

**The Management Board of CIECH S.A. proposal to the Annual General Meeting of Shareholders,
including justification, for the 2020 net profit distribution**

The Management Board of CIECH S.A., after taking into consideration the current financial condition and perspectives of the Company, hereby submits its proposal to the Annual General Meeting of CIECH S.A. to allocate the total amount of the 2020 net profit and additional amount transferred from reserves to dividend payment to the CIECH S.A. shareholders, i.e.:

- 1) net profit for 2020 in the amount of **PLN 155 287 361.59** to be fully allocated for dividend payment,
- 2) amount of **PLN 2 812 365.41** to be transferred from reserves and allocated for dividend payment,
- 3) payment of dividend in the amount **PLN 158 099 727.00** PLN, i.e. 3 PLN/ share from the 2020 net profit increased by the amount indicated in p. 2) transferred from reserves, which can be allocated to the dividend payment.

Rationale:

- 1. Stabilized financial position following a successful refinancing.** As a result of the refinancing completed in 2021, the debt maturity profile was extended, which contributes to stabilization of the Company's financial position in the mid- and long-term perspective.

Following the execution of a new debt facility agreement, the Company no longer is obliged to service debt in the amount of PLNm 350 at the end of 2021 and PLNm 1,507 by the end of 2022. In accordance with the new facility agreement, scheduled debt amortization is postponed during the grace period until 2023, when the first repayment in the amount of PLN 187m p.a. is due.

- 2. Sustainable improvement of net working capital management effectiveness.** Over the course of 2019 and in particular in 2020, the Company managed to materially reduce its net working capital. This was achieved, firstly, by means of progressively negotiating shorter payment terms with customers and extending payment terms from suppliers. Secondly, the Company further developed the utilization of receivables' factoring limits and introduced a new supply chain financing program (reverse factoring), which substantially contributed to net working capital improvement at year end. Thirdly, the Company managed to substantially decrease inventory levels by improving inventory turnover ratios. As a result, the Company achieved a historically low level of net working capital at the end of 2020 and is assuming to be able to maintain the effects of introduced initiatives also in the long term perspective.

- 3. Improvement of economic prospects.** Additionally, improvement in financial situation of the Company may be observed, driven by economic growth prospects in Poland and in Europe. Key macroeconomic indicators (GDP growth, industrial production sold, unemployment rate) are recovering and in accordance with economic forecasts will continue to improve over the next quarters and perhaps years, which should allow for positive margin evolution.

- 4. Expected completion of key capex projects.** Taking into consideration the extensive capex programme which has been implemented over the course of last few years, it should be noted that year 2021 is the last year of relatively high expenditures. As a result of reduced capex going forward as well as expected returns on completed projects, higher free cash flow may be expected as compared to previous years.

The Management Board of CIECH S.A.:

Dawid Jakubowicz

Mirosław Skowron

Jarosław Romanowski