

Attachment to Resolution No. 74/IX/2016
of the Supervisory Board of CIECH S.A.
of 30 March 2016

REPORT
ON ACTIVITY OF THE SUPERVISORY BOARD
of CIECH S.A.

for the financial year 2015

Warsaw, March 2016

The Supervisory Board of CIECH S.A. submits a report on its activity in the financial year 2015 containing, *inter alia*, the report on the results of the assessment, as referred to in Art. 382 § 3 of the Commercial Companies Code, i.e. assessment of: The report on the activity of CIECH S.A. for 2015, the Financial Statement of CIECH S.A. for 2015, the report on the activity of the CIECH Group for 2015 and the Consolidated Financial Statement of the CIECH Group for 2015.

The scope of this report covers:

- **Information concerning the composition of the Supervisory Board of CIECH S.A. in 2015.**
- **Discussion of the activity of the Supervisory Board of CIECH S.A. in the period from 1 January 2015 to 31 December 2015, including information about issues discussed during the meetings of the Board;**
- **Information concerning the activity of the Audit Committee of the Supervisory Board of CIECH S.A. in 2015;**
- **Information concerning the activity of the Remuneration Committee of the Supervisory Board of CIECH S.A. in 2015;**
- **Assessment of the report on the activity of the Company in the financial year 2015 and the Unit Financial Statement of the Company for the financial year 2015 with regard to their compliance with the books and documents, as well as with the actual state of affairs, and a motion of the Management Board of CIECH S.A. concerning distribution of the net profit of CIECH S.A. for the financial year 2015.**
- **Assessment of the report on the activity of the CIECH Group in the financial year 2015 and the Consolidated Financial Statement of the CIECH Group for the financial year 2015 with regard to their compliance with the books and documents, as well as with the actual state of affairs.**
- **Assessment of the situation of CIECH S.A. in 2015, taking into account the assessment of the internal control system and the system of management of the risk relevant for the Company.**
- **Recommendations for the Ordinary (Annual) Shareholders' Meeting of CIECH S.A.**

INFORMATION CONCERNING THE COMPOSITION OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2015

As of 1 January 2015, the composition of the Supervisory Board was as follows:

1. Dr Jan Kulczyk - Chairman of the Supervisory Board
2. Tomasz Mikołajczak - Vice Chairman of the Supervisory Board
3. Wojciech Stramski - Secretary of the Supervisory Board

4. Piotr Augustyniak - Member of the Supervisory Board
5. Mariusz Nowak - Member of the Supervisory Board
6. Artur Olech - Member of the Supervisory Board

Due to the death of Dr Jan Kulczyk - Chairman of the Supervisory Board of the Company, the Extraordinary Shareholders' Meeting appointed, as of 26 August 2015 Mr Sebastian Kulczyk to the Supervisory Board.

During the meeting on 8 October 2015, the Supervisory Board appointed Mr Sebastian Kulczyk the Chairman of the Supervisory Board of CIECH S.A.

As of 31 December 2015, the composition of the Supervisory Board was as follows:

1. Sebastian Kulczyk - Chairman of the Supervisory Board
2. Tomasz Mikołajczak - Vice Chairman of the Supervisory Board
3. Wojciech Stramski - Secretary of the Supervisory Board Rady
4. Piotr Augustyniak
5. Mariusz Nowak
6. Artur Olech.

As of 6 March 2016, Mr Wojciech Stramski submitted his resignation from his membership in the Supervisory Board of CIECH S.A. On 7 March 2016, the Extraordinary Shareholders' Meeting of CIECH S.A. appointed Mr Dominik Libicki a member of the Supervisory Board of CIECH S.A.

As of 30 March 2016, the composition of the Supervisory Board is as follows:

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

In 2015, the following two committees operated within the structures of the Supervisory Board of CIECH S.A.:

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

Information about the activity of the aforementioned committees is presented in the following parts of this Report.

DISCUSSION OF THE ACTIVITY OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2015

In 2015, 6 meetings of the Supervisory Board of CIECH S.A. were held.

In 2015, the Supervisory Board of adopted a total of 52 resolutions, including:

- 34 resolutions adopted during meetings of the Supervisory Board
- 18 resolutions adopted with the use of remote communication devices.

Acting pursuant to § 21 section 1 of the Articles of Association of CIECH S.A. and § 3 section 1 of the Regulations of the Supervisory Board, the Supervisory Board of CIECH S.A. exercised regular supervision of the activity of the Company.

Below the most important issues are presented which were the object of the work of the Supervisory Board of in the financial year 2015.

FINANCIAL PLAN FOR 2015

On 15 December 2014, by means of Resolution No. 15/IX/2014, the Supervisory Board approved the Financial Plan of the CIECH S.A. Group for 2015.

FINANCIAL PLAN FOR 2016

On 14 December 2015, by means of Resolution No. 58/IX/2015, the Supervisory Board approved the Financial Plan of the CIECH S.A. Group for 2016, adopted by means of Resolution No. 164/2015 of the Management Board of CIECH S.A., dated 10 December 2015.

PREPARATIONS FOR THE ORDINARY (ANNUAL) SHAREHOLDERS' MEETING OF CIECH S.A. HELD ON 30 JUNE 2015

During the meeting held on 26 May 2015, the Supervisory Board conducted the assessment of:

- 1) The report on the activity of CIECH S.A. for 2014 (Resolution No. 16/IX/2015),
- 2) The Unit Financial Statement of CIECH S.A. for the financial year 2014 (Resolution No. 17/IX/2015),
- 3) The report on the activity of CIECH S.A. for 2013 (Resolution No. 18/IX/2015),
- 4) The Consolidated Financial Statement of the CIECH S.A. Group for the financial year 2014 (Resolution No. 19/IX/2015),
- 5) The motion of the Management Board of CIECH S.A. regarding the allocation of the net profit generated by CIECH S.A. in 2014, to the amount of PLN 92,128,904.38, to the supplementary capital of the Company in full (Resolution No. 20/IX/2015).

As a result of the conducted assessment, the Supervisory Board recommended to the Ordinary (Annual) Shareholders' Meeting of CIECH S.A. the approval of the statements indicated in points 1-4 above and the payment of the dividend, leaving it at the discretion of the Ordinary (Annual) Shareholders' Meeting to decide upon the value of the paid dividend.

Moreover, the Supervisory Board of CIECH S.A. recommended to the Ordinary (Annual) Shareholders' Meeting of CIECH S.A. to grant acknowledgement to the following members of the Management Board serving their functions in the financial year 2014 of fulfilment of their duties:

- 1) Mr Dariusz Krawczyk for the fulfilment of his duties of the President of the Management Board in the period from 1 January 2014 to 31 December 2014 (Resolution No. 23/IX/2015),

- 2) Mr Artur Osuchowski for the fulfilment of his duties of a Member of the Management Board in the period from 1 January 2014 to 31 December 2014 (Resolution No. 24/IX/2015),
- 3) Mr Maciej Tybura for the fulfilment of his duties of a Member of the Management Board in the period from 13 October 2014 to 31 December 2014 (Resolution No. 25/IX/2015),
- 4) Mr Andrzej Kopeć for the fulfilment of his duties of a Member of the Management Board in the period from 1 January 2014 to 7 July 2014 (Resolution No. 26/IX/2015).

During the meeting held on 29 June 2015, the Supervisory Board, upon reviewing the analysis concerning the influence of the payment of dividend upon the financial situation of the CIECH Group, presented by the President of the Management Board of the Company, re-assessed the motion of the Management Board of CIECH S.A. regarding the allocation of the net profit generated by CIECH S.A. in 2014, to the amount of PLN 92,128,904.38, and submitted a new recommendation to the Ordinary (Annual) Shareholders' Meeting of CIECH S.A. - allocation of the whole net profit for 2014 to the supplementary capital of the Company.

ON-GOING SUPERVISION OF THE FINANCIAL SITUATION

Within the framework of supervision of the on-going activity of the Company, the object of systematic analyses of the Supervisory Board was the financial situation and the results of the operating activity.

The basis of the analyses conducted by the Supervisory Board was constituted by the Financial Plan of CIECH S.A. for 2015, which received a positive opinion on 15 December 2014 (Resolution No. 15/IX/2014).

INFORMATION CONCERNING THE ACTIVITY OF THE AUDIT COMMITTEE OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2015

The scope of this information covers:

- information concerning the composition and tasks of the Audit Committee of the Supervisory Board of CIECH S.A. in 2015;
- discussion of the activity of the Audit Committee the Supervisory Board of CIECH S.A. in 2015, including information about issues discussed during the meetings of the Committee.

INFORMATION CONCERNING THE COMPOSITION AND TASKS OF THE AUDIT COMMITTEE IN 2015

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

Throughout 2015, the composition of the Audit Committee was as follows:

- 1) Wojciech Stramski - Chairman of the Committee
- 2) Piotr Augustyniak - Member of the Committee
- 3) Artur Olech - Member of the Committee

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

According to the regulations, the tasks of the Audit Committee include, in particular:

- 1) monitoring of the financial reporting process,
- 2) monitoring of the effectiveness of the internal control system,
- 3) monitoring of the effectiveness of the internal audit system,
- 4) monitoring of the effectiveness of the risk management system,
- 5) monitoring of the performance of financial audit activities,
- 6) monitoring of impartiality of the chartered accountant and of the entity authorized to audit financial statements of the Company.

DISCUSSION OF THE ACTIVITY OF THE AUDIT COMMITTEE IN 2015

In 2015, 5 (five) meetings of the Audit Committee were held.
The main issues dealt with by the Audit Committee in 2015 were:

Assessment of the Unit Financial Statement of CIECH S.A. for 2014 and the Consolidated Financial Statement for 2014

The Audit Committee, during its meeting on 19 March 2015, discussed and assessed the presented statements of the Company concerning the financial year 2014 and submitted to the Supervisory Board of the Company its positive recommendation concerning the Unit Financial Statement of CIECH S.A. for 2014 and the Consolidated Financial Statement for 2014.

Assessment of the report on fulfilment of the Financial Plan of the CIECH Group for 2014

During its meeting on 19 March 2015, after reviewing the report on the fulfilment of the Financial Plan of the CIECH Group for 2014, discussed and performed the assessment of the results for 2014 in comparison with the adopted plan and the results for 2013.

Financial Plan of the CIECH Group for 2015 and for 2016

The Financial Plan of the CIECH Group for 2015 was presented to the Audit Committee on 28 November 2014 and in covered, *inter alia*, key operational activities whose purpose was to fulfil the financial objectives for 2015, and key projects which were not specified in the Financial Plan for 2015 were discussed.

On 7 December 2015, the Management Board of CIECH S.A. presented to the Audit Committee the Financial Plan of the CIECH Group for 2016, covering, *inter alia*, key actions planned within the framework of individual goods segments of the CIECH Group and announced that the programme entitled "Growth of value of the CIECH Group" was under way, whose development would be finalized by the end of the first quarter of 2016. The Audit Committee recommended to the Management Board of the Company the submission to the Supervisory Board of the Financial Plan of the CIECH Group for 2016.

Financial statement of CIECH S.A. and of the CIECH Group

The object of the work of the Audit Committee was an analysis and assessment of both annual and other periodical financial statements of CIECH S.A. and of the CIECH Group.

During the meeting held on 19 March 2015, the Audit Committee conducted a review of:

- 1) The Unit Financial Statement of CIECH S.A. for the financial year 2014, including the report on the activity of CIECH S.A. for year 2014,
- 2) The Consolidated Financial Statement of the CIECH Group for the financial year 2014, including the report on the activity of the CIECH Group for 2014.

Upon reviewing the statements, the Audit Committee decided to recommend to the Supervisory Board of CIECH S.A. to grant a positive opinion on the report on the activity of CIECH S.A. for 2014, the report on the activity of the CIECH Group for 2014, the Unit Financial Statement of CIECH S.A. for the financial year 2014 and the Consolidated Financial Statement of the CIECH Group for the financial year 2014.

Distribution of profit of CIECH S.A. for 2014

The Audit Committee presented a verbal negative recommendation to the Supervisory Board regarding the motion of the Management Board of the Company concerning allocation of the whole net profit of the Company for the financial year 2014 to the value of PLN 92,128,904.38 for the share capital of the Company.

Then, based on a new motion of the Management Board of the Company, the Audit Committee reviewed the analysis presented by the President of the Management Board of the Company concerning the influence the payment of the dividend would have on the financial situation of the CIECH Group and presented the Supervisory Board a new, positive recommendation regarding the motion of the Management Board of the Company concerning the allocation of the whole net profit for 2014 to the supplementary capital of the Company.

Co-operation with the chartered accountant

The Audit Committee held meetings with the chartered accountant of CIECH S.A., including:

- meetings with KPMG Audyt Sp. z o.o. sp. k., during which the scope of work was discussed concerning the audit of the unit financial statement of CIECH S.A. for 2014 and the consolidated statement of the CIECH Group for 2014
- meetings with PricewaterhouseCoopers Sp. z o.o. in connection with a change of the chartered accountant, during which the scope of the conducted review of periodical statements of CIECH S.A. and the CIECH Group was discussed, covering statements for the first six months of 2015 and the unit financial statement for the financial year 2015, as well as the consolidated financial statement for the financial year 2015.

Members of the Audit Committee were informed about the progress of the work connected with the audit of the financial statements.

Analysis of the letter of the chartered accountant to the Management Board of the Company

The Audit Committee reviewed the Letter to the Management Board of CIECH S.A. prepared by KPMG Audyt Sp. z o.o. Sp. k. containing the issues which drew attention of the auditor during the conducted audit of the consolidated financial statement of the CIECH Group for the financial year ending on 31 December 2014, including the replies of the Management Board to those issues.

Other issues

Moreover, the work of the Audit Committee in 2015 covered the following work:

- selection of the auditor to audit the financial statements for 2015 - 2017 and finalization of the co-operation with the current auditor of CIECH S.A. for 2013 - 2015,
- assessment of consolidated quarterly reports of the CIECH Group extended by abbreviated unit financial statements of CIECH S.A., and the quarterly financial results.

Members of the Audit Committee were informed about the progress of the work connected with the audit of the financial statements.

Other information

The Supervisory Board of CIECH S.A., by means of Resolution No. 68/IX/2016 of 10 March 2016, appointed Mr Mariusz Nowak to the Audit Committee of the Supervisory Board of CIECH S.A.

The above decision was taken in relation to the resignation of Mr Wojciech Stramski from membership in the Supervisory Board of CIECH S.A.

The Audit Committee, during its meeting on 17 March 2016, appointed Mr Mariusz Nowak the Chairman of the Audit Committee of the Supervisory Board of CIECH S.A.

As of 30 March 2016, the composition of the Supervisory Board was as follows:

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

INFORMATION CONCERNING THE ACTIVITY OF THE REMUNERATION COMMITTEE OF THE SUPERVISORY BOARD OF CIECH S.A. IN 2015

The scope of this report covers:

- information concerning the composition and tasks of the Remuneration Committee of the Supervisory Board of CIECH S.A. in 2015,
- discussion of the activity of the remuneration committee in 2015.

INFORMATION CONCERNING THE COMPOSITION AND TASKS OF THE REMUNERATION COMMITTEE

The first Remuneration Committee of the Supervisory Board of CIECH S.A. was appointed by means of Resolution No. 66/IV/2005 of the Supervisory Board of CIECH S.A. of 16 March 2005.

Throughout 2015, the composition of the Remuneration Committee was as follows:

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

According to the Regulations of the Remuneration Committee (adopted by means of Resolution No. 66/IV/2005 of the Supervisory Board of CIECH S.A. of 16 March 2005), the main task of the Committee is to provide advice to the Supervisory Board in matters concerning determination of the rules and value of the remuneration of members of the Management Board of CIECH S.A., including, in particular:

- 1) presentation of proposals to the Supervisory Board regarding the rules of remuneration of members of the Management Board of CIECH S.A., which should take into account all forms of remuneration, in particular with regard to: fixed remuneration, performance-based system of remuneration, pension and severance pay system,
- 2) presentation of proposals to the Supervisory Board regarding the value of remuneration of each of the members of the Management Board of CIECH S.A.,
- 3) presentation of draft agreements to the Supervisory Board regulating the the fulfilment of duties by members of the Management Board of CIECH S.A.,
- 4) discussion (with or without participation of the Management Board of the Company) of any problems or objections which may arise in connection with remuneration of members of the Management Board of CIECH S.A.,
- 5) consideration of any other issues pointed out by the Committee or the Supervisory Board,
- 6) notification of the Supervisory Board of any significant issues in the general context of operation of the Committee.

DISCUSSION OF THE ACTIVITY OF THE REMUNERATION COMMITTEE

In 2015, the main topics of the work of the Committee covered issues connected with:

- 1) development of recommendations for the Supervisory Board concerning the rules and conditions of remuneration of the President of the Management Board of CIECH S.A.;
- 2) development of recommendations for the Supervisory Board concerning the rules and conditions of remuneration of Members of the Management Board of CIECH S.A.

ASSESSMENT OF THE REPORT ON THE ACTIVITY OF CIECH S.A. IN 2015 AND THE UNIT FINANCIAL STATEMENT OF CIECH S.A. FOR 2015 WITH REGARD TO THEIR CORRESPONDENCE TO THE BOOKS AND DOCUMENTS, AS WELL AS THE ACTUAL STATE OF AFFAIRS, AND ASSESSMENT OF THE MOTION OF THE MANAGEMENT BOARD OF CIECH S.A. CONCERNING THE ALLOCATION OF THE NET PROFIT OF THE COMPANY FOR 2015

According to Art. 382 § 3 of the Commercial Companies Code and § 21 section 2 point 1) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. performed the assessment of the report on the activity of the Company for 2015 and the Unit Financial Statement of CIECH S.A. for 2015 with regard to their correspondence to the books and documents, as well as the actual state of affairs, and the motion of the Management Board of CIECH S.A. concerning the distribution of the net profit of CIECH S.A. for 2015.

ASSESSMENT OF THE UNIT FINANCIAL STATEMENT OF THE COMPANY FOR 2015

According to Resolution No. 28/IX/2015 of 26 May 2015, the audit of the Financial Statement of CIECH S.A. for the financial year 2015 was conducted by PricewaterhouseCoopers Sp. z o.o. (hereinafter also referred to as “the chartered accountant”).

The representatives of the chartered accountant participated in the meetings of the Supervisory Board and co-operated with the Audit Committee of the Supervisory Board on an on-going basis.

The Supervisory Board reviewed the opinion and report of the chartered accountant.

In the opinion of the chartered accountant, the Unit Financial Statement of CIECH S.A. presents, in a reliable and clear manner, the property and financial situation of the Company as of 31 December 2015, the financial result and cash flow for the financial year ending on that date, and it was prepared, in all relevant aspects, according to International Financial Reporting Standards, complies with the provisions of law and provisions of the Articles of Association of the Company affecting the text of the unit financial statement, and was prepared on the basis of accounting books which are duly kept in all relevant aspects.

On 17 March 2016, the Audit Committee recommended to the Supervisory Board to grant a positive opinion to the Unit Financial Statement of CIECH S.A. for the financial year 2015.

The Supervisory Board of CIECH S.A. decided that the aforementioned statement meets the requirements imposed by the Law of 29 September 1994 on Accountancy (Journal of Laws of 2009, No. 152, item 1223, as amended), and, during the meeting held on 30 March 2016, it performed the assessment of the statement and recommended to Ordinary (Annual) Shareholders’ Meeting to approve the same.

ASSESSMENT OF THE REPORT ON THE ACTIVITY OF THE COMPANY IN 2015

The Supervisory Board reviewed the report on the activity of CIECH S.A. in 2015, including an opinion of a chartered accountant.

With regard to the report on the activity of CIECH S.A. in 2015, the chartered accountant stated that it takes into account, in all relevant aspects, the information referred to in Art. 49 of the Law on Accountancy and the Regulation of the Minister of Finance of 19 February 2009 regarding current and periodic information delivered by issuers of securities and on conditions of recognition of information required under non-member state law regulations as equivalent (Journal of Laws of 2009, No. 33, item 259, as amended), and it is consistent with the information contained in the unit financial statement.

On 17 March 2016, the Audit Committee of the Supervisory Board of CIECH S.A. recommended to the Supervisory Board to give a positive opinion to the Ordinary (Annual) Shareholders' Meeting of CIECH S.A. regarding the approval of the aforementioned report.

The Supervisory Board of CIECH S.A. decided that the report on the activity of CIECH S.A. for 2015 meets the requirements imposed by the Law of 29 September 1994 on Accountancy (Journal of Laws of 2009, No. 152, item 1223, as amended), and that it is complete, as defined in Art. 49 section 2 of the Law on Accountancy and the Regulation of the Minister of Finance of 19 February 2009 regarding current and periodic information delivered by issuers of securities and on conditions of recognition of information required under non-member state law regulations as equivalent, and that the information contained therein, originating from the audited financial statement, is consistent therewith. The Supervisory Board, during the meeting held on 30 March 2016, it performed the assessment of the statement and recommended to Ordinary (Annual) Shareholders' Meeting to approve the same.

MOTION OF THE MANAGEMENT BOARD OF CIECH S.A. REGARDING DISTRIBUTION OF NET PROFIT OF CIECH S.A. FOR 2015

The Supervisory Board of CIECH S.A., upon reviewing the proposal submitted by the Management Board of the Company regarding the allocation of the whole net profit of CIECH S.A., generated by the Company in 2015, to the value of PLN 331,578,548.92 (say: three hundred thirty-one million five hundred seventy-eight thousand five hundred forty-eight and 92/100) for the supplementary capital, and upon the performance of a financial analysis of the Company, recommended the Shareholders' Meeting of CIECH S.A. to allocate the whole net profit for 2015 for the supplementary capital of the Company.

ASSESSMENT OF THE REPORT ON THE ACTIVITY OF THE CIECH GROUP FOR YEAR 2015 AND CONSOLIDATED FINANCIAL STATEMENT OF THE CIECH GROUP FOR FINANCIAL YEAR 2015

According to Art. 382 § 3, in conjunction with Art. 395 § 5 of the Commercial Companies Code and § 21 section 2 point 1) of the Articles of Association of CIECH S.A., the Supervisory Board of CIECH S.A. performed the assessment of the report on the activity of the CIECH Group for 2015 and the Consolidated Financial Statement of the CIECH Group for 2015 with regard to their correspondence to the books and documents, as well as the actual state of affairs.

1. ASSESSMENT OF THE CONSOLIDATED FINANCIAL STATEMENT OF THE CIECH GROUP FOR 2015

According to Resolution No. 28/IX/2015 of 26 May 2015, the audit of the Consolidated Financial Statement of the CIECH Group for the 2015 was conducted by PricewaterhouseCoopers Sp. z o.o., with a registered office in Warsaw.

The Supervisory Board reviewed the opinion and report of the chartered accountant. In the opinion of the chartered accountant, the audited Consolidated Financial Statement of the CIECH Group for 2015 presents, in a reliable and clear manner, the property and financial situation of the CIECH Group as of 31 December 2015, the financial result and cash flow for the financial year ending on that date, and it was prepared, in all relevant aspects, according to International Financial Reporting Standards, complies with the provisions of law affecting the

text of the consolidated financial statement and binding the CIECH Group.

On 17 March 2016, the Audit Committee of the Supervisory Board of CIECH S.A. granted a positive assessment to the Consolidated Financial Statement of the CIECH Group for the financial year 2015 and recommended to the Supervisory Board to grant a positive opinion to it.

The Supervisory Board decided that the aforementioned statement meets the requirements imposed by the Law of 29 September 1994 on Accountancy (Journal of Laws of 2009, No. 152, item 1223, as amended), and, during the meeting held on 30 March 2016, it performed the assessment of the statement and recommended to Ordinary (Annual) Shareholders' Meeting to approve the same.

2. ASSESSMENT OF THE REPORT ON THE ACTIVITY OF THE CIECH GROUP IN 2015

The Supervisory Board reviewed the report on the activity of the CIECH Group in 2015, including an opinion of a chartered accountant.

With regard to the report on the activity of the CIECH Group in 2015, the chartered accountant stated that it takes into account, in all relevant aspects, the information referred to in Art. 49 of the Law on Accountancy and the Regulation of the Minister of Finance of 19 February 2009 regarding current and periodic information delivered by issuers of securities and on conditions of recognition of information required under non-member state law regulations as equivalent (Journal of Laws of 2009, No. 33, item 259, as amended), and it is consistent with the information contained in the consolidated financial statement.

On 17 March 2016, the Audit Committee of the Supervisory Board of CIECH S.A. recommended to the Supervisory Board to grant a positive opinion regarding the report on the activity of the CIECH Group in 2015.

The Supervisory Board decided that the report on the activity of the CIECH Group for 2015 meets the requirements imposed by the Law of 29 September 1994 on Accountancy (Journal of Laws of 2009, No. 152, item 1223, as amended), and, during the meeting held on 30 March 2016, it performed the assessment of the statement and recommended to Ordinary (Annual) Shareholders' Meeting to approve the same.

ASSESSMENT OF THE SITUATION OF CIECH S.A. IN 2015, PERFORMED BY THE SUPERVISORY BOARD OF CIECH S.A. TAKING INTO ACCOUNT THE SYSTEM OF INTERNAL CONTROL AND THE SYSTEM OF MANAGEMENT OF THE RISK RELEVANT FOR THE COMPANY

The Supervisory Board of CIECH S.A. submits to the Ordinary (Annual) Shareholders' Meeting of CIECH S.A. a brief assessment of the situation of the Company in 2015, taking into account the assessment of the internal control system and the system of management of the risk relevant for the Company.

1. ASSESSMENT OF THE SITUATION OF THE COMPANY IN 2015

In 2015, CIECH S.A. reached a positive net profit to the value of PLN 331,578 thousand, the

balance sheet sum amounted to PLN 3,227,761 thousand, and the level of cash showed an increase by the amount of PLN 164,587 thousand. Net profitability of sale amounted to 16.3%. Both internal and external factors contributed to such net profit in 2015. Key internal factors included an increase in selling prices, growth in the volumes of sale and an improvement of profitability of export as a result of the weakening of PLN against USD and EUR. Another factor which had a positive effect on the achieved result was dissolution of write-offs establishing net present value, created in the preceding years with regard to the shares in the SDC GmbH company. The positive result was partially levelled by the creation of write-offs establishing the net present value due to loss of value of assets and increased costs connected with early redemption of issued corporate bonds. Key external factors included an improvement in the market situation in the chemical industry, economic recovery in the European Union, growth in sales in the domestic construction-assembly sector.

In 2015, revenues from sale of CIECH S.A. amounted to PLN 2,038,491 thousand and they were higher (by 23.1%) in comparison with 2014. The main reasons for such growth included significant increases in prices introduced by the Company, growth in the volumes of sale and an improvement of profitability of export as a result of the weakening of PLN against USD and EUR.

In 2015, the gross profit from sale amounted to PLN 446,404 thousand, and during the corresponding period of the previous year, to PLN 347,668 thousand. Meanwhile, profit on operating activity in 2015 was at the level of PLN 315,225 thousand and PLN 132,126 thousand for the comparative period. EBIT profitability amounted to 15.5% at the end of 2015 (in the preceding year - 8%), and EBITDA profitability to 15.7% (a year before - 8.4%).

As of 31 December 2015, the equity capital was equal to PLN 1,297,223 thousand, which means a level of the equity capital higher by PLN 335,365 thousand in comparison with the level as of the end of 2014. The growth in the level of capital was mainly caused by generation of net profit to the value of PLN 331,578 thousand. Amounts payable (both short- and long-term) of CIECH S.A. were, as of 31 December 2015, equal to PLN 1,930,538 thousand, which means an increase in the level of amounts payable by PLN 318,413 thousand in comparison with the level from the previous year. This increase resulted mainly from the growth in amounts payable under credits, loans and other debt instruments.

The net debt of CIECH S.A. counted as a sum of long- and short-term amounts payable under credits, loans and other debt instruments (bonds + financial leasing + amounts payable under valuation of security instruments) decreased by the level of cash and cash equivalents, amounted, as of 31 December 2015, to PLN 1,489,166 thousand and increased in comparison with the level as of the end of December 2014, by PLN 222,474 thousand.

Cash flow from operating activity in 2015 decreased in comparison with the corresponding period, by PLN 3,044 thousand and amounted to PLN 56,987 thousand.

In 2015, a surplus of investment expenditure over proceeds amounted to PLN 186,185 thousand. Under this activity, the Company incurred investment expenditure mainly in connection with the granting of loans to subsidiaries (CIECH Cerium Sp. z o.o. SK, CIECH Soda Polska S.A., CIECH Sarzyna S.A., CIECH Soda Deutschland GmbH), acquisition of shares in CIECH Soda Romania and an increase of the capital of CIECH R&D Sp. z o.o.

The main source of proceeds was repayment of loans by subsidiaries (CIECH Cerium Sp. z o.o.

SK, CIECH Sarzyna S.A. i CIECH Soda Polska S.A.), obtained dividends (mainly głównie CIECH Soda Polska S.A., CIECH Sarzyna S.A., SDC GmbH) and sale of rights and obligations in CIECH Cerium Sp. z o.o. SK.

The balance of cash flow from financial activity was positive and it amounted to PLN 293,785 thousand. The main items of expenditure included expenses on: redemption of debt securities. Proceeds items cover the amounts of incurred credits and proceeds from cash pooling.

Liquidity indicators as of the end of 2015 were significantly improved in comparison with the corresponding period.

2. ASSESSMENT OF THE INTERNAL CONTROL SYSTEM

The control system in the CIECH Group consists of:

- institutional control - implemented by the Control and Audit Office of CIECH S.A.,
- operational-functional control implemented on an on-going basis by employees of all organizational units by compliance with procedures, regulations and other internal provisions at all stages of the business activity, in the form of initial, on-going and post-executive (verification) control.

In 2015, the Control and Audit Office, acting pursuant to the Organizational Regulations of CIECH S.A., conducted, on the basis of the adopted Control and Audit Plan, a number of audits and controls, both at CIECH S.A. and at the companies of the CIECH Group. The Office also conducted ad hoc audits and controls at the order of the Management Board of CIECH S.A.

Reports on audits and controls, including conclusions, are presented on an on-going basis to the Management Board of CIECH S.A. and to the relevant organizational units, and their implementation is monitored.

Both the audit and control plan and information about its implementation and results are presented and discussed during meetings of the Audit Committee of the Supervisory Board of CIECH S.A. Under the annual system of internal control and risk management, feedback is presented at the meeting of the Supervisory Board.

CIECH S.A. has a system of internal control in place which covers the relevant areas of operation throughout the CIECH Group, which is adapted to the organizational structure of the Group and which also extends to subsidiaries. However, it requires continuous improvement by regular audits and controls of the areas identified as most vulnerable to various types of irregularities.

3. ASSESSMENT OF THE SYSTEM OF MANAGEMENT OF THE RISK SIGNIFICANT FOR THE COMPANY

In the CIECH Group, the process of risk management is implemented at all levels of strategic and operational management. Implementation of tasks in this area is conducted on an on-going basis by organizational units forming a part of the Group, co-ordinated by the Plenipotentiary of the Management Board of CIECH S.A. for the Integrated System of Quality and Information Security Management. A number of instructions, procedures and internal regulations forms the basis for effective operation of a complex system of information security management,

management of the business continuity and management of the financial risk.

At the strategic level, on-going monitoring and assessment of risks connected with the activity are performed by the Management Board of CIECH S.A.

At the operating level, tasks are implemented by a number of organizational units. The main areas of activities include:

- Protection of information security;
- Ensuring security in the area of business continuation;
- Financial risk management.

4. PROTECTION OF INFORMATION SECURITY

The supervision of information security constitutes the responsibility of the Plenipotentiary for the Integrated System of Quality and Information Security Management, appointed by the Management Board of CIECH S.A. Tasks are implemented in the areas of organizational, legal, physical, personal and ICT security. The risk management plan regulates the issues of procedures and security measures.

5. ENSURING SECURITY IN THE AREA OF BUSINESS CONTINUATION

In the area of ensuring security in the field of business continuity, analysis and monitoring extend to factors affecting business continuity, strategies of business continuity, business continuity maintenance plans, compliance with regulations and emergency plans. Co-ordination is provided by the Plenipotentiary for the Integrated System of Quality and Information Security Management.

6. FINANCIAL RISK MANAGEMENT

The method of financial risk management is defined in the Financial Risk Management Policy and the Strategy of Financial Security for the CIECH Group, adopted by the Supervisory Board, which describes and adopts procedures and division of tasks in the area of exchange risk management, interest rates risk and risk of CO2 emission certificate prices.

The Supervisory Board of CIECH S.A., during its meeting held on 30 March 2016, approved the new Financial Risk Management Policy and the new Strategy of Financial Security for the CIECH Group.

The risk management system of the CIECH Group provides for effective management of risks in the course of the conducted business activity. However, taking into account the dynamics of global economic processes and emergence of new risk areas requiring identification and reaction, this system should be developed and improved in the next years.

In the opinion of the Supervisory Board, the internal control activities of the Company are adapted to the volume and profile of risk connected with the business activity conducted by the Companies. At the same time, the management of risk relevant for the Company is carried out in an adequate manner, but an improvement of methods of risk management should be put in place and should constitute an on-going process.

In view of the foregoing, the Supervisory Board grants a positive opinion to the potential of the CIECH SA Company, which has sufficient resources to implement the planned changes of the business activity model which will endure long-term development of the Company and its whole Capital Group.

RECOMMENDATIONS FOR THE ORDINARY (ANNUAL) SHAREHOLDERS' MEETING OF CIECH S.A.

The assessment conducted by the Supervisory Board of the Unit Financial Statement of CIECH S.A. for 2015 and the report on the activity of the Company for 2015, provided for the formulation of the conclusion that the information contained in those documents is consistent with the books and documents, as well as with the actual state of affairs, and their contents is consistent.

The report on the activity of the Company in 2015 presents, in a reliable and clear manner, all the relevant elements of the activity of the Company and all the information significant for the assessment of its property and financial situation.

The Supervisory Board of CIECH S.A., upon reviewing the text of the presented Consolidated Financial Statement of the CIECH Group for 2015 and the report on the activity of the CIECH Group for 2015, decided that those statements are consistent, they correspond to the books and documents available to the Supervisory Board of CIECH S.A. within the scope of its competence and they present all the relevant aspects of the business activity of the CIECH Group according to the actual state of affairs.

The Supervisory Board of CIECH S.A., upon the conducted analysis and taking into account the recommendation of the Audit Committee, granted a positive opinion to the motion of the Management Board of CIECH S.A. concerning the proposal of allocation of the whole net profit generated by the Company to the value of PLN 331,578,548.92 (say: three hundred thirty-one million five hundred seventy-eight thousand five hundred forty-eight and) for the supplementary capital of the Company.

Taking the foregoing into account, the Supervisory Board of CIECH S.A. recommends the Ordinary (Annual) Shareholders' Meeting of CIECH S.A. to approve:

- 1) The Unit Financial Statement of CIECH S.A. for financial year 2015,
- 2) The Report on the Activity of the Company in 2015,
- 3) The Consolidated Financial Statement of the CIECH Group for 2015,
- 4) The Report on the Activity of the CIECH Group in 2015.

Moreover, the Supervisory Board applies for the adoption by the Ordinary (Annual) Shareholders' Meeting of CIECH S.A. of a resolution on the allocation of the whole net profit for 2015 for the supplementary capital of the Company. In addition, the Supervisory Board of CIECH S.A. recommends the Ordinary (Annual) Shareholders' Meeting of CIECH S.A. to grant acknowledgement for the fulfilment of their duties to the following Members of the Management Board of CIECH S.A. serving their duties in the financial year 2015:

- 1) Mr Dariusz Krawczyk for the fulfilment of his duties of the President of the Management Board in the period from 1 January 2015 to 22 July 2015,
- 2) Mr Artur Osuchowski for the fulfilment of his duties of the Member of the Management

- Board in the period from 1 January 2015 to 31 December 2015,
- 3) Mr Maciej Tybura for the fulfilment of his duties of the Member of the Management Board in the period from 1 January 2015 to 22 July 2015 and the duties of the President of the Management Board in the period from 22 July 2015 to 31 December 2015,
 - 4) Mr Artur Król for the fulfilment of his duties of the Member of the Management Board in the period from 26 October 2015 to 31 December 2015.