

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

for FY 2009

Warsaw, 24 May 2010

The Supervisory Board of CIECH S.A. submits its report for FY 2009, including the assessment of the statements referred to in Article 395 § 2 item 1) of the Commercial Companies Code.

This report includes:

- I. Information on the composition of the Supervisory Board of CIECH S.A. in 2009.**
- II. Discussion of the activities of CIECH S.A.'s Supervisory Board from 1 January 2009 to 31 December 2009, including information on issues discussed during the Supervisory Board's meetings.**
- III. Report of the Audit Committee of CIECH S.A.'s Supervisory Board for 2009.**
- IV. Report of the Remuneration Committee of CIECH S.A.'s Supervisory Board for 2009.**
- V. Information on the activity of the Strategy and Capital Investments Committee.**
- VI. Assessment of CIECH S.A.'s Management Report for FY 2009 and of the Company's Financial Statements for FY 2009 for their compliance with the books, documents and the factual status, and assessment of the proposal of CIECH S.A.'s Management Board to cover CIECH S.A.'s loss for the period from 1 January 2009 to 31 December 2009, and of the proposal of CIECH S.A.'s Management Board to cover the loss brought forward resulting from the adjustment of errors in previous periods.**
- VII. Assessment of the CIECH Capital Group's Management Report for FY 2009 and of its Consolidated Financial Statements for FY 2009 for their compliance with the books, documents and the factual status.**
- VIII. Recommendations for the Ordinary General Meeting of CIECH S.A.**

I. INFORMATION ON THE COMPOSITION OF CIECH S.A.'S SUPERVISORY BOARD IN 2009

As of 1 January 2009, the Supervisory Board of CIECH S.A. was composed of:

- 1) Grzegorz Kłoczko – Chairman of the Supervisory Board,
- 2) Jacek Goszczyński – Vice-Chairman of the Supervisory Board,
- 3) Krzysztof Salwach – Secretary of the Supervisory Board,
- 4) Marzena Okła-Anuszewska – Member of the Supervisory Board,
- 5) Alicja Pimpicka – Member of the Supervisory Board,
- 6) Przemysław Cieszyński – Member of the Supervisory Board,
- 7) Krzysztof Mastalerz – Member of the Supervisory Board.

On 9 June 2009, Przemysław Cieszyński resigned from the post of a Member of CIECH S.A.'s Supervisory Board as of the date of the Ordinary General Meeting of CIECH S.A. (18 June 2009).

On 18 June 2009, Zbigniew Jagiełło was appointed to sit in the Supervisory Board by the Ordinary General Meeting.

As of 18 June 2009, the company's Supervisory Board was composed of:

- 1) Grzegorz Kłoczko – Chairman of the Supervisory Board,
- 2) Jacek Goszczyński – Vice-Chairman of the Supervisory Board,
- 3) Krzysztof Salwach – Secretary of the Supervisory Board,
- 4) Marzena Okła-Anuszewska – Member of the Supervisory Board,
- 5) Alicja Pimpicka – Member of the Supervisory Board,
- 6) Krzysztof Mastalerz – Member of the Supervisory Board,
- 7) Zbigniew Jagiełło – Member of the Supervisory Board.

On 14 September 2009, the Extraordinary General Meeting made the following changes to the composition of the Supervisory Board:

■ dismissals:

- 1) Krzysztof Mastalerz,
- 2) Alicja Pimpicka

■ appointments:

- 1) Ewa Sibrecht-Ośka,
- 2) Sławomir Stelmasiak.

In consideration of the above, as of 14 September 2009, CIECH S.A.'s Supervisory Board was composed of:

- 1) Grzegorz Kłoczko – Chairman of the Supervisory Board,
- 2) Jacek Goszczyński – Vice-Chairman of the Supervisory Board,
- 3) Krzysztof Salwach – Secretary of the Supervisory Board,
- 4) Marzena Okła-Anuszewska – Member of the Supervisory Board,
- 5) Zbigniew Jagiełło – Member of the Supervisory Board,
- 6) Ewa Sibrecht-Ośka – Member of the Supervisory Board,
- 7) Sławomir Stelmasiak – Member of the Supervisory Board.

On 18 September 2009, Zbigniew Jagiełło submitted a resignation from his post in CIECH S.A.'s Supervisory Board, effective as of 30 September 2009.

On 22 October 2009, Ewa Sibrecht-Ośka was appointed Chairwoman of CIECH S.A.'s Supervisory Board, following the resignation of Grzegorz Kłoczko.

As of 31 December 2009, the Supervisory Board was composed of:

- 1) Ewa Sibrecht-Ośka – Chairwoman of the Supervisory Board,
- 2) Jacek Goszczyński – Vice-Chairman of the Supervisory Board,
- 3) Krzysztof Salwach – Secretary of the Supervisory Board,
- 4) Grzegorz Kłoczko – Member of the Supervisory Board,
- 5) Marzena Okła-Anuszewska – Member of the Supervisory Board,
- 6) Sławomir Stelmasiak – Member of the Supervisory Board.

In 2009, the following committees operated as part of CIECH S.A.'s Supervisory Board: Audit Committee of CIECH S.A.'s Supervisory Board, Remuneration Committee of CIECH S.A.'s Supervisory Board, and Strategy and Capital Investments Committee of CIECH S.A.'s Supervisory Board.

According to the Regulations of the Audit Committee, as adopted by the Supervisory Board, the Committee's main task is to advise the Supervisory Board on matters related to proper implementation of the Company's budget and financial reporting, internal audit in the CIECH Capital Group and working with the Company's statutory auditors.

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

The above committees' reports are presented in chapters III and IV of this Report respectively.

II. DISCUSSION OF THE ACTIVITIES OF CIECH S.A.'S SUPERVISORY BOARD IN THE PERIOD FROM 1 JANUARY 2009 TO 31 DECEMBER 2009

In 2009, the Supervisory Board of CIECH S.A. held ten meetings. All Supervisory Board meetings took place at the Company's registered office in Warsaw, ul. Puławska 182.

In 2009, the Supervisory Board of CIECH S.A. adopted 57 resolutions, of which 11 were adopted outside formal meetings of the Supervisory Board by voting using the 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 2009.

1. Refinancing the CIECH Capital Group's existing financial debt

In 2009, the Supervisory Board focused its attention on the restructuring process of the CIECH Capital Group's debt, which was prepared and led by CIECH S.A.'s Management Board. The related topics were discussed during a number of sessions of the Supervisory Board. This work was completed in Q1 2010.

Resolutions passed by the Supervisory Board in 2009 in connection with refinancing the Capital Group's existing debt:

- dated 29.10.2009
 - 1) Resolution No. 83/VI/2009 concerning the extension of loan agreements, a borrowing agreement, a surety and a bank guarantee in connection with CIECH S.A.'s financing,
 - 2) Resolution No. 84/VI/2009 concerning the change of securities for the loans of the German companies,
 - 3) Resolution No. 85/VI/2009 concerning the earmarking of funds in the amount of EUR 15,000,000, obtained from Soda Deutschland Ciech GmbH under the partial repayment of a borrowing granted by CIECH S.A. to Soda Deutschland Ciech GmbH under the borrowing agreement of 19 December 2007, for increasing Soda Deutschland Ciech GmbH's share capital.
- dated 26.11.2009
 - 1) Resolution No. 86/VI/2009 concerning the issue of the Second Sponsor's Undertaking Agreement by CIECH S.A. for Soda Deutschland Ciech GmbH (SDC) and Sodawerk Stassfurt GmbH & Co. KG (SWS).

In the period from the end of FY 2009 to the preparation date of this report, the Supervisory Board many times discussed the refinancing of the Capital Group's debt, and passed the following resolutions:

- dated 05.01.2010
 - 1) Resolution No. 87/VI/2010 concerning the restructuring of the company's financing.

- dated 11.01.2010
- 1) Resolution No. 88/VI/2010 concerning the action plan for various behaviour scenarios of banks and the privatisation process, and recommendations for an optimal solution,
- 2) Resolution No. 89/VI/2010 concerning the extension of the repayment term for loan and borrowing agreements as well as sureties and bank guarantees in connection with CIECH S.A.'s financing,
- 3) Resolution No. 90/VI/2010 concerning the conclusion of treasury transactions aimed at changing the settlement date of liabilities under options concluded with ING Bank Śląski S.A. and Bank Handlowy w Warszawie S.A.,
- 4) Resolution no. 91/VI/2010 concerning the approval of the signing of a factoring agreement by CIECH S.A.,
- 5) Resolution No. 92/VI/2010 concerning the extension of the repayment term for the borrowings granted to S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.
- dated 09.02.2010
- 1) Resolution No. 93/VI/2010 concerning the replacement of the bank guarantee issued at CIECH S.A.'s commission by BRE Bank S.A. to Commerzbank A.G. with a surety granted by CIECH S.A., and the issue of a new Sponsor's Letters of Undertaking to Soda Deutschland Ciech GmbH and Sodawerk Stassfurt GmbH & Co.KG,
- 2) Resolution No. 94/VI/2010 concerning the change of the bank guarantee issued at CIECH S.A.'s commission by BRE Bank S.A. to Commerzbank A.G. into a surety granted by CIECH S.A.
- dated 31.03.2010
- 1) Resolution No. 99/VI/2010 concerning the approval of the conclusion of agreements for financial and registered pledges (on JZS Janikosoda S.A.'s shares).

As a result, on 14 April 2010, CIECH S.A.'s Supervisory Board, in consideration of the following:

- 1) the need to ensure current financing for the Company,
- 2) the Management Board's failure to propose alternative methods and terms of the Company's financial restructuring,
- 3) the letter of intent concerning short-term financing, signed by the banks, the Ministry of State Treasury and the Company, dated 18 January 2010, and in particular the letter's item 5b,

and after examining Resolution No. 89/2010 of the Company's Management Board of 14 April 2010 concerning the conclusion of loan agreements, agreements related to the loan agreements and establishing the required securities, passed Resolution No. 100/VI/2010 on approving the following actions by the Company:

- 1) the Company's conclusion of a loan agreement by and between the Company, as the borrower and guarantor, Bank Polska Kasa Opieki S.A., Bank Handlowy w Warszawie S.A. and BRE Bank S.A., as the Original Lenders and Arrangers, Citigroup Global Markets Limited, as the Arranger, Powszechna Kasa Oszczędności Bank Polski S.A. ("Bank"), as the Original Lender, Arranger and Securities Agent ("Loan Agreement"),
 - 2) the Company's granting of a borrowing or borrowings to companies from the Ciech Capital Group,
 - 3) the Company's conclusion of a creditors' agreement, to be concluded by and between the Company, Bank Polska Kasa Opieki S.A., Bank Handlowy w Warszawie S.A., BRE Bank S.A., Citigroup Global Markets Limited and Powszechna Kasa Oszczędności Bank Polski S.A. ("Creditors' Agreement"),
 - 4) the Company's conclusion of loan agreements (as a borrower) with the following banks (as lenders): (i) BNP Paribas S.A., Branch in Poland, (ii) Calyon S.A., Branch in Poland, and (iii) Fortis Bank Polska S.A. ("Bilateral Agreements") up to the total amount of PLN 45,000,000,
 - 5) the Company's signing of the following documents to secure the liabilities under (i) the Loan Agreement, (ii) the Bilateral Agreements, (iii) the Creditors' Agreement and (iv) the guarantee facility made available to the Company by Bank Polska Kasa Opieki S.A., under which, on 19 July 2008, a guarantee was granted to S.C. CET GOVORA S.A. to secure the fulfilment of the liabilities of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.:
- a) the Company's representation(s) on establishing a mortgage or mortgages on the real property owned by the Company or on the Company's perpetual usufruct titles to land and the buildings erected on such land,

- b) the Company's representation(s) on a voluntary submission to enforcement proceedings with regard to the Company's liabilities,
 - c) a pledge agreement for establishing a registered pledge or registered pledges on shares/interests in other companies,
 - d) a pledge agreement for establishing a financial pledge or financial pledges on shares/interests in other companies,
 - e) an authorisation for the Bank to exercise the right to vote in connection with interests held in other companies or an authorisation to establish pledges on any interests or shares which the Company may acquire in the future,
 - f) an agreement for the assignment of the Company's claims for security purposes,
 - g) an agreement for the transfer of the ownership title to all of the Company's movable property for security purposes,
 - h) a pledge agreement for establishing a financial pledge or financial pledges on cash deposited on the Company's bank account(s),
 - i) an authorisation for the Bank to use the Company's bank accounts, and
 - j) a subordination agreement concluded by and between the Company and the Bank,
- 6) the signing of other documents required by or in connection with the Loan Agreement, the Bilateral Agreements, the Creditors' Agreement ("Agreements") or agreements and understandings specified in the Agreements or in the documents, representations and agreements referred to before or stipulated by the Agreements, or the related agreements, understandings, documents or representations referred to before (in particular, the granting of powers of attorney, the submission of representations of entry, the conclusion of agreements on the expiry of securities and other representations).

At the same time, attention was paid to the material provisions, especially for the Company's Shareholders, of the Loan Agreement to be concluded, i.e.:

- 1) establishing securities on nearly all of the Ciech Group's assets,
- 2) implementing a material restriction for the Shareholders on their freedom to sell shares, a so called change of control clause,
- 3) the Company's undertaking to obtain funds in the amount of PLN 400 million (less any voluntary and mandatory early loan repayments) and to transfer these funds to the Company's blocked bank account maintained with Bank Handlowy w Warszawie S.A. by 31 December 2010, and the Company Management Board's indication, as material, of the issue of CIECH S.A.'s new shares as a potential source of the funds,
- 4) ban on the payment of the dividend by the Company; non-observance of the ban would mean a violation of the terms of the Loan Agreement.

At the same time, the Supervisory Board expressed a positive opinion (with the above-mentioned reservations) for the General Meeting concerning the conclusion by the Company of a pledge agreement for establishing a registered pledge or registered pledges on the Company's movable property or rights, and for otherwise satisfying the pledge's claims provided for by the pledge agreement or by the Act on the register pledge and the register of pledges, including the transfer of the ownership title or sale (and sale as a result of the transfer of the ownership title) of the pledged item or leasing out the Company's business, in accordance with the provisions of the respective pledge agreement or the Act on the register pledge and the register of pledges, in order to secure the fulfilment of the liabilities under (i) the Loan Agreement, (ii) the Bilateral Agreements, (iii) the Creditors' Agreement and (iv) the guarantee facility provided to the Company by Bank Polska Kasa Opieki SA, under which, on 19 July 2008, a guarantee was granted to S.C. CET GOVORA S.A. as a security for the fulfilment of the liabilities of S.C. Uzinele Sodice Govora – Ciech Chemical Group S.A.

Obtaining the syndicated loan should improve the Company's financial situation. The Supervisory Board believes that the risks related to CIECH S.A.'s uncertain financial situation will be mitigated. Consolidating the debt paves the way for negotiating the terms of mid-term financing.

2. Sale of the perpetual usufruct title to land and the ownership title to the building located in Warsaw, ul. Powązkowska 46/50

On 11 February 2009, CIECH S.A.'s Supervisory Board expressed a positive opinion on the planned sale of:

- 1) perpetual usufruct title to a land property with an area of 6,851 m², including plots of land, as per the land register, no. 1/4, 7, 9/4, 10/2, 11/2, 19/5, 19/7, 45/2, 45/3, 46, 47, 48, 54/4, 55/1 and 55/9 in precinct 7-02-09, for which the District Court for Warsaw Mokotów in Warsaw, 6th Land and Mortgage Register Department, maintains land and mortgage register (KW) no. WA1 M/00193369/7,
- 2) perpetual usufruct title to a land property with an area of 4,168 m², including plots of land, as per the land register, no. 38, 42, 43 and 44 in precinct 7-02-09, for which the District Court for Warsaw Mokotów in Warsaw, 6th Land and Mortgage Register Department, maintains land and mortgage register (KW) no. WA1 M/00223524/2,
- 3) perpetual usufruct title to a land property with an area of 3,909 m², including plots of land, as per the land register, no. 14/1, 14/3, 19/6, 45/1 and 54/3 in precinct 7-02-09, and no. 1/3 and 11/1 in precinct 7-02-10, for which the District Court for Warsaw Mokotów in Warsaw, 6th Land and Mortgage Register Department, maintains land and mortgage register (KW) no. WA1 M/00287974/7,
- 4) perpetual usufruct title to a land property with an area of 6,531 m², including plots of land, as per the land register, no. 41 in precinct 7-02-09, for which the District Court for Warsaw Mokotów in Warsaw, 6th Land and Mortgage Register Department, maintains land and mortgage register (KW) no. WA1 M/00174094/9, along with the ownership title to the office building erected on that property, with a volume of 67,000 m³, a usable area of 13,558 m² and a developed area of 7,400 m²,

located in Warsaw, ul. Powązkowska 46/50.

The Supervisory Board expressed a positive opinion on the planned sale of all of the above real properties and their parts, and on the sale of shares in the perpetual usufruct title.

The Supervisory Board expressed a positive opinion on the sale and in-kind contribution to a commercial company. The expressed opinion did not constitute the terms of sale of the real property and the terms of the transaction would require another opinion by the Supervisory Board.

On 18 March 2009, the Extraordinary General Meeting approved the sale of the perpetual usufruct title to the real properties mentioned before.

3. Sodawerk Stassfurt (SWS)

In 2009, CIECH S.A.'s Management Board negotiated a possible repurchase of interests in Soda Deutschland CIECH GmbH with the minority shareholders of Sodawerk Stassfurt (SWS). On 21 January 2009, CIECH S.A.'s Supervisory Board was informed by the Management Board about the negotiated terms of the possible repurchase of the remaining 8% interests in Soda Deutschland CIECH GmbH from a minority shareholder.

On 11 February 2009, the Supervisory Board expressed a positive opinion on the Management Board's proposal concerning CIECH S.A.'s repurchase of the remaining 8% of interests in Soda Deutschland CIECH GmbH and the termination of all agreements concluded with J. Ohm by CIECH S.A.' and its subsidiaries for a total amount of not more than EUR 12.5 million. On 18 February 2009, CIECH S.A. and Jochen Ohm concluded a settlement under which:

- 1) Jochen Ohm, a former minority shareholder of Soda Deutschland Ciech GmbH and the President of CIECH S.A.'s German subsidiaries, resigns early from all his positions and functions,
- 2) The collaboration between CIECH S.A. and its subsidiaries, on the one hand, and Jochen Ohm, on the other hand, is finally settled and terminated,
- 3) CIECH S.A. obtains the title of ownership to the land where voids held for sale are located,

- 4) CIECH S.A. acquires rights to 100% of profits on the sale and exploitation of voids. The value of the settlement amounted to EUR 12.5 million.

This amount was still lower than the amount resulting from earlier agreements between the parties. The acquisition of 100% of interests in Soda Deutschland Ciech GmbH by CIECH S.A. and the resignation of Jochen Ohm from managerial functions allowed full operational control in Soda Deutschland Ciech GmbH, speeding-up actions aimed at reducing costs and increasing performance, the process of integrating CIECH's Soda Division, the release of synergy effects (especially, in such areas as sales, supply, purchases and technology), the starting of new businesses as well as the sales of gas voids. In September 2009, the transaction involving the sale of mining rights to voids to RWE was concluded. The total cash volume of the agreements for 2009-2019 amounts to approx. EUR 60 million.

4. Amendments to the Statute and Regulations of CIECH S.A.'s Management Board

In 2009, the Supervisory Board discussed the amendments proposed by CIECH S.A.'s Management Board to the Regulations of CIECH S.A.'s Management Board and to the Statute. Among other things, the amendments to the said documents were required as a result of the amendments to the Commercial Companies Code.

On 13 August 2009, by way of Resolution No. 70/VI/2009, the Supervisory Board expressed a positive opinion on the amendments to CIECH S.A.'s Statute included in the Management Board's Resolutions no. 171/2009 of 6 August 2009 and No. 177/2009 of 13 August 2009. In addition, the Supervisory Board recommended further amendments to CIECH S.A.'s Statute. Following the Management Board's proposal and the supervisory Board's recommendation, the amendments to the Statute were subject to the vote at CIECH S.A.'s General Meeting.

On 14 September 2009, CIECH S.A.'s Extraordinary General Meeting passed a resolution on amending CIECH S.A.'s Statute and on authorising CIECH S.A.'s Supervisory Board to adopt a uniform text of CIECH S.A.'s Statute. By way of Resolution No. 80/VI/2009, CIECH S.A.'s Supervisory Board adopted a uniform text of CIECH S.A.'s Statute.

On 6 October 2009, the District Court for the capital city of Warsaw, 13th Economic Division of the National Court Register (KRS), registered the amendments introduced by CIECH S.A.'s Extraordinary General Meeting.

On 10 March 2010, the Supervisory Board approved the new Regulations of CIECH S.A.'s Management Board (Resolution No. 98/VI/2010).

5. Preparation for the Ordinary General Meeting of CIECH S.A. on 18 June 2009

During the meeting held on 5 May 2009, the Supervisory Board examined the following:

- 1) CIECH S.A.'s financial statements for FY 2008,
- 2) CIECH S.A.'s management report for FY 2008,
- 3) CIECH Capital Group's consolidated financial statements for FY 2008,
- 4) CIECH Capital Group's management report for FY 2008 (prepared by the Management Board of CIECH S.A.),
- 5) proposal by CIECH S.A.'s Management Board on the distribution of CIECH S.A.'s net profit for FY 2008.

Following the assessment, the Supervisory Board recommended to CIECH S.A.'s Ordinary General Meeting to approve the above reports and statements, and to distribute the net profit as proposed by the Company's Management Board (Resolutions No. 45/VI/2009, 46/VI/2009, 47/VI/2009, 48/VI/2009 and 49/VI/2009).

Furthermore, the Supervisory Board of CIECH S.A. recommended to the Ordinary General Meeting of CIECH S.A.:

- 1) to acknowledge the fulfilment of duties by the following Management Board members in FY 2008:
 - a) Ryszard Kunicki, acknowledgement of the fulfilment of duties as a Member of the Management Board in the period from 2 April 2008 to 19 August 2008, and as the President of the Management Board in the period from 19 August 2008 to 31 December 2008,
 - b) Robert Bednarski, acknowledgement of the fulfilment of duties as a Member of the Management Board in the

period from 19 August 2008 to 31 December 2008,

- c) Artur Osuchowski, acknowledgement of the fulfilment of duties as a Member of the Management Board in the period from 2 April 2008 to 31 December 2008,
- d) Marcin Dobrzański, acknowledgement of the fulfilment of duties as a Member of the Management Board in the period from 2 April 2008 to 31 December 2008.

2) not to acknowledge the fulfilment of duties by the following Management Board members in FY 2008:

- a) Mirosław Kochalski, duties as the President of the Management Board in the period from 1 January 2008 to 11 July 2008,
- b) Kazimierz Przełomski, duties as a Member of the Management Board in the period from 2 April 2008 to 19 August 2008.

The Supervisory Board did not pass any resolutions recommending to the General Meeting to acknowledge the fulfilment of duties by the members of the Management Board in FY 2008:

- 1) Rafał Pasieka, duties of a Member of the Management Board in the period from 1 January 2008 to 2 April 2008,
- 2) Marek Trosiński, duties of a Member of the Management Board in the period from 1 January 2008 to 2 April 2008,
- 3) Wojciech Wardacki, duties of a Member of the Management Board in the period from 1 January 2008 to 2 April 2008.

6. Appointment of a statutory auditor for 2009

On 5 May 2009, the Supervisory Board, as part of exercising its statutory responsibilities (§ 21 section 2 item 7) of the Statute of CIECH S.A. and § 3 section 2 item 7 of the Regulations of the Supervisory Board), on the basis of a recommendation from the Audit Committee, appointed a statutory auditor to audit the financial statements of CIECH S.A. for FY 2009 and the financial statements of the CIECH Capital Group for FY 2011 (Resolution No. 64/VI/2009). Both sets of statements were audited by Deloitte Audyt Sp. z o.o.

7. Supervision over CIECH S.A.'s financial standing

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

The Supervisory Board carried out its analyses based on the Financial Plan of CIECH S.A. for 2009, which received a positive opinion from the Supervisory Board on 10 March 2009 (Resolution No. 43/VI/2009 on the Financial Plan for 2009).

The financial results of CIECH S.A. were analysed during the meetings of the Supervisory Board in separate and consolidated terms. The Supervisory Board assessed the financial situation of the Company and of the CIECH Capital Group systematically. The operating results of the sales teams and selected companies of the CIECH Capital Group were presented, and any issues arousing interest among the Supervisory Board members were clarified.

III. REPORT OF THE AUDIT COMMITTEE OF CIECH S.A.'S SUPERVISORY BOARD FOR 2009

This report includes:

- 1) Information about the composition of the Audit Committee of the Supervisory Board of CIECH S.A. in 2009.

- 2) Discussion of the activities of the Audit Committee of CIECH S.A.'s Supervisory Board in 2009, including information on issues discussed during the Committee's meetings in connection with rule no. 1.6) in Chapter II of the "Code of Best Practice for WSE Listed Companies".

1) Information on the composition and tasks of the Audit Committee of CIECH S.A.'s Supervisory Board

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

The Committee's tasks include in particular:

- 1) monitoring the work of the Company's statutory auditors and giving recommendations to the Supervisory Board on appointing and remunerating the Company's statutory auditors,
- 2) discussing with the Company's statutory auditors, prior to every audit of the annual financial statements, the nature and scope of the audit and monitoring the coordination between the statutory auditors and the Company's finance team,
- 3) auditing the Company's interim and annual financial statements (separate and consolidated), focusing in particular on:
 - a) any changes in accounting standards, principles and practices,
 - b) main areas to be audited,
 - c) significant adjustments resulting from the audit,
 - d) going concern statements,
 - e) compliance with the applicable accounting laws,
- 4) discussing (with or without the participation of the Company's Management Board) any problems or issues that may arise from the audit of financial statements,
- 5) analysing the letter to the Management Board prepared by the Company's statutory auditors, independence and objectiveness of the audit and the Board's response,
- 6) reviewing the internal audit system of the CIECH Capital Group (including the mechanisms of financial and operational control, compliance with the laws, risk assessment and management) and the annual report,
- 7) reviewing selected agreements, transactions and arrangements between the Company and its subsidiaries on a yearly basis,
- 8) analysing the reports of the Company's internal auditors and main observations of other internal analysts as well as the Management Board's response to these observations, including an assessment of independence of the internal auditors,
- 9) reviewing the internal audit plan on a yearly basis, coordinating the work of internal and external auditors, and evaluating the conditions of internal auditors' functioning,
- 10) considering any other issues of interest to the Committee or the Supervisory Board,
- 11) informing the Supervisory Board about all material issues within its responsibilities.

As of 1 January 2009, the Audit Committee was composed of:

- 1) Alicja Pimpicka,
- 2) Przemysław Cieszyński,
- 3) Krzysztof Salwach.

On 18 June 2009, Przemysław Cieszyński resigned from the post of a Member of the Supervisory Board of CIECH S.A.

On 14 July 2009, CIECH S.A.'s Supervisory Board appointed Marzena Okła-Anuszevska to be member of the Audit Committee.

As a result, as of 14 July 2009, the Audit Committee was composed of:

- 1) Alicja Pimpicka,
- 2) Krzysztof Salwach,
- 3) Marzena Okła-Anuszevska.

On 14 September 2009, Alicja Pimpicka was dismissed from CIECH S.A.'s Supervisory Board.

As of 31 December 2009, the Audit Committee was composed of:

- 1) Krzysztof Salwach,
- 2) Marzena Okła-Anuszevska.

On 9 February 2010, CIECH S.A.'s Supervisory Board appointed Sławomir Stelmasiak to be a member of the Audit Committee.

As of the preparation date of the Report of CIECH S.A.'s Supervisory Board for 2009, the Audit Committee of CIECH S.A.'s Supervisory Board was composed of:

- 1) Krzysztof Salwach,
- 2) Marzena Okła-Anuszevska,
- 3) Sławomir Stelmasiak.

2) Activities of the Audit Committee of CIECH S.A.'s Supervisory Board in 2009

In 2009, the Audit Committee of CIECH S.A.'s Supervisory Board held 2 meetings at the Company's registered office in Warsaw, ul. Puławska 182.

In 2009, the major issues addressed by the Audit Committee were:

1. Financial statements of CIECH S.A. and of the CIECH Capital Group

The Audit Committee focused mainly on analysing CIECH S.A.'s and the CIECH Capital Group's interim and annual financial statements.

The Audit Committee analysed CIECH S.A.'s Financial Statements for 2008 and Management Report for 2008 as well as the Company's Management Board's proposal on the distribution of net profit for 2008.

The Audit Committee recommended to the Supervisory Board to express a positive opinion for the Ordinary General Meeting of CIECH S.A. on approving these documents.

Furthermore, the Audit Committee examined the CIECH Capital Group's Consolidated Financial Statements for 2008 and Management Report for 2008, and recommended to the Supervisory Board of CIECH S.A. to express a positive opinion for the Ordinary General Meeting of CIECH S.A. on approving these documents. CIECH S.A.'s Supervisory Board, after examining the recommendations of the Audit Committee, expressed a positive opinion on the above documents at its meeting on 5 May 2009.

2. Distribution of CIECH S.A.'s profit for 2008

The Management Board of CIECH S.A. proposed to the General Meeting of CIECH S.A. to fully earmark the Company's net profit for 2008 in the amount of PLN 14,994,489.26 for the Company's supplementary capital.

The Audit Committee analysed the Company's Management Board's proposal and recommended to the Supervisory Board to approve it.

The Supervisory Board of CIECH S.A., availing itself of the Audit Committee's position, expressed a positive opinion on the CIECH S.A. Management Board's proposal at its meeting on 5 May 2009.

3. *Appointment of a statutory auditor*

In connection with the responsibility of CIECH S.A.'s Supervisory Board to appoint a statutory auditor to audit CIECH S.A.'s separate financial statements and the CIECH Capital Group's consolidated financial statements for 2009, the Audit Committee analysed the Company's collaboration with the statutory auditor, Deloitte Audyt Sp. z o.o., and examined the arguments in favour of continuing that collaboration put forward by CIECH S.A.'s Management Board.

The Audit Committee recommended to CIECH S.A.'s Supervisory to reappoint Deloitte Audyt Sp. z o.o. as the statutory auditor to audit CIECH S.A.'s financial statements for 2009 and the CIECH Capital Group's financial statements for 2009.

On 5 May 2009, CIECH S.A.'s Supervisory Board, by way of Resolution No. 64/VI/2009, appointed Deloitte Audyt Sp. z o.o. as the statutory auditor to audit CIECH S.A.'s financial statements for 2009 and the CIECH Capital Group's financial statements for 2009.

4. *Cooperation with the statutory auditor*

In the course of 2009, the Audit Committee held 2 meetings with the statutory auditor of CIECH S.A. (i.e. the representatives of Deloitte Audyt Sp. z o.o.), during which the scope of the audit of the separate and consolidated financial statements of CIECH S.A. was discussed.

Key financial and accounting issues in the companies of the CIECH Group were analysed. In particular, the discussion focused on issues related to the initial temporary settlement upon the acquisition of new entities in the Group and the adjustments in the Group's consolidated financial statements following the measurement of the acquired assets at fair value.

All matters raising doubts that were brought up during 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.

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

The Audit Committee examined and analysed the issues presented in the letters to the management boards of companies from the CIECH Capital Group for 2008, H1 2009 and a preliminary 2009 audit.

IV. REPORT OF THE REMUNERATION COMMITTEE OF CIECH S.A.'S SUPERVISORY BOARD FOR 2009

This report includes:

- 1) Information on the composition and tasks of the Remuneration Committee in 2009,
- 2) Discussion of the activities of the Remuneration Committee in 2009.

1. 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 in connection with the amendment to CIECH S.A.'s Statute, according to which the Supervisory Board took over the General Meeting's responsibility for determining the rules for remunerating the Company's Management 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.

The Committee's tasks include 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 for 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 doubts 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.

On 21 January 2009, CIECH S.A.'s Supervisory Board appointed the following Supervisory Board Members to sit in the Remuneration Committee of CIECH S.A.'s Supervisory Board:

- 1) Jacek Goszczyński,
- 2) Krzysztof Mastalerz,
- 3) Grzegorz Kłoczko.

As a result of dismissing Krzysztof Mastalerz from the Supervisory Board of CIECH S.A., from 14 September 2009 to 31 December 2009, the Remuneration Committee of the Supervisory Board was composed of:

- 1) Jacek Goszczyński,
- 2) Grzegorz Kłoczko.

As of the preparation date of the Report of CIECH S.A.'s Supervisory Board for 2009, the composition of the Remuneration Committee of CIECH S.A.'s Supervisory Board remained unchanged.

2. Activities of the Remuneration Committee

In 2009, the Remuneration Committee held three meetings and discussed the following topics:

- 1) determining the amount of the bonus for the Management Board for H2 2008,
- 2) determining the annual reward for the Management Board for 2008,
- 3) determining the amount of the bonus for the Management Board for H1 2009.

The Supervisory Board adopted appropriate Resolutions on the matters specified above.

V. COMPOSITION AND ACTIVITIES OF THE STRATEGY AND CAPITAL INVESTMENTS COMMITTEE

As of 1 January 2009, the Strategy and Capital Investments Committee of CIECH S.A.'s Supervisory Board was composed of:

- 1) Przemysław Cieszyński,
- 2) Krzysztof Mastalerz.

On 21 January 2009, CIECH S.A.'s Supervisory Board appointed the following members of the Supervisory Board to sit in the Committee:

- 1) Przemysław Cieszyński,
- 2) Krzysztof Mastalerz,
- 3) Marzena Okła-Anuszewska.

Przemysław Cieszyński resigned from the post of a Member of CIECH S.A.'s Supervisory Board, effective as of 18 June 2009. On 14 September 2009, the Extraordinary General Meeting of CIECH S.A. dismissed Krzysztof Mastalerz from the Supervisory Board.

Thus, the Strategy and Capital Investments Committee of CIECH S.A.'s Supervisory Board, from 14 September 2009 to 31 December 2009, was composed of one member:

- 1) Marzena Okła-Anuszewska.

As of the preparation date of the Supervisory Board's Report for 2009, the composition of the Strategy and Capital Investments Committee of CIECH S.A.'s Supervisory Board remained unchanged and the Committee was composed of one member.

At the initiative of the Strategy and Capital Investments Committee of CIECH S.A.'s Supervisory Board, the constant monitoring of hedging transactions was introduced, and the Company's Management Board presented weekly transaction reports to the Supervisory Board.

VI. ASSESSMENT OF CIECH S.A.'S MANAGEMENT REPORT FOR FY 2009 AND FINANCIAL STATEMENTS FOR FY 2009 FOR THEIR COMPLIANCE WITH THE BOOKS, DOCUMENTS AND THE FACTUAL STATUS, AND ASSESSMENT OF THE PROPOSAL BY CIECH S.A.'S MANAGEMENT BOARD TO COVER CIECH S.A.'S LOSS FOR THE PERIOD FROM 1 JANUARY 2009 TO 31 DECEMBER 2009.

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 CIECH S.A.'s Management Report for FY 2009 and Financial Statements for FY 2009 for their compliance with the books, documents and the factual status, and assessed the proposal by CIECH S.A.'s Management Board to cover CIECH S.A.'s loss for the period from 1 January 2009 to 31 December 2009 resulting from the adjustment of an error in previous periods from the Company's supplementary capital.

1. Assessment of the Company's Financial Statements for FY 2009

Pursuant to Resolution No. 64/VI/2009 of 5 May 2009, the Financial Statements of CIECH S.A. for FY 2009 were audited by Deloitte Audyt Sp. z o.o. (later 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) provide a true and fair account of all information which is material for assessing the economic and financial situation of the Company as of 31 December 2009 as well as its financial result for the financial year from 1 January 2009 to 31 December 2009,
- 2) have been prepared in accordance with the International Accounting Standards, International Financial

Reporting Standards and related interpretations published as Regulations of the European Commission, and to the extent not regulated by these standards – according to the requirements under the Accounting Act, secondary legislation to the Accounting Act and correctly maintained accounting books,

- 3) comply with the legal regulations and provisions of the Company's Statute governing the contents of the financial statements.

While there were no reservations concerning the true and fair nature of the audited financial statement, the statutory auditor paid particular attention to the following:

- 1) Item 21.1 of the notes to the financial statements, in which the Management Board disclosed the financial position of the Company as of 31 December 2009 and explained the reasons for the decrease in profitability and liquidity, the amount of the working capital and debt. The Management Board believes that the obtained syndicated loan and the measures described in the said item will improve the Company's financial situation and ensure its going concern status. Therefore, the Management Board believes that the risks linked to the Company's uncertain financial situation will be mitigated.
- 2) Item 37 of the notes to the financial statements, in which the Management Board disclosed an error made in the statements for 2008, resulting from incorrect application of IAS 39, which led to the distortion of the financial result and of the capital related to the use of hedge accounting. In the financial statements for 2009, the Management Board re-examined the concluded derivative transactions for compliance with the International Financial Reporting Standards and decided to adjust the financial statements in accordance with the principles described in IAS 8.

On 24 May 2010, 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 approving CIECH S.A.'s Financial Statements for FY 2009.

The Supervisory Board of CIECH S.A. concluded that CIECH S.A.'s financial statements for FY 2009 satisfy the requirements stipulated in the Accounting Act of 29 September 1994 (J.L. of 2009, No. 152, item 1223, as amended).

2. Assessment of CIECH S.A.'s Management Report for FY 2009

The Supervisory Board examined CIECH S.A.'s Management Report for FY 2009 and the opinion of the statutory auditor.

The statutory auditor concluded that the Company's Management Report for FY 2009 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 24 May 2010, 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 approving the Company's Management Report for FY 2009.

The Supervisory Board of CIECH S.A. concluded that CIECH S.A.'s Management Report for FY 2009 satisfies the requirements stipulated in the Accounting Act of 29 September 1994 (J.L. of 2009, No. 152, item 1223, as amended).

3. Assessment of the proposal by CIECH S.A.'s Management Board to cover CIECH S.A.'s loss for the period from 1 January 2009 to 31 December 2009, and the loss from previous years resulting from the adjustment of an error in previous periods.

On 24 May 2010, the Audit Committee of CIECH S.A.'s Supervisory Board expressed a positive opinion on the Management Board's proposal to cover CIECH S.A.'s loss for the period from 1 January 2009 to 31 December 2009 in the amount of PLN 125,767 thousand (in words: one hundred twenty-five million seven hundred sixty-seven thousand zlotys 00/100) from the company's supplementary capital.

According to the information from the Management Board, the Company's loss in 2009 was mainly due to the general economic downturn, the need to service high financial liabilities (including payments under FX options) and the need to recognise write-downs on investments in the subsidiary Uzinele Sodice Govora, as a result of which CIECH S.A.'s Management Board proposed that the loss be covered from the supplementary capital, as intended (Article 396 § 5 of the Commercial Companies Code).

On 24 May 2010, the Audit Committee of CIECH S.A.'s Supervisory Board expressed a positive opinion on the Management Board's proposal to cover CIECH S.A.'s loss from previous years resulting from the adjustment of an error in previous periods in the amount of PLN 70,933,925 thousand (in words: seventy million nine hundred thirty-three thousand nine hundred twenty-five zlotys 00/100) from the company's supplementary capital.

In 2008, CIECH S.A. concluded derivative transactions, including option structures, consisting of put options acquired and call options issued, in order to hedge future sales revenues denominated or indexed in EUR.

Taking into account the hedging nature of these instruments from the economic point of view, the Management Board of CIECH S.A. decided to designate a portion of the concluded derivative transactions as revenue hedging instruments within the meaning of hedge accounting. Therefore, the Company fragmented them into component instruments, and distinguished among them a portion of derivative transactions constituting an option structure (placing put options acquired and call options issued at equal values and identical exchange rates on particular execution dates), which, as a synthetic forward contract, was subject to hedge accounting principles. The transactions which were not included in the option structure, constituting a hedging instrument, are treated as derivative instruments held for trading.

According to IAS 39, despite their hedging nature, the synthetic forward contracts resulting from the decomposition could have been designated for hedge accounting if they had been concluded as identical transactions in terms of their parameters, but separate with respect to the legal provisions. The Management Board recognised the effects of this transaction's measurement in the financial statements for 2008 in the amount of PLN 70,934.0 thousand under "Cash flow hedge" instead of "Net result for 2008". The Auditor's opinion regarding the financial statements for 2008 included the Auditor's reservations regarding this matter.

In the statements for 2009, the Management Board of CIECH S.A. conducted another analysis of the concluded transactions in the light of compliance with IFRS and decided to correct the financial statements in the part regarding the said derivatives. The error resulting from improper application of IAS 39 resulted in distortions of the financial result and capitals in the financial statements for 2008, in the amounts presented above. The Management Board's decision on the interpretation of IAS 39 was aimed at eliminating such irregularities and adjusting the financial statements for 2008 in accordance with IAS 8, preventing any reservations to the financial statements for 2009.

The adjustment of the above-mentioned error resulted in the disclosure of a net loss for 2008, as a result of which CIECH S.A.'s Management Board proposed that the loss be covered from the supplementary capital, as intended (Article 396 § 5 of the Commercial Companies Code).

The Supervisory Board of CIECH S.A.'s expressed a positive opinion on the Management Board's proposal to cover CIECH S.A.'s loss for the period from 1 January 2009 to 31 December 2009 in the amount of PLN 125,767 thousand (in words: one hundred twenty-five million seven hundred sixty-seven thousand zlotys 00/100) from the company's supplementary capital, and on the Management Board's proposal to cover CIECH S.A.'s loss from previous years resulting from the adjustment of an error in previous periods in the amount of PLN 70,933,925 thousand (in words: seventy million nine hundred thirty-three thousand nine hundred twenty-five zlotys 00/100) from the company's supplementary capital.

VII. ASSESSMENT OF THE CIECH CAPITAL GROUP'S MANAGEMENT REPORT FOR FY 2009 AND OF ITS CONSOLIDATED FINANCIAL STATEMENTS FOR FY 2009

Pursuant to Article 382 § 3, in connection with Article 395 § 5 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 Supervisory Board's Regulations, the Supervisory Board of CIECH S.A. assessed the CIECH Capital Group's Management Report for FY 2009 and its Consolidated Financial Statements for FY 2009 for their compliance with the books, documents and the factual status.

1. Assessment of the CIECH Capital Group's Consolidated Financial Statements for FY 2009

Pursuant to Resolution No. 64/VI/2009 of 5 May 2009, the CIECH Capital Group's Consolidated Financial Statements for FY 2009 were audited by Deloitte Audyt Sp. z o.o.

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 2009 in all material aspects:

- 1) give a true and fair view of all information required for assessing the Capital Group's economic and financial situation as of 31 December 2009, and of its financial result for FY 2009,
- 2) have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of Regulations of the European Commission, and to the extent not regulated by these Standards, in accordance with the requirements of the Accounting Act and its secondary legislation,
- 3) comply with the laws governing the contents of the consolidated financial statements, as applicable to the Capital Group.

In the opinion to the CIECH Capital Group's Consolidated Financial Statements for FY 2009, the statutory auditor did not report any reservations regarding the true and fair nature of the audited consolidated financial statements, but paid particular attention to the following:

- 1) Item 24.2 of the Notes to the consolidated financial statements, in which the parent company's Management Board disclosed the CIECH Capital Group's financial situation as of 31 December 2009, and explained the reasons for the decrease in profitability and liquidity as well as the Group's working capital and debt levels. The Management Board believes that the obtained syndicated loan and the measures described in the said item will ensure the Group companies' going concern status. Consequently, in the opinion of the parent company's Management Board, the risks connected with the uncertain financial situation of the CIECH Capital Group will be mitigated.
- 2) Item 44 of the Notes to the consolidated financial statements, in which the Management Board disclosed an error made in the consolidated statements for 2008. The error resulted from incorrect application of IAS 39, leading to the distortion of the financial result and of the cash flow hedge. In the financial statements for 2009, the Management Board re-examined the concluded derivative transactions for compliance with the International Financial Reporting Standards and decided to adjust the consolidated financial statements in

accordance with the principles described in IAS 8.

- 3) Item 16 of the Notes to the consolidated financial statements, in which the parent company's Management Board disclosed the legal situation of the associate PTU S.A. with regard to the validity of resolutions adopted by the Compulsory Administration, acting in the capacity of the General Meeting, as a result of which FSO S.A. lost its majority stake of shares. JZS Janikosoda S.A., as a subsidiary of CIECH S.A., acts as an Intervening Party in this dispute. As a result of the said dispute, the acquisition of shares in PTU S.A. by Soda Mątwy S.A. and Janikosoda S.A. is questioned. On 28 April 2009, a judgment in the case instituted by FSO S.A. against PTU S.A. was passed. The judgment was dismissed by the Court of Appeal on 18 March 2010. By the date of the statutory auditor's opinion, no written substantiation of the judgment was received. The consolidated financial statements do not include any adjustments that would be necessary in the case of a court judgment unfavourable for CIECH S.A.'s subsidiaries.

On 24 May 2010, the Audit Committee of CIECH S.A.'s Supervisory Board expressed a positive opinion on the Management Board's proposal concerning the position of the Supervisory Board on approving the Consolidated Financial Statements of the CIECH Capital Group for FY 2009.

The Supervisory Board concluded that the CIECH Capital Group's financial statements for FY 2009 satisfy the requirements stipulated in the Accounting Act of 29 September 1994 (J.L. of 2009, No. 152, item 1223, as amended).

2. Assessment of the CIECH Capital Group's Management Report for FY 2009 (prepared by the Management Board of CIECH S.A.)

The Supervisory Board examined the CIECH Capital Group's Management Report for FY 2009 and the opinion of the statutory auditor.

The Capital Group's Management Report for FY 2009 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 the information contained in the report is derived from and consistent with the audited consolidated financial statements.

On 24 May 2010, 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 approving the CIECH Capital Group's Management Report for FY 2009.

The Supervisory Board concluded that the CIECH Capital Group's Management Report for FY 2009 satisfies the requirements stipulated in the Accounting Act of 29 September 1994 (J.L. of 2009, No. 152, item 1223, as amended).

VIII. RECOMMENDATIONS FOR THE ORDINARY GENERAL MEETING OF CIECH S.A.

Following the assessment of the financial statements of CIECH S.A. for FY 2009 and the Management Report of CIECH S.A. for FY 2009, the Supervisory Board concluded that all data included in those documents are consistent with books, documents and the factual status, and that they are coherent.

CIECH S.A.'s Management Report for FY 2009 gives a true and fair view of all material aspects of the Company's activities as well as material information for assessing its economic and financial situation.

The Supervisory Board of CIECH S.A., after examining the submitted Consolidated Financial Statements of the CIECH Capital Group for FY 2009 and the Management Report of the CIECH Capital Group for FY 2009, concluded that the report and the 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.

The Supervisory Board of CIECH S.A.'s also examined the proposal by CIECH S.A.'s Management Board to cover CIECH S.A.'s loss for the period from 1 January 2009 to 31 December 2009 in the amount of PLN 125,767 thousand (in words: one hundred twenty-five million seven hundred sixty-seven thousand zlotys 00/100) from the company's supplementary capital, and the Management Board's proposal to cover CIECH S.A.'s loss from previous years resulting from the adjustment of an error in previous periods in the amount of PLN 70,933,925 thousand (in words: seventy million nine hundred thirty-three thousand nine hundred twenty-five zlotys 00/100) from the company's supplementary capital.

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 financial statements for FY 2009,
- 2) CIECH S.A.'s management report for FY 2009,
- 3) CIECH Capital Group's consolidated financial statements for FY 2009, and
- 4) CIECH Capital Group's management report for FY 2009 (prepared by the Management Board of CIECH S.A.), and proposes that CIECH S.A.'s Ordinary General Meeting passes a resolution on covering CIECH S.A.'s loss for 2009 in the amount of PLN 125,767 thousand (in words: one hundred twenty-five million seven hundred sixty-seven thousand zlotys 00/100) from the company's supplementary capital, and on covering CIECH S.A.'s loss from previous years resulting from the adjustment of an error in previous periods in the amount of PLN 70,933,925 thousand (in words: seventy million nine hundred thirty-three thousand nine hundred twenty-five zlotys 00/100) from the company's supplementary capital.

Furthermore, the Supervisory Board of CIECH S.A. recommends to the Ordinary General Meeting of CIECH S.A.:

- 1) to acknowledge the fulfilment of duties by the following members of CIECH S.A.'s Management Board in FY 2009:
 - a) Ryszard Kunicki, acknowledgement of the fulfilment of duties as the President of the Management Board in the period from 1 January 2009 to 31 December 2009,
 - b) Robert Bednarski, acknowledgement of the fulfilment of duties as a Member of the Management Board in the period from 1 January 2009 to 31 December 2009,
 - c) Artur Osuchowski, acknowledgement of the fulfilment of duties as a Member of the Management Board in the period from 1 January 2009 to 31 December 2009,
 - d) Marcin Dobrzański, acknowledgement of the fulfilment of duties as a Member of the Management Board in the period from 1 January 2009 to 31 December 2009.

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


Ewa Sibrecht-Ośka