

***REPORT OF CIECH S.A.'S SUPERVISORY BOARD***

*for the financial year 2013*

Warsaw, March 2014

The Supervisory Board of CIECH S.A. submits its report for FY 2013, including the results of the assessment referred to in Article 382 § 3 of the Commercial Companies Code, i.e. the assessment of CIECH S.A.'s Management Report for 2013, CIECH S.A.'s Financial Statements for 2013, Ciech Group's Management Report for 2013 and Ciech Group's Consolidated Financial Statements for 2013.

**This report includes:**

- **Information on the composition of the Supervisory Board of CIECH S.A. in 2013;**
- **Discussion of the activities of CIECH S.A.'s Supervisory Board from 1 January 2013 to 31 December 2013, including information on issues discussed during the Supervisory Board's meetings;**
- **Information on the activities of the Audit Committee of CIECH S.A.'s Supervisory Board in 2013;**
- **Information on the activities of the Remuneration Committee of CIECH S.A.'s Supervisory Board in 2013;**
- **Assessment of the Company's Management Report for FY 2013 and of its Separate Financial Statements for FY 2013 for their compliance with the books, documents and the factual status, and assessment of the proposal of CIECH S.A.'s Management Board on the distribution of CIECH S.A.'s net profit for FY 2013;**
- **Assessment of the Ciech Group's Management Report for FY 2013 and of its Consolidated Financial Statements for FY 2013 for their compliance with the books, documents and the factual status;**
- **Recommendations for the Ordinary General Meeting of CIECH S.A.**

#### **INFORMATION ABOUT THE COMPOSITION OF THE SUPERVISORY BOARD OF CIECH SA IN 2013.**

Composition of the Supervisory Board as at 1 January 2013:

- |                          |   |
|--------------------------|---|
| 1. Ewa Sibrecht-Ońska    | – Chairwoman of the Supervisory Board,    |
| 2. Przemysław Cieszyński | – Vice-Chairman of the Supervisory Board, |
| 3. Mariusz Obszyński     | – Secretary of the Supervisory Board,     |
| 4. Arkadiusz Grabalski   | – Member of the Supervisory Board,        |
| 5. Zygmunt Kwiatkowski   | – Member of the Supervisory Board,        |
| 6. Maciej Lipiec         | – Member of the Supervisory Board,        |
| 7. Waldemar Maj          | – Member of the Supervisory Board,        |
| 8. Sławomir Stelmasiak   | – Member of the Supervisory Board.        |

In 2013, the composition of the Supervisory Board did not change.

Therefore, as of 31 December 2013 and on the preparation date of this Report, the Supervisory Board's composition was the same as on 1 January 2013.

In 2013, two committees operated as part of CIECH S.A.'s Supervisory Board: Audit Committee of the Supervisory Board of CIECH S.A. and Remuneration Committee of the Supervisory Board of CIECH S.A.

Information on the activities of the above committees is presented in the following sections of this report.

## **DISCUSSION OF THE ACTIVITIES OF CIECH S.A.'S SUPERVISORY BOARD FROM 01 JANUARY 2013 TO 31 DECEMBER 2013**

In 2013, the Supervisory Board of CIECH S.A. held 12 meetings. All Supervisory Board meetings took place at the Company's registered office in Warsaw, ul. Puławska 182.

In 2013, the Supervisory Board of CIECH S.A. adopted 54 resolutions, of which 1 was adopted outside of formal meetings, by way of a vote in written form, in accordance with § 22 section 2 of the Statute of CIECH S.A., and § 4 section 4 of the Regulations of CIECH S.A.'s Supervisory Board.

Acting pursuant to § 21 section 1 of the Statute of CIECH S.A. and § 3 section 1 of the Regulations of the Supervisory Board, CIECH S.A.'s Supervisory Board constantly monitored the Company's activities.

Presented below are major topics which the Supervisory Board dealt with during FY 2013.

### **SALE OF ALWERNIA S.A.'S SHARES**

As part of the restructuring process in the Ciech Group, there is a divestment of assets not involved in soda production. One of the elements of this process was the sale of the shares of Zakłady Chemiczne Alwernia S.A. On 28 January 2013, the Supervisory Board approved the conclusion of the Preliminary Agreement for the Sale of 2,277,431 shares of Z.Ch. Alwernia S.A. with Alwernia Invest Sp. z o.o., with its registered office in Alwernia (Resolution No. 89/VII/2013 of 28 January 2013).

Once the conditions precedent have been satisfied, the transaction was finalised on 25 July 2013, when the parties signed the promised agreement for the sale of 2,277,431 shares, accounting for 99.62% of Alwernia's share capital.

### **RESTRUCTURING OF ZACHEM S.A.**

As a result of the implementation of the Deep Restructuring Programme for ZCh Zachem S.A., it became apparent that it is not possible to achieve the main goal due to the existing limitations. Despite a major reduction of its business costs, the company was still unprofitable. Efforts were made to find an investor for the Company, but to no avail. Finally, CIECH S.A. and ZACHEM S.A. concluded the Agreement for the Sale and Transfer of TDI Assets to BASF Polska Sp. z o.o. (Agreement). On 31 October 2012, by way of Resolution No. 80/VII/2012 concerning the conclusion of the TDI Asset Sale and Transfer Agreement (contingent agreement), the Supervisory Board approved the Agreement's conclusion. However, there was a risk that the last condition precedent, which requires that all necessary permits from anti-monopoly authorities must be obtained by the agreed date (28 February 2013), may not have been satisfied. On 27 February 2013, the Supervisory Board passed a resolution approving the conclusion of Addendum 1 to the TDI Asset Sale and Transfer Agreement (Resolution No. 92/VII/2013), under which the deadline for satisfying the conditions precedent was extended to 31 March 2013.

On 11 March 2013, once all of the Agreement's conditions precedent have been satisfied, the parties finalised the transaction, as specified by the agreement, by concluding a final report confirming the assignment of the rights under the agreement to BASF Polska Sp. z o.o. as of 11 March 2013.

On 27 February 2013, the Supervisory Board approved the remittance of the borrowings granted to Z.Ch ZACHEM S.A. in the total amount of PLN 85,108,509.64 plus interest (Resolution No. 91/VII/2013).

### **CIECH GROUP'S GROWTH STRATEGY FOR 2013-2017**

On 27 February 2013, in its Resolution No. 95/VII/2013, the Supervisory Board expressed a positive opinion on the Ciech Group's Growth Strategy for 2013-2017, which was adopted by CIECH S.A.'s Management Board in Resolution No. 48/2013 on 20 February 2013.

#### **MONITORING CIECH GROUP'S RESTRUCTURING**

During its meetings, the Supervisory Board regularly monitored the Group's restructuring process.

#### **PREPARATIONS FOR CIECH S.A.'s ORDINARY GENERAL MEETING ON 22 May 2013**

At the meeting held on 26 April 2013, the Supervisory Board evaluated:

- 1) Management Report of CIECH S.A. for 2012 (Resolution No. 101/VII/2013),
- 2) Separate Financial Statements of CIECH S.A. for FY 2012 (Resolution No. 102/VII/2013),
- 3) Management Report of the Ciech Group for 2012 (Resolution No. 103/VII/2013),
- 4) Consolidated Financial Statements of the Ciech Group for FY 2012 (Resolution No. 104/VII/2013),
- 5) CIECH S.A. Management Board's proposal to cover CIECH S.A.'s net loss for FY 2012 from the Company's supplementary capital (Resolution No. 105/VII/2013).

Following the assessment, the Supervisory Board recommended to the Ordinary General Meeting of CIECH S.A. to approve the above statements and reports, and to cover the loss of CIECH S.A. for FY 2012 from the Company's supplementary capital.

Furthermore, the Supervisory Board of CIECH S.A. recommended to the Ordinary General Meeting of CIECH S.A. to acknowledge the fulfilment of duties by the members of the Management Board in FY 2012:

- 1) Andrzej Bąbaś, acknowledgement of the fulfilment of duties as a Member of the Management Board in the period from 1 January 2012 to 26 April 2012 (Resolution No. 109/VII/2013),
- 2) Rafał Rybkowski, acknowledgement of the fulfilment of duties as a Member of the Management Board in the period from 1 January 2012 to 26 April 2012 (Resolution No. 110/VII/2013),
- 3) Maciej Lipiec, acknowledgement of the fulfilment of duties as a Member of the Management Board in the period from 27 April 2012 to 28 May 2012 (Resolution No. 111/VII/2013),
- 4) Dariusz Krawczyk, acknowledgement of the fulfilment of duties as the President of the Management Board in the period from 27 April 2012 to 31 December 2012 (Resolution No. 112/VII/2013),
- 5) Andrzej Kopeć, acknowledgement of the fulfilment of duties as a Member of the Management Board in the period from 28 May 2012 to 31 December 2012 (Resolution No. 113/VII/2013),
- 6) Artur Osuchowski, acknowledgement of the fulfilment of duties as a Member of the Management Board in the period from 1 January 2012 to 31 December 2012 (Resolution No. 114/VII/2013).

The Supervisory Board also voted on a resolution concerning the recommendation to acknowledge the fulfilment of duties by Ryszard Kunicki as the President of the Management Board from 1 January 2012 to 26 April 2012, but there was no absolute majority of votes (Resolution No. 108/VII/2013).

#### **APPOINTMENT OF A STATUTORY AUDITOR**

On 4 June 2013, the Supervisory Board, as part of its statutory responsibilities under § 21 section 2 item 7) of CIECH S.A.'s Statute and § 3 section 2 item 7) of the Supervisory Board's Regulations, taking account of the outcome of the Company's request for proposal procedure, appointed a statutory auditor to audit CIECH S.A.'s separate financial statements and the Ciech Capital Group's consolidated financial statements for 2013, 2014 and 2015 (Resolution No. 122/VII/2013).

KPMG Audyt Sp. z o.o. sp. k., with its registered office in Warsaw, was appointed.

The appointment followed a request for proposal process. On 14 May 2013, the Supervisory Board approved the contents of the request for proposal for the review and audit of CIECH S.A.'s financial statements and the Ciech Group's consolidated financial statements for 2013-2015, with an option to terminate the agreement at the end of each year (Resolution No. 120/VII/2013).

#### **SUPERVISION OVER FINANCIAL STANDING**

As part of monitoring the Company's current operations, the Supervisory Board constantly analysed the Company's financial situation and operating results.

The Supervisory Board carried out its analyses based on CIECH S.A.'s Financial Plan for 2013, which was adopted by CIECH S.A.'s Management Board by way of Resolution No. 308/2012 of 14 December 2012 and received a positive opinion on 21 December 2012 (Resolution No. 86/VII/2012).

IN ADDITION, IN 2013, THE SUPERVISORY BOARD OF CIECH S.A.:

- adopted the Supervisory Board's work plan for H1 and H2 2013 (Resolution No. 88/VII/2013 of 28 January 2013 and Resolution No. 121/VII/2013 of 14 May 2013),
- approved borrowings for ZCh SODA MAŁY S.A. and PCh Cheman S.A. (currently: Ciech Trading S.A.) (Resolution No. 90/VII/2013 of 28 January 2013),
- expressed its opinion on the Financial Risk Management Policy and the Financial Security Strategy for the Ciech Group and agreed to the conclusion of forward transactions which satisfy the Strategy's requirements (Resolution No. 96/VII/2013 of 25 March 2013),
- agreed to the issuing of comfort letters for KWG-Kraftwerksgesellschaft Stassfurt mbH (Resolution No. 119/VII/2013 of 14 May 2013 and Resolution No. 138/VII/2013 of 13 December 2013),
- expressed its opinion on the amendments and adopted a uniform text of the Company's Statute (Resolution No. 117/VII/2013 of 26 April 2013 and Resolution No. 123/VII/2013 of 4 June 2013),
- approved the raising of a revolving working capital loan of up to PLN 100 million and the establishing of securities (Resolution No. 124/VII/2013 of 25 June 2013),
- approved an earlier repayment of liabilities to S.C. CET Govora S.A. (Resolution No. 128/VII/2013 of 25 September 2013),
- approved intra-group financing for KWG-Kraftwerksgesellschaft mbH or another company from the Soda Deutschland Ciech Group in the amount of EUR 50.5 million (Resolution No. 129/VII/2013 of 25 September 2013),
- approved a contribution to the share capital of Soda Deutschland Ciech GmbH, with its registered office in Stassfurt (Resolution No. 130/VII/2013 of 25 September 2013),
- approved the rules for managing CIECH S.A.'s cash surplus (Resolution No. 132/VII/2013 of 11 October 2013),
- expressed its opinion on the terms of a transaction involving the in-kind contribution of perpetual usufruct rights to real property to Verbis ETA Sp. z o.o. S.K.A (Resolution No. 136/VII/2013 of 31 October 2013),
- approved the in-kind contribution of rights to the trademarks Ciech, Sól Kujawska naturalnie czysta and Trading Ciech to Verbis ETA Sp. z o.o. S.K.A. (Resolution No. 137/VII/2013 of 31 October 2013),
- approved CIECH S.A.'s repayment of the daily debt limits of companies from the Ciech Capital Group as part of cash pooling (Resolution No. 139/VII/2013 of 13 December 2013),
- approved a surety for Anwil S.A. to secure the fulfilment of trade liabilities of Ciech Trading S.A. towards Anwil S.A. (Resolution No. 141/VII/2013 of 13 December 2013).

### **ACTIVITIES OF THE AUDIT COMMITTEE OF CIECH S.A.'S SUPERVISORY BOARD IN 2013**

This information includes:

- Information on the composition and tasks of the Audit Committee of CIECH S.A.'s Supervisory Board in 2013.
- Discussion of the activities of the Audit Committee of CIECH S.A.'s Supervisory Board in 2013, including information on issues discussed during the Committee's meetings.

#### **INFORMATION ON THE COMPOSITION AND TASKS OF THE AUDIT COMMITTEE IN 2013**

The Audit Committee of CIECH S.A.'s Supervisory Board was appointed by way of Resolution No. 57/IV/2005 of CIECH S.A.'s Supervisory Board dated 16 February 2005.

The Committee's responsibilities are specified in the Audit Committee's Regulations, which were approved by way of Resolution No. 148/IV/2010 of CIECH S.A.'s Supervisory Board dated 29 November 2010.

Pursuant to the Audit Committee's Regulations, its tasks include:

- 1) monitoring financial reporting,
- 2) monitoring the efficiency of the internal control system,
- 3) monitoring the efficiency of the internal auditing system,
- 4) monitoring the efficiency of the risk management system,
- 5) monitoring the performance of financial review activities
- 6) monitoring the autonomy of the statutory auditor and the entity authorised to audit the Company's financial statements.

As at 1 January 2013, the Audit Committee was composed of:

- 1) Waldemar Maj – Chairman of the Committee,
- 2) Przemysław Cieszyński – Committee Member,
- 3) Mariusz Obszyński – Committee Member,
- 4) Sławomir Stelmasiak – Committee Member.

The Audit Committee's composition did not change, and as of 31 December 2013 and on the preparation date of this Report it was the same as specified before.

#### **ACTIVITIES OF THE AUDIT COMMITTEE IN 2013**

In 2013, the Audit Committee held 9 (nine) meetings at the Company's registered office in Warsaw, ul. Puławska 182.

In 2013, the major issues addressed by the Audit Committee were:

#### ***Assessment of the report on the performance of CIECH S.A.'s and the Ciech Group's financial plan***

During the meeting on 25 February 2013, after examining the report, the Audit Committee accepted the report on the performance of Ciech S.A.'s and the Ciech Group's Financial Plan for 2012.

### ***CIECH S.A.'s and Ciech Capital Group's Financial Plan***

CIECH S.A.'s and the Ciech Group's Financial Plan for 2013 was discussed during the meeting on 21 December 2012. On 25 September 2013, the Audit Committee examined a revision of the said financial plans presented by the Management Board. Following a vote, the Audit Committee decided to recommend to the Supervisory Board to accept CIECH S.A.'s and the Ciech Group's Revised Financial Plan.

### ***CIECH S.A.'s and Ciech Capital Group's financial statements***

The Audit Committee analysed the annual and interim financial statements of CIECH S.A. and of the Ciech Capital Group.

During the meeting on 17 April 2013, the Audit Committee reviewed the following:

- 1) CIECH S.A.'s Separate Financial Statements for FY 2012 and Management Report for 2012,
- 2) Ciech Group's Consolidated Financial Statements for FY 2012 and Management Report for 2012.

After examining the statements and reports, the Audit Committee decided to recommend to CIECH S.A.'s Supervisory Board to express a positive opinion on CIECH S.A.'s Management Report for 2012, Ciech Group's Management Report for 2012, CIECH S.A.'s Separate Financial Statements for FY 2012 and Ciech Group's Consolidated Financial Statements for FY 2012.

The Audit Committee's assessment report on the Ciech Group's Consolidated Financial Statements for 2012 and the Ciech Group's Management Report for 2012 forms an annex to this report.

During the meeting on 26 April 2012, the Supervisory Board of CIECH S.A., after examining the Audit Committee's recommendations, assessed the above documents and recommended to the Ordinary General Meeting to express a positive opinion.

### ***Covering the loss of CIECH S.A. for 2012***

The Audit Committee submitted an oral recommendation to the Supervisory Board to express a positive opinion on the proposal to cover CIECH S.A.'s loss for 2012 in the amount of PLN 484,776,191.69 from the Company's supplementary capital.

At the meeting on 26 April 2013, CIECH S.A.'s Supervisory Board, based on the recommendation of the Audit Committee, expressed a positive opinion on the Management Board's proposal and recommended to the Ordinary General Meeting to cover CIECH S.A.'s loss for 2012 from the Company's supplementary capital, as proposed by the Company's Management Board.

### ***Appointment of a statutory auditor***

In connection with the CIECH S.A.'s Supervisory Board appointment of a statutory auditor to audit CIECH S.A.'s separate financial statements and the Ciech Capital Group's consolidated financial statements for 2013, the Audit Committee recommended to the Supervisory Board to appoint KPMG Audyt Sp. z o.o. sp. k as a statutory auditor to review and audit CIECH S.A.'s and the Ciech Group companies' financial statements for 2013-2015.

On 4 June 2013, by way of Resolution No. 122/VII/2013, the Supervisory Board, based on the results of the Company's request for proposal procedure and the Audit Committee's recommendation, appointed KPMG Audyt Sp. z o.o. sp. k., with its registered office in Warsaw, as a statutory auditor to review the semi-annual and audit the annual separate financial statements of CIECH S.A. and the consolidated financial statements of the Ciech Capital Group for 2013-2015.

### ***Cooperation with the statutory auditor***

The Audit Committee held a number of meetings with CIECH S.A.'s auditor, KPMG Audyt Sp. z o.o. sp. k., during which they discussed the audit of CIECH S.A.'s separate financial statements and the Ciech Group's consolidated financial statements.

Some of the topics discussed were they key financial and accounting issues related to the companies of the Ciech Group.

All doubts arising in the process of auditing the financial statements were discussed and clarified with the statutory auditor.

The Audit Committee members were kept up-to-date about the progress of the financial statements' audit.

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

The Audit Committee examined the letter from the company's statutory auditor (KPMG Audyt Sp. z o.o. sp. k.) for 2012 to the Management Board, in which the auditor, in the course of auditing the Ciech Group's consolidated financial statements for 2012, discussed the work organisation of Z.Ch. Zachem S.A.'s Accounting Department, the monitoring of impairment tests and ensuring continuous operation of the Company's systems.

### ***Rules for investing CIECH S.A.'s cash surplus***

The Committee analysed the rules for investing cash surplus presented by the Management Board, examined the related benefits and risks, and stressed the possibility of a potential loss on such investments. As a result, the Committee introduced and discussed alternative methods to invest cash surplus.

At the meeting on 29 August 2013, the Audit Committee expressed a positive opinion on the document Rules for managing cash surplus in Ciech S.A., taking account of the arrangements from the meeting on 25 June 2013.

### ***In-kind contribution in the form of intangible assets***

At the meeting on 31 October 2013, the Audit Committee examined the Management Board's proposal to make an in-kind contribution to Verbis ETA sp. z o.o. S.K.A. in the form of perpetual usufruct rights to real property and rights to trademarks.

This was mainly intended to ensure a more efficient management of CIECH S.A.'s assets. Transferring these assets to other companies will allow valuable assets to be separated from CIECH S.A.'s current operations, resulting in additional tax benefits.

The Audit Committee decided to recommend to the Supervisory Board to express a positive opinion of the terms of an in-kind contribution to Verbis ETA Spółka z ograniczoną odpowiedzialnością S.KA (CIECH S.A.'s subsidiary) of the perpetual usufruct title to the property located in Warsaw, ul. Powązkowska 46/50, and to approve the in-kind contribution of rights to the trademarks Ciech, Sól Kujawska naturalnie czysta and Trading Ciech to Verbis ETA Spółka z ograniczoną odpowiedzialnością S.K.A. (CIECH S.A.'s subsidiary).

During its meeting on 31 October 2013, the Supervisory Board:

- expressed its opinion on the terms of a transaction involving the in-kind contribution of perpetual usufruct rights to real property to Verbis ETA Sp. z o.o. S.KA, and
- approved the in-kind contribution of rights to the trademarks Ciech, Sól Kujawska naturalnie czysta and Trading Ciech to Verbis ETA Sp. z o.o. S.K.A.



### *Other issues*

In addition, the Audit Committee worked on the following in 2013:

- reviewing material agreements and transactions with related entities,
- reviewing and adopting preliminary annual assessments of the internal control system and the system for managing the Company's material risks,
- reviewing the performance of the control and internal audit plan in 2012,
- discussing financial and divisional controlling reports of the Group,
- discussing and adopting the schedule and methods for preparing the Ciech Group's and CIECH S.A.'s Financial Plan for 2014,
- reviewing the Company's current situation and main liquidity risks,
- reviewing the main risks in the Ciech Group.

### **INFORMATION ON THE ACTIVITIES OF THE REMUNERATION COMMITTEE OF CIECH S.A.'S SUPERVISORY BOARD IN 2013**

This report includes:

- Information on the composition and tasks of the Remuneration Committee in 2013.
- Discussion of the activities of the Remuneration Committee in 2013.

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

The Remuneration Committee was appointed by way of Resolution No. 66/IV/2005 of CIECH S.A.'s Supervisory Board.

According to the Regulations of the Remuneration Committee, the main task of the Committee is to advise the Supervisory Board on issues related to defining the remuneration rules and amounts for the Members of the Management Board of CIECH S.A., in particular:

- 1) presenting to the Supervisory Board a proposal concerning the rules for remunerating the Members of the Management Board of CIECH S.A., which should take into account all forms of remuneration, in particular: base remuneration, performance-based reward system, pension and severance pay system,
- 2) presenting to the Supervisory Board a proposal concerning the amount of remuneration of every Member of the Management Board of Ciech S.A.,
- 3) presenting to the Management Board draft agreements regulating the duties of the Members of CIECH S.A.'s Management Board,
- 4) discussing (with or without the participation of the Company's Management Board) any problems or reservations which may arise in relation to remunerating the Members of the Management Board of CIECH S.A.,
- 5) considering any other issues of interest to the Committee or the Supervisory Board,
- 6) informing the Supervisory Board about all material issues within the Committee's responsibilities.

As at 1 January 2013, the Remuneration Committee was composed of:

- 1) Arkadiusz Grabalski,
- 2) Zygmunt Kwiatkowski.

The Remuneration Committee's composition did not change, and as of 31 December 2013 and on the preparation date of this Report it was the same as specified before.

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

In 2013, the Remuneration Committee held 5 meetings at the Company's registered office in Warsaw, ul. Puławska 182.

During its meetings, the Committee discussed and worked on the following:

- 1) preparing a recommendation for the Supervisory Board on special rewards for the members of the Management Board,
- 2) preparing draft amendments to the employment contracts of the members of the Management Board. The Supervisory Board adopted appropriate Resolutions in that regard.

#### **ASSESSMENT OF THE COMPANY'S MANAGEMENT REPORT FOR FY 2013 AND OF ITS SEPARATE FINANCIAL STATEMENTS FOR FY 2013 FOR THEIR COMPLIANCE WITH THE BOOKS, DOCUMENTS AND THE FACTUAL STATUS, AND ASSESSMENT OF THE PROPOSAL OF CIECH S.A.'S MANAGEMENT BOARD ON THE DISTRIBUTION OF CIECH S.A.'S NET PROFIT FOR 2013**

Pursuant to Article 382 § 3 of the Commercial Companies Code and § 21 section 2 item 1) of the Statute of CIECH S.A. as well as § 3 section 2 item 1) of the Regulations of the Supervisory Board of CIECH S.A., the Supervisory Board assessed the Company's Management Report for FY 2013 and the Separate Financial Statements of CIECH S.A. for FY 2013 for their compliance with the books, documents and the factual status, and assessed the proposal of CIECH S.A.'s Management Board on the distribution of CIECH S.A.'s net profit for 2013.

#### **EVALUATION OF THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY FOR THE FINANCIAL YEAR 2013**

Pursuant to Resolution No. 122/VII/2013 of 4 June 2013, CIECH S.A.'s Financial Statements for FY 2013 were audited by KPMG Audyt Sp. z o.o. sp. k. (later also referred to as the statutory auditor).

The representatives of the statutory auditor participated in some of the Supervisory Board's meetings and worked with the Audit Committee of the Supervisory Board on a regular basis.

The Supervisory Board read the statutory auditor's opinion and report.

In the opinion of the statutory auditor, the financial statements in all material aspects:

- 1) give a true and fair view of the Company's economic and financial situation as of 31 December 2013, the financial result as well as cash flows for the financial year ending on that day; they have been compiled in all material aspects in accordance with the International Financial Reporting Standards approved by the European Union, they comply with the laws governing the separate financial statements as well as the provisions of the Company's Statute, and they have been drawn up based on correctly kept accounting books in all material aspects,
- 2) the comparative data was presented based on the Company's separate financial statements for the financial year ending 31 December 2012, which were audited by a statutory auditor, who expressed an unqualified opinion on 20 March 2014.

On 17 March 2014, the Audit Committee of CIECH S.A.'s Supervisory Board recommended to the Supervisory Board to express a positive opinion on CIECH S.A.'s Separate Financial Statements for FY 2013.

The Supervisory Board of CIECH S.A. concluded that the said financial statements satisfy all requirements of the Accounting Act of 29 September 1994 (J.L. of 2009, No. 152, item 1223, as

amended) and, during the meeting on 27 March 2014, it examined the financial statements and recommended to the Ordinary General Meeting to approve them.

#### **ASSESSMENT OF THE COMPANY'S MANAGEMENT REPORT FOR FY 2013**

The Supervisory Board read the Management Report for FY 2013 and the opinion of the statutory auditor.

The statutory auditor concluded that the Company's Management Report for FY 2013, in all material aspects, takes account of the information referred to in Article 49 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 regarding current and interim information submitted by the issuers of securities, and the conditions of recognising as equivalent the information required under the laws of a non-member state (J.L. of 2009, No. 33, item 259, as amended), and that it is consistent with the information included in the separate financial statements.

On 17 March 2014, the Audit Committee of CIECH S.A.'s Supervisory Board recommended to the Supervisory Board to present to the Ordinary General Meeting of CIECH S.A. a positive opinion on the said Report.

The Supervisory Board of CIECH S.A. concluded that CIECH S.A.'s Management Report for FY 2013 satisfies the requirements of the Accounting Act of 29 September 1994 (J.L. of 2009, No. 152, item 1223, as amended), and that it is complete within the meaning of Article 49 section 2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 regarding current and interim information submitted by the issuers of securities, and the conditions of recognising as equivalent the information required under the laws of a non-member state, and that the information contained in the report is derived from and consistent with the audited financial statements. On 27 March 2014, the Supervisory Board assessed the report and recommended to the Ordinary General Meeting to approve it.

#### **ASSESSMENT OF THE PROPOSAL BY CIECH S.A.'S MANAGEMENT BOARD ON THE DISTRIBUTION OF CIECH S.A.'S NET PROFIT FOR FY 2013**

On 27 March 2014, in response to the proposal by CIECH S.A.'s Management Board expressed in Resolution No. 68/2014 of CIECH S.A.'s Management Board of 20 March 2014 concerning the proposed distribution of CIECH S.A.'s net profit for FY 2013, CIECH S.A.'s Supervisory Board voted on the proposal to earmark 100% of the generated profit for the Company's supplementary capital. The resolution was not passed as there was no required majority of votes.

#### **ASSESSMENT OF THE CIECH CAPITAL GROUP'S MANAGEMENT REPORT FOR FY 2013 AND OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR FY 2013**

Pursuant to Article 382 § 3, in connection with Article 395 § 5 of the Commercial Companies Code, and § 21 section 2 item 1) of CIECH S.A.'s Statute as well as § 3 section 2 item 1) of the Supervisory Board's Regulations, the Supervisory Board of CIECH S.A. assessed the Ciech Capital Group's Management Report for FY 2013 and its Consolidated Financial Statements for FY 2013 for their compliance with the books, documents and the factual status.

#### **ASSESSMENT OF THE CIECH CAPITAL GROUP'S CONSOLIDATED FINANCIAL STATEMENTS FOR FY 2013**

According to Resolution No. 122/VII/2013 of 4 June 2013, the Ciech Capital Group's Consolidated Financial Statements for FY 2013 were audited by KPMG Audyt Sp. z o.o. sp. k., with its registered office in Warsaw.

The Supervisory Board read the statutory auditor's opinion and report. In the opinion of the statutory auditor, the audited Consolidated Financial Statements of the Ciech Capital Group for FY 2013 in all material aspects:

- 1) give a true and fair view of the Ciech Capital Group's economic and financial situation as of 31 December 2013, the financial result as well as cash flows for the financial year ending on that day; they have been compiled in all material aspects in accordance with the International Financial Reporting Standards approved by the European Union, and they comply with the laws governing the consolidated financial statements, as applicable to the Ciech Capital Group,
- 2) the comparative data was presented based on the Ciech Capital Group's consolidated financial statements for the financial year ending 31 December 2012, which were audited by a statutory auditor, who expressed an unqualified opinion on 20 March 2013.

On 17 March 2014, the Audit Committee of CIECH S.A.'s Supervisory Board expressed a positive opinion on the Ciech Capital Group's Consolidated Financial Statements for FY 2013 and recommended to the Supervisory Board to approve them.

The Supervisory Board concluded that the said financial statements satisfy all requirements of the Accounting Act of 29 September 1994 (J.L. of 2009, No. 152, item 1223, as amended) and, during the meeting on 27 March 2014, it examined the financial statements and recommended to the Ordinary General Meeting to approve them.

#### **ASSESSMENT OF THE CIECH CAPITAL GROUP'S MANAGEMENT REPORT FOR FY 2013**

The Supervisory Board read the Ciech Capital Group's Management Report for FY 2013 and the statutory auditor's opinion.

The statutory auditor concluded that the Ciech Capital Group's Management Report for FY 2013, in all material aspects, takes account of the information referred to in Article 49 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 regarding current and interim information submitted by the issuers of securities, and the conditions of recognising as equivalent the information required under the laws of a non-member state (J.L. of 2009, No. 33, item 259, as amended), and that it is consistent with the information included in the consolidated financial statements.

On 17 March 2014, the Audit Committee of CIECH S.A.'s Supervisory Board recommended to the Supervisory Board to express a positive opinion on the Ciech Capital Group's Management Report for FY 2013.

The Supervisory Board concluded that the Ciech Capital Group's Management Report for FY 2013 satisfies all requirements of the Accounting Act of 29 September 1994 (J.L. of 2009, No. 152, item 1223, as amended) and, during the meeting on 27 March 2014, it examined the report and recommended to the Ordinary General Meeting to approve it.

#### **RECOMMENDATIONS FOR THE ORDINARY GENERAL MEETING OF CIECH S.A.**

The assessment by the Supervisory Board of the Financial Statements of CIECH S.A. for FY 2013 and the Company's Management Report for 2013 allows the conclusion that all data included in the said documents are consistent with the books, documents and the factual status, and that their content is coherent.

The Company's Management Report for 2013 gives a true and fair view of all materials aspects of the Company's operations as well as information material for assessing its economic and financial situation.

The Supervisory Board of CIECH S.A., after examining the presented Consolidated Financial Statements of the Ciech Capital Group for FY 2013 and the Management Report of the Ciech Capital Group for 2013 concluded that the said report and statements are coherent and consistent with the books and documents available to CIECH S.A.'s Supervisory Board, and that they present all material aspects of the Ciech Capital Group's business in accordance with the factual status.

*In consideration of the above, CIECH S.A.'s Supervisory Board recommends to the Ordinary General Meeting of CIECH S.A. to approve:*

- 1) Ciech S.A.'s Separate Financial Statements for FY 2013,*
- 2) Company's Management Report for 2013,*
- 3) Ciech Capital Group's Consolidated Financial Statements for FY 2013,*
- 4) Ciech Capital Group's Management Report for 2013.*

*Furthermore, CIECH S.A.'s Supervisory Board recommends to the Ordinary General Meeting of CIECH S.A. to acknowledge the fulfilment of duties by the following members of CIECH S.A.'s Management Board in FY 2013:*

- 1) Dariusz Krawczyk, acknowledgement of the fulfilment of duties as the President of the Management Board in the period from 1 January 2013 to 31 December 2013,*
- 2) Andrzej Kopeć, acknowledgement of the fulfilment of duties as a Member of the Management Board in the period from 1 January 2013 to 31 December 2013,*
- 3) Artur Osuchowski, acknowledgement of the fulfilment of duties as a Member of the Management Board in the period from 1 January 2013 to 31 December 2013.*

*SUPERVISORY BOARD OF CIECH S.A.:*