited financial statements of CIECH Group as at 31/12/2017 - service provided on the basis of a 3-year audit contract;
- 2) validation of calculation of the efficiency index for CIECH Soda Polska S.A. and CIECH Vitrosilicon S.A. in order to obtain the status of an industrial customer in 2018 - PwC is at the stage of submitting the offer.
- 3) training service in the field of accounting standards provided to employees of CIECH Group - a service provided on the basis of a 3-year audit contract concluded with CIECH S.A., the service will be performed by the end of 2017.
- 4) service related to the licensing of myReporting and support in the maintenance and updating of this tool - a service provided under the contract from 2014, the service will be provided until the end of 2017.

- ***Strategy of risk hedging in CIECH Group***

In 2017, the Audit Committee dealt with the change of the Market Risk Strategy (hereinafter referred to as the "SZRR") proposed by the Management Board of CIECH S.A. , adopted by Resolution No. 82 / IX / 2016 of the Supervisory Board of CIECH S.A. of 26 April 2016, in the scope of market risk in the area of CO<sub>2</sub>, by extending the maximum maturity date of CO<sub>2</sub> transactions to 10 years.

The above change was proposed by the Management Board of CIECH S.A., due to the existing risk of the Group's costs related to CO<sub>2</sub> emissions, in connection with the ongoing legislative work on the reform of the EU system of CO<sub>2</sub> emission permits.

The Audit Committee positively evaluated the proposal to change the SZRR in the area of CO<sub>2</sub>, which was presented for approval by the Supervisory Board.

In addition, the Management Board of CIECH S.A. provides quarterly reports on hedging transactions to be discussed by the Audit Committee.

- ***Financing activities of CIECH Group***

The Audit Committee, analysing and discussing periodic reports of CIECH S.A. and CIECH Group, is also acquainted in detail with the sources of financing of CIECH Group's activities, including external debt and debt status resulting from the use of funds under the intercompany loans programme, financial leasing agreements and factoring agreements.

- ***Financial Plan of CIECH Group for 2017 and 2018***

The financial plan of CIECH Group for 2017 was presented at the Audit Committee meeting on 9 December 2016. The Plan's design included priorities for 2017, starting from the priorities of CIECH Group including implementation of strategies and initiatives from the Value Growth Programme, priorities broken down into commodity segments, to priorities for individual products.

The financial plan of CIECH Group for 2017, after discussing it and introducing changes to it at the Audit Committee meeting on 16 March 2017, was recommended to be submitted to the Supervisory Board of the Company.

The Financial Plan of CIECH Group for 2018 was presented and discussed in detail at the meeting of the Audit Committee on 4 December 2017. Its presentation to the Supervisory Board, only for information purposes, was recommended. The next presentation of the Financial Plan for 2018 will follow the conclusion of the ongoing contracting for 2018.

- ***Analysis of the statutory auditor's letter to the Management Board of the Company***

The Audit Committee reviewed the Letter to the Management Board of CIECH S.A. prepared by PricewaterhouseCoopers Sp. z o. o. containing issues highlighted by the auditor during the audit of the consolidated financial statements of CIECH Group for the financial year ended 31 December 2016, together with the Management Board's replies to the abovementioned issues.

- ***Other information***

The Audit Committee also dealt with issues that were subject to inspections carried out by the Audit Office in 2016 and the audit plan for 2017, and also reviewed the activity report of the Audit Office in 2016.

## **EVALUATION OF PERIODIC REPORTS OF CIECH S.A. AND CIECH GROUP**

- ***Evaluation of the Reports of CIECH S.A. for 2016 and CIECH Group for 2016***

The Audit Committee discussed at the meeting on 16 March 2017, the statements of the Company and CIECH Group presented by the Management Board of CIECH S.A. regarding the financial year 2016, i.e.:

- 1) Separate Financial Statements of CIECH S.A. for 2016,
- 2) Consolidated Financial Statements of CIECH Group for 2016,
- 3) Consolidated Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2016.

The Audit Committee, having read the abovementioned reports and the auditor's opinion on the separate and consolidated financial statements for 2016, as well as the auditor's information on the issues discussed with the Management Board of CIECH S.A. during the audit of the aforementioned reports, did not make any comments to the reports that were submitted for the assessment of the Supervisory Board of CIECH S.A.

- ***Distribution of profit of CIECH S.A. for 2016***

The Audit Committee reviewed the proposal to allocate the Company's net profit for the financial year 2016 in the amount of PLN 152.439.960, 97 zlotys (in words: one hundred fifty two million four hundred thirty nine thousand nine hundred sixty zlotys 97/100), in full, to the Company's supplementary capital, which was presented in the discussed Separate Financial

Statements of CIECH S.A. for the financial year 2016 and did not submit comments to the proposal for the distribution of net profit for 2016.

- ***Review and examination of periodic reports prepared in 2017***

In 2017, the Audit Committee reviewed and audited the interim report of CIECH S.A. and CIECH Group, i.e. Extended consolidated report of CIECH Group for the first half of 2017 and discussed the following periodic reports:

- ✓ Extended consolidated quarterly report of CIECH Group for the first quarter of 2017,
- ✓ Extended consolidated quarterly report of CIECH Group for the third quarter of 2017, to which the Audit Committee did not submit any comments.

## **INFORMATION ABOUT THE ACTIVITIES OF THE REMUNERATION COMMITTEE OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2017**

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The Remuneration Committee of the Supervisory Board of CIECH S.A. submits its report on the activities in the financial year 2017 containing, among others:

- information on the composition and tasks of the Remuneration Committee in 2017.
- discussion the activities of the Remuneration Committee in 2017.

## **INFORMATION CONCERNING THE COMPOSITION AND TASKS OF THE REMUNERATION COMMITTEE**

The First Remuneration Committee of the Supervisory Board was established by Resolution No. 66/IV/2005 of the Supervisory Board of CIECH S.A. dated 16 March 2005.

Throughout 2017, the composition of the Remuneration Committee has not changed and is as follows:

- 1) Tomasz Mikołajczak - Chairman of the Committee
- 2) Mariusz Nowak.

In accordance with the Regulations of Remuneration, adopted by Resolution No. 66 / IV / 2005 of the Supervisory Board of CIECH S.A. dated 16 March 2005, the main task of the Committee is to advise the Supervisory Board on issues related to the determination of remuneration rules and remuneration for members of the Management Board of CIECH S.A., in particular:

- 1) presentation to the Supervisory Board of proposals regarding the principles of remunerating members of the Management Board of CIECH S.A., which should include all forms of remuneration, in particular in relation to: fixed remuneration, performance compensation system, pension system and severance pay,
- 2) presentation to the Supervisory Board of proposals regarding the amount of remuneration of each member of the Management Board of CIECH S.A.,
- 3) presenting to the Supervisory Board draft agreements governing performance of duties by members of the Management Board of CIECH S.A.,

- 4) discussing (with or without the participation of the Company's Management Board) any problems or reservations that may arise in matters related to the remuneration of members of the Management Board of CIECH S.A.,
- 5) consideration of any other issues that the Committee or the Supervisory Board point out,
- 6) informing the Supervisory Board about any significant issues in the general context of the Committee's activities.

#### **DISCUSSION ON THE ACTIVITIES OF THE REMUNERATION COMMITTEE**

In 2017, due to the lack of changes in the terms and conditions of remuneration for members of the Management Board of CIECH S.A., the Remuneration Committee did not meet, while it conducted a permanent analysis of remuneration of the Management Board of CIECH S.A. in relation to market conditions.

**EVALUATION OF THE REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF CIECH GROUP AND CIECH S.A. IN 2017 AND SEPARATE FINANCIAL STATEMENTS OF CIECH S.A. FOR THE YEAR 2017 AND THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2017 IN TERMS OF THEIR COMPLIANCE WITH THE ACCOUNTING BOOKS AND DOCUMENTS, AS WELL AS THE ACTUAL STATE OF AFFAIRS, AND THE PROPOSAL OF THE MANAGEMENT BOARD OF CIECH S.A. REGARDING THE DISTRIBUTION OF THE NET PROFIT OF CIECH S.A. FOR THE FINANCIAL YEAR 2017**

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Pursuant to art. 382 § 3 of the Commercial Companies Code and § 21 point 2 point 1) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. assessed the Management Board's Report on the activities of CIECH Group and CIECH S.A. for 2017 together with the Non-Financial Report for 2017 and the CIECH Individual Financial Statements S.A. for 2017 and the Consolidated Financial Report for 2017 in terms of their compliance with the books and documents, as well as the factual situation and the proposal of the Management Board of CIECH S.A. regarding the distribution of the net profit for 2017.

**1. ASSESSMENT OF THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF CIECH AND CIECH S.A. GROUP IN 2017 WITH THE NON-FINANCIAL REPORT OF CIECH GROUP FOR 2017**

Pursuant to art.382 § 3 of the Code of Commercial Companies § 21 section 2 point 1) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. assessed the Management Board's Report on the activities of CIECH Group and CIECH S.A. for 2017 together with CIECH Group's non-financial report for 2017 in terms of its compliance with the books and documents as well as the actual status.

The Supervisory Board read the Report of the Management Board on the activities of CIECH Group and CIECH S.A. in 2017 together with CIECH Group's non-financial report for 2017 and the Report of the independent auditor on the audit of the Consolidated Financial Statements of CIECH Group and the Individual Financial Statement of CIECH S.A. that contained the opinion on the total Activity report.

With reference to the Report of the Management Board on the activities of CIECH Group and CIECH S.A. in 2017 together with CIECH Group's non-financial report for 2017 (hereinafter referred to as the "**Report**"), the auditor concluded that the Report was prepared in accordance with the requirements of art.49 of the Accounting Act and § 91 and § 92 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognizing information required by the laws of a non-member state as equivalent ("Regulation on current information" Journal of Laws of 2014, item 133, as amended) and is consistent with the information contained in the audited separate and consolidated financial statements.

In addition, the auditor stated that in the light of knowledge about the Parent Company and the Group and their environment obtained during the audit, it did not report significant distortions in the Joint Activity Report.

On 22 March 2018, the Audit Committee of the Supervisory Board of CIECH S.A., after hearing the report and the auditor's report, did not submit comments to the Management Report on the activities of CIECH Group and CIECH S.A. in 2017 together with CIECH Group's non-financial report for 2017.

The Supervisory Board of CIECH S.A. stated that the Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2017 together with CIECH Group's non-financial report for 2017 presents the functioning of the Company and CIECH Group in 2017 in an exhaustive way. The report is consistent with the financial data contained in the Separate and Consolidated Financial Statements for 2017 and meets the requirements provided for in art. 49 of the Accounting Act of September 29, 1994.

The Supervisory Board of CIECH S.A. at the meeting held on 24 May 2018, after the assessment of the Report of the Management Board on the activities of CIECH Group and CIECH S.A. in 2017 together with CIECH Group's non-financial report for 2017, recommended the Annual General Meeting its approval.

## **2. ASSESSMENT OF THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR 2017**

Pursuant to art. 382 § 3 of the Code of Commercial Companies and § 21 section 2 point 1) of the Statute of CIECH S.A., the Supervisory Board of CIECH S.A. assessed the Separate Financial Statements of CIECH S.A. for 2017 in terms of its compliance with the books and documents, as well as with the actual state of affairs.

The audit of the Financial Statement of CIECH S.A. for the financial year 2017 was conducted by PricewaterhouseCoopers Sp. z o.o. (hereinafter also referred to as "**PwC**"). Representatives of PwC in 2017 participated in selected meetings of the Supervisory Board and cooperated on an on-going basis with the Audit Committee of the Supervisory Board of CIECH S.A.

The Supervisory Board became acquainted with the Separate Financial Statements of CIECH S.A. for 2017 and the Report of the independent certified auditor on the audit of the Annual Financial Statements, according to which:

- it presents a reliable and clear picture of the property and financial situation of the Company as at 31 December 2017 and its financial result and cash flows for the financial year ended on that day in accordance with the applicable International Financial Reporting Standards approved by the European Union and adopted principles (policy) accounting
- it is consistent in form and content with the applicable laws and the Company's Articles of Association,
- was prepared on the basis of correctly kept accounting books in accordance with the provisions of Chapter 2 of the Act of 29 September 1994 on accounting (the "Accounting Act" – Journal of Laws of 2018, item 395, as amended).

The Audit Committee of the Supervisory Board of CIECH S.A., on 22 March 2018, after hearing the report and the auditor's report on the audit of the annual financial statements, did not submit comments to the Separate Financial Statements of CIECH S.A. for the financial year 2017.

The Supervisory Board of CIECH S.A., after becoming acquainted with the Separate Financial Statements of CIECH S.A. for 2017, stated that it was prepared in accordance with the books and documents as well as the actual state and meets the requirements of the Act of 29 September 1994 on accounting („Accounting Act" – Journal of Laws of 2018, item 395, as amended).

The Supervisory Board of CIECH S.A. at its meeting on 24 May 2018, after the assessment of the Separate Financial Statements of CIECH S.A. for the financial year 2017, recommended its approval to the Annual General Meeting.

### **3. ASSESSMENT OF CONSOLIDATED FINANCIAL STATEMENTS OF CIECH GROUP FOR 2017**

According to art. 382 § 3 in connection with art. 395 § 5 of the Code of Commercial Companies and § 21 section 2 point 1) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. assessed the Consolidated Financial Statements of CIECH Group for 2017 in terms of their compliance with the books and documents as well as with the actual state of affairs.

The audit of the Consolidated Financial Statements of CIECH Group for 2017 was conducted by PricewaterhouseCoopers Sp. z o.o. (hereinafter also referred to as "PwC").

The Supervisory Board became acquainted with the Consolidated Financial Statements of CIECH Group for 2017 and the Report of the independent certified auditor from the annual audit of the Consolidated Financial Statements, according to which:

- The Annual Consolidated Financial Statements of the CIECH Capital Group, whose parent entity is CIECH S.A., reflects a reliable and clear picture of the consolidated property and financial situation of CIECH Group as at 31 December 2017 and its consolidated financial result and consolidated cash flows for the financial year ended on that day in accordance with applicable to International Financial Reporting Standards approved by the European Union and the adopted accounting principles (policy),
- it complies, in terms of form and content, with the legal regulations applicable to CIECH Group and the articles of association of the Parent.

The Audit Committee of the Supervisory Board of CIECH S.A., on 22 March 2018, after hearing the report and the auditor's report on the audit of the consolidated financial statements, did not submit comments to the Consolidated Financial Statements of CIECH Group for 2017.

The Supervisory Board concluded that the Consolidated Financial Statements of CIECH Group for 2017 have been prepared in accordance with the books and documents as well as the actual state and meets the requirements provided for in the Act of 29 September 1994 on accounting.

The Supervisory Board of CIECH S.A. at its meeting on 24 May 2018, after the assessment of the Consolidated Financial Statements of CIECH Group for 2017, recommended the Annual General Meeting its approval.

### **4. ASSESSMENT OF THE PROPOSAL OF THE MANAGEMENT BOARD OF CIECH S.A. ON THE DISTRIBUTION OF THE NET PROFIT FOR THE FINANCIAL YEAR 2017**

The Supervisory Board of CIECH S.A., having read the proposal of the Management Board submitted to the Annual General Meeting, expressed in Resolution No. 70/2018 of the Management Board of CIECH S.A. of 23 May 2018, regarding:

- 1) allocation of the net profit generated by the Company in 2017 in the amount of PLN **243,907,228.06** (say: two hundred forty three million nine hundred seven thousand two hundred twenty eight and 6/100 zlotys), in its entirety, for the payment of dividends,
- 2) transfer of the amount of PLN **56,482,253.24** (in words: fifty-six million four hundred and eighty-two thousand two hundred and fifty-three and 24/100 zlotys) from the supplementary capitals created from profit, in order to allocate it to the payment of dividend,
- 3) payment of a dividend in the amount of PLN **300,389,481.30** (in words: three hundred million three hundred and eighty-nine thousand four hundred and eighty-one and 30/100 zlotys), i.e. PLN 5.70 per share from the Company's net profit for 2017 increased by the amount indicated in point 2), transferred from the supplementary capital created from profits

- and after analysing the financial situation of the Company, decided to recommend the following measures to the Annual General Meeting of CIECH S.A.:

- 1) allocation of the net profit generated by the Company in 2017 in the amount of PLN **243,907,228.06** (say: two hundred forty three million nine hundred seven thousand two hundred twenty eight and 6/100 zlotys), in its entirety, for the payment of dividends,
- 2) transfer of the amount of PLN **151,342,089.44** (say: one hundred and fifty-one million three hundred and forty-two thousand eighty-nine and 44/100 zlotys) from the supplementary capitals created from profit, in order to allocate it to the payment of dividend,
- 3) payment of a dividend in the amount of PLN **395.249.317,50** (say: three hundred and ninety-five million two hundred and forty-nine thousand three hundred and seventeen and 50/100 zlotys), i.e. PLN 7.50 (seven and 50/100 zlotys) per share from the Company's net profit for 2017 increased by the amount indicated in point 2), transferred from the supplementary capital created from profits.

#### **ASSESSMENT OF SITUATION OF CIECH S.A. IN 2017 BY THE SUPERVISORY BOARD OF CIECH S.A. WITH REGARD TO THE INTERNAL CONTROL SYSTEM AND THE SYSTEM OF MANAGEMENT OF RISKS SIGNIFICANT FOR THE COMPANY**

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The Supervisory Board of CIECH S.A. submits to the Annual General Meeting of CIECH S.A. a concise evaluation of the Company's situation in 2017, including the assessment of the internal control system and the risk management system important for the company.

##### **1. ASSESSMENT OF THE COMPANY'S SITUATION IN 2017**

In 2017, CIECH S.A. achieved a positive net profit of PLN 243,907 thousand, the balance sheet total amounted to PLN 3,652,664 thousand, and the cash balance showed an increase by PLN 32,786 thousand, to PLN 375,393 thousand. Both internal and external factors had a significant impact on the

Company's positive results. The key internal factors having a positive impact on the operating result include the increase in soda ash sales despite growing supply from competitors in Turkey, increase in sales prices in the fourth quarter of 2017 in the dollar markets as well as the development of specialist products in the area of baking soda and salt. Operating income was negatively affected by factors such as the decline in soda prices on European markets and the strengthening of PLN and RON against EUR and USD. Positive result on the net result was paid dividends from subsidiaries in the amount of 127 PLN 873 thousand. The net result was affected by the creation of write-offs updating the value of the investment for an amount of PLN 107,427 thousand. The impairment losses related mainly to the impairment loss on CIECH Soda Deutschland GmbH's interest in the amount of PLN 100,237 thousand.

In 2017, sales revenues of CIECH S.A. amounted to PLN 2,365,764 thousand and were higher (by 7.9%) compared to 2016. The main reasons for this increase are the increase in soda sales volumes, increase in soda sales prices on the dollar markets in the fourth quarter of 2017, the development of specialised products in purified sodium and salt as well as the increase in sales of raw materials for the production of plastics and plant protection products. The decline in soda ash prices on the European market, the decrease in sales volume and salt prices, as well as the strengthening of PLN and RON against EUR and USD had a negative impact on the change in revenues.

In 2017, gross profit on sales amounted to PLN 502,418 thousand, and in the corresponding period of the previous year – 541,804 thousand, while operating profit (EBIT) for 2017 amounted to PLN 242,213 thousand and PLN 300,774 thousand and for the comparable period, which gave EBIT profitability for 2017 at 10.2% (in the previous year, 13.7%). The normalised EBITDA amounted to PLN 246,185 thousand for 2017 and PLN 310,404,000 respectively for 2016, which gave normalised EBITDA margin at a level of 10.4% for 2017 and 14.2% for 2016, respectively.

Equity as at 31 December 2017 was equal to PLN 1,549,028 thousand (PLN 1,296,766 thousand at the end of 2016 ). The increase in the level of equity is mainly the effect of retained earnings from 2016 as a result of the decision of the General Meeting of Shareholders on the lack of dividend payment for the 2016 results.

Liabilities (total long- and short-term liabilities) of CIECH S.A. amounted to PLN 2,103,636 thousand as at 31.12.2017, which means a decrease in liabilities by PLN 199.570 thousand compared to the level from last year. The decrease was mainly due to the repayment in December 2017 of bonds denominated in PLN in the amount of PLN 160,000 thousand.

The net debt of CIECH S.A. calculated as the sum of long- and short-term liabilities due to loans, borrowings and other debt instruments decreased by cash and cash equivalents amounted to PLN 1,110,621 thousand as at 31 December 2017 and decreased compared to the end of December 2016 by PLN 179,845 thousand.

Cash flows from operating activities in 2017 amounted to PLN 300,288 thousand and were by PLN 44,314 thousand PLN lower than the cash flows from this type of activity generated in 2016. This decrease is mainly the result of lower operating profits (normalised EBITDA lower by PLN 64,199,000).

In 2017, the surplus of investment expenses over inflows amounted to PLN 131,486. As part of this activity, the largest items were revenues from dividends received from subsidiaries in the amount of

PLN 127,874 thousand, expenditure on the increase and additional payments to capital in the amount of PLN 100,500 thousand (to Janikosoda S.A., CIECH Nieruchomości S.A., CIECH R&D Sp. z o.o. and BOSTEN S.A.) and expenses/outflows (per balance) from loans granted of PLN 151,140 thousand, where the largest items were loans granted to CIECH Soda Polska S.A. in the amount of PLN 150,000 thousand and PLN 23,400 thousand to CSD GmbH & CO KG\_EUR.

The balance of cash flows from financing activities was negative and amounted to PLN 137,479 thousand. The main item was related to the repayment in December 2017 of bonds denominated in PLN in the amount of PLN 160,000 thousand.

## **2. ASSESSMENT OF THE INTERNAL CONTROL SYSTEM**

The control system in CIECH Group consists of:

- institutional control - carried out by the Control and Audit Office of CIECH S.A.,
- operational and functional control carried out continuously by employees of all organisational units, by following procedures and regulations and other internal regulations in all phases of activity in the form of initial, ongoing and follow-up inspections (checking).

The Control and Audit Office in 2017 acting on the basis of the Organisational Regulations CIECH S.A. carried out a series of audits and audits on the basis of the Control and Audit Plan, both at CIECH S.A. and at CIECH Group companies. The office also carried out ad hoc audits and audits at the request of the Management Board of CIECH S.A.

Reports on audits and controls, together with proposals, are presented on an ongoing basis to the Management Board of CIECH S.A. and relevant organisational units, and their implementation is monitored.

Both the control plan and audits as well as information on their implementation and results are presented and discussed at meetings of the Audit Committee of the Supervisory Board of CIECH S.A. As part of the annual review of the internal control and risk management system, information is presented at the meeting of the Supervisory Board.

CIECH S.A. has an internal control system covering significant areas of activity in the entire CIECH Group, which is adapted to the Group's organisational structure and also includes subsidiaries. However, it requires constant improvement through cyclical audits and inspections of areas identified as the most susceptible to various types of irregularities.

## **3. ASSESSMENT OF THE SYSTEM OF MANAGEMENT RISKS SIGNIFICANT FOR THE COMPANY**

In CIECH Group, the risk management process is carried out at all levels of strategic and operational management. The implementation of tasks in this field is carried out continuously by organisational units within the Group, coordinated by the Control and Audit Office and the Plenipotentiary of the Management Board for of the Integrated Management System A series of instructions, procedures and internal regulations is the basis for the effective operation of a comprehensive information security management system, business continuity management and financial risk management.

The method of risk management in CIECH Group is defined in the new Risk Management Policy adopted by the Management Board of CIECH S.A. in 2017 in CIECH Group, in which the procedures, model, structure and responsibility for the functioning of the risk management system in CIECH Group are described and adopted.

At the strategic level, the Management Board of CIECH S.A. carries out continuous monitoring and assessment of business risks.

At the operational level, tasks are carried out by a number of organisational units. The main areas of activity are:

- 4) Information security protection;
- 5) Ensuring security in the area of business continuity;
- 6) Financial risk management;
- 7) Compliance System Management in CIECH Group.

#### **4. PROTECTION OF INFORMATION SECURITY**

The Security Office and the IT Office are responsible for the supervision of information security. The tasks are carried out in the areas of organisational, legal, physical, personal and ICT security. The risk management plan regulates the procedures and safeguards.

#### **5. ENSURING SAFETY IN THE BUSINESS CONTINUITY AREA**

In the area of ensuring security with regard to business continuity, the analysis and monitoring includes business impact factors, business continuity strategies, business continuity plans, compliance with regulations, and contingency plans. Coordination of these activities is carried out by the Security Office.

#### **6. FINANCIAL RISK MANAGEMENT**

The method of financial risk management is defined in the Market Risk Protection Strategy adopted by the Supervisory Board on 27 April 2016 ("SZRR") for CIECH Group, updated on 9 October 2017, in which the procedures and division of tasks in the field of risk management are described and adopted. currency risk, interest rate risk and the risk of changes in the prices of raw materials (coal, gas, electricity and CO<sub>2</sub> emission certificates).The document defines the purpose of market risk management, defines the risks for which hedging instruments are applied, defines the principles of identification, quantification and determining the manner of proceeding with market risks, including the maximum allowable value of hedging transactions. The SZRR specifies the instruments used for particular types of market risks and the rules of operation of the market risk committee.

CIECH Group Risk Management System allows for effective risk management in the conducted activity. However, taking into account the dynamics of global economic processes and the emergence of new risk areas requiring identification and response, this system should be developed and improved in the coming years.

In the Supervisory Board's opinion, the internal control measures implemented by the Company are adjusted to the size and profile of risk related to the operations of the Company. At the same time, risk

management relevant to the Company's operations is adequately carried out, with the reservation that the improvement of risk management methods should be implemented and be a continuous process.

In view of the above, the Supervisory Board positively assesses the potential of CIECH S.A. having appropriate resources to conduct planned changes to the business model that will ensure the long-term development of the Company and its entire Capital Group.

## **RECOMMENDATIONS OF THE SUPERVISORY BOARD OF CIECH S.A. TO THE ANNUAL GENERAL MEETING OF CIECH S.A.**

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The assessment of the Report of the Management Board on the activities of CIECH Group and CIECH S.A. for 2017, together with CIECH Group's non-financial report for 2017, the CIECH S.A. Separate Financial Statements for 2017 and the Consolidated Financial Statements for 2017, made it possible to conclude that the information contained in these documents are consistent with the books and documents, as well as with the actual state, and their content is consistent.

*The Supervisory Board of CIECH S.A.*, having regard to the above assessment, **recommends that the Annual General Meeting of CIECH S.A. approve:**

- 1) Reports of the Management Board on the operations of CIECH Group and CIECH S.A. for 2017 together with the Non-Financial Report of CIECH Group for 2017,
- 2) Separate Financial Statements of CIECH S.A. for 2017,
- 3) Consolidated Financial Statements of CIECH Group for 2017.

*The Supervisory Board of CIECH S.A.*, after the analysis, assessed the proposal of the Management Board of CIECH S.A. regarding:

- 1) allocation of the net profit generated by the Company in 2017 in the amount of PLN **243,907,228.06** (say: two hundred forty three million nine hundred seven thousand two hundred twenty eight and 6/100 zlotys), in its entirety, for the payment of dividends,
- 2) transfer of the amount of PLN **56,482,253.24** (in words: fifty-six million four hundred and eighty-two thousand two hundred and fifty-three and 24/100 zlotys) from the supplementary capitals created from profit, in order to allocate it to the payment of dividend,
- 3) payment of a dividend in the amount of PLN **300,389,481.30** (in words: three hundred million three hundred and eighty-nine thousand four hundred and eighty-one and 30/100 zlotys), i.e. PLN 5.70 per share from the Company's net profit for 2017 increased by the amount indicated in point 2), transferred from the supplementary capital created from profits.

**and recommends the following measures to the Annual General Meeting of CIECH S.A.:**

- 1) allocation of the net profit generated by the Company in 2017 in the amount of PLN **243,907,228.06** (say: two hundred forty three million nine hundred seven thousand two hundred twenty eight and 6/100 zlotys), in its entirety, for the payment of dividends,

- 2) transfer of the amount of PLN 151,342,089.44 (say: one hundred and fifty-one million three hundred and forty-two thousand eighty-nine and 44/100 zlotys) from the supplementary capitals created from profit, in order to allocate it to the payment of dividend,
- 3) payment of a dividend in the amount of PLN 395.249.317,50 (say: three hundred and ninety-five million two hundred and forty-nine thousand three hundred and seventeen and 50/100 zlotys), i.e. PLN 7.50 (seven and 50/100 zlotys) per share from the Company's net profit for 2017 increased by the amount indicated in point 2), transferred from the supplementary capital created from profits.

***In addition, the Supervisory Board of CIECH S.A. recommends to the Annual General Meeting of CIECH S.A. that the following individuals holding office as Members of the Management Board of CIECH S.A in the financial year 2017, be discharged from their duties:***

- 4) Mr Maciej Tybura with regard to performance of his duties as the President of the Management Board in the period from 1 January 2017 to 31 December 2017,
- 5) Mr Artur Osuchowski with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2017 to 31 December 2017,
- 6) Mr Artur Król with regard to performance of his duties as a Member of the Management Board in the period from 1 January 2017 to 31 December 2017.