



**Statement of
applying corporate governance
in Qumak S.A. in 2016**

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STATEMENT OF APPLYING CORPORATE GOVERNANCE RULES IN QUMAK S.A. IN 2016

This statement is prepared in accordance with the Regulation of the Minister of Finance of 19 February 2009 concerning current and periodic information published by the issuers of securities and conditions to consider as equivalent information required in the regulations of law of non-member states.

I. Indicating corporate governance rules applied in Qumak S.A.

In 2016 Qumak S.A. adopted for applying and complied with the corporate governance rules contained in the "Good Practices of WSE Listed Companies" introduced by a Resolution No 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange S.A. of 13 October 2015. Content of this set of rules is available at the WSE website www.corp-gov.gpw.pl and at the Company's website www.qumak.pl.

On 4 January 2016 under the § 29 item 3 of the Warsaw stock Exchange Rules, Qumak S.A. published a report on applying the detailed rules included in the document "Good practices of WSE Listed Companies 2016" which is available at the website <http://www.qumak.pl/relacje-inwestorskie/spolka/dokumenty-i-lad-korporacyjny/>.

The Company publishes on its website also information on applying rules and recommendation included in the document "Good practices of WSE Listed Companies 2016", link <http://www.qumak.pl/relacje-inwestorskie/spolka/dokumenty-i-lad-korporacyjny/>.

II. Waiver from provisions of set of corporate governance rules

We undertake all the effort in order to comply in the Company's every day operations with the corporate governance rules described in the "Good practices of WSE Listed Companies 2016", implementing recommendations and guidelines directed to management boards, supervisory boards and shareholders, ensuring in this way the greatest transparency of the Company.

In 2016 the Company applied all recommendations included in the document "Good practices of WSE Listed Companies 2016" and majority of rules, excluding rules described below, which were not applied permanently or temporarily and which did not find any practical application:

I.Z.1.10

Company has its website and publishes there in a readable form and in the place, especially provided for this purpose, information that is required under the regulations of law: financial prognoses – of the company decided to publish them – published within the period of at least 5 years together with information on a degree of their realization.

This rule is not applicable to the Company: the Company decided not to publish prognoses.

I.Z.2

Company whose shares are qualified to the exchange-traded weather index WIG20 or WIG40 ensures availability of its website also in English language, at least in the scope indicated in the rule I.Z.1. This rule should be applied also by companies which are not part of the above-mentioned indexes, if their shareholding structure or the type and scope of conducted business activity suggest so.

This rule is not applicable to the Company: the Company is not qualified to the exchange-traded weather index WIG20 or WIG40. The Company conducts its activity on a domestic market; also shareholding structure of the Company does not indicate the necessity to publish full content in English language. The Company, however, ensures English language version of all Investor Relations content.

III.Z.6

If in a company there is no separate function of an internal audit, audit committee (or supervisory board if it fulfils the function of an audit committee) every year it performs evaluation whether there is a need to create such a function.

This rule is not applicable to the Company: the Company has a unit fulfilling a function of an internal audit.

IV.R.2

If it is justified because of the shareholding structure or such expectation is provided to a company by shareholders, if a company is able to ensure technical infrastructure necessary for an effective course of a general meeting with the use of electronic means of communication, such company should provide shareholders with a possibility to participate in a general meeting with the use of such electronic means of communication, especially through:

- 1) Transmission from a general meeting in real time;*
- 2) Two-way communication in real time, in which shareholders can speak out during the course of a general meeting while being outside the place where a general meeting is held;*
- 3) Exercise personally or by proxy voting rights during a general meeting.*

This rule is not applicable to the Company: the Company does not ensure transmitting a general meeting in real time, which is related to shareholding structure and with a lack of such expectations from shareholders. In the structure there are domestic entities in majority, such as investment and pension funds with their registered office in Warsaw where general meetings of the Company take place. The Company publishes recorded course of its general meetings on its website in the section General Meeting, immediately after they take place.

IV.R.3

Company's aim is in a situation when securities issued by a company are traded in different countries (or at different markets) and within the frames of different legal systems, the

realization of corporate events related to a shareholder acquiring rights took place at the same time in every country in which they are quoted.

This rule is not applicable to the Company: the issues shares quoted only on the Warsaw Stock Exchange.

IV.Z.2.

Is it is justified because of a shareholding structure of a company, such company ensures public availability of a transmission from a general meeting in real time.

This rule is not applicable to the Company: the Company does not ensure transmitting a general meeting in real time, which is related to shareholding structure and to the lack of such expectations from shareholders. In the structure there are domestic entities in majority, such as investment and pension funds with their registered offices in Warsaw where general meetings of the Company take place. The Company publishes recorded course of its general meetings on its website in the section General Meeting, immediately after they take place.

V.Z.6.

Company sets in its internal regulations the criteria and circumstances in which in a company can take place a conflict of interest, as well as rules for actions to be undertaken in case of a conflict of interest or a possibility of its occurrence. Internal regulations of a company cover among others ways 4.01.2016 Serwis Zamknięte GPW 4/5 of prevention, identification and resolving conflict of interest, as well as rules for excluding a member of a managing board or a supervisory board from participating in resolving an issue covered or threatened by a conflict of interest.

This rule is not applicable to the Company: at present the Company does not have in its internal regulations the described criteria identifying occurrence of conflict of interest and procedures for actions in such circumstances. The Company in this scope applies general regulations of law. There are, however, conducted activities on implementing relevant provisions to rules of the Management Board and the Supervisory Board.

VI.Z.2.

In order to relate salary of members of management board and key managers with long-term business and financial aims of a company, a period between granting as a part of an incentive program of option or other instruments within the scope of shares of a company and the possibility of their realization, should be at least 2 years.

This rule is not applicable to the Company: in the Company there is no incentive program based on option or in any other way related to shares of the Company.

III. *Description of general meeting and its fundamental powers, as well as rights of shareholders and the way of their exercising*

General Meeting is convened by a Management Board within a period of six months after the end of every business year. In each case, the Board makes efforts to convene such a meeting within the

shortest possible time since the annual report publication date. Extraordinary General Meeting is convened by a Management Board upon its own initiative or on demand of shareholders representing at least one twentieth of the Company's share capital. General Meeting can also be convened by a Supervisory Board when a Management Board does not convene it in a term required under the rules for a General Meeting; or when a Supervisory Board deems it necessary. General Meeting of Qumak S.A., pursuant to the Articles of Association, is held in Warsaw, and the body convening a General Meeting is obliged to determine its location and time to facilitate the participation of the widest group of shareholders in the meeting. Immediately after the end of a General Meeting, the recorded course of such a Meeting is published on the Company's website.

Shareholders may participate in a General Meeting in person or by proxy.

All shares of the Company are bearer shares that give right to one vote at a General Meeting.

The floor can be given only in matters included on an adopted agenda and discussed at the time. Each shareholder has the right to ask questions in all matters covered by an adopted agenda. Each shareholder has the right to make a proposal of changes or additions to drafts of resolutions included in a meeting's agenda until the end of discussion on this particular point of a meeting's agenda. At least one Member of a Management Board/ Supervisory Board is always present at a General Meeting, so that he/she can ensure a substantial response to questions asked by present shareholders.

Resolutions of a General Meeting are adopted with the absolute majority of votes, unless the Articles of Association or provisions of the Code of Commercial Companies state otherwise.

General Meeting resolutions are required in the following cases:

- Considering and approving a Management Board's report on the Company's activity and financial statements of the Company for a previous year, granting acknowledgment of fulfillment of duties as members of the Company's bodies, allocation of profit or covering loss;
- Any resolutions concerning claims for compensation due to damage made during the Company's formation or its management or supervision;
- Selling and leasing of an enterprise or its part or its organized part and establishing a right of use;
- Buy and sale of real estate, perpetual usufruct right or shares in real estate;
- Convertible securities issue;
- Supervisory Board members appointing or dismissal;
- Share capital increase or decrease;
- Other issues set forth in the Commercial Companies Code.

Detailed rules concerning the way of convening a General Meeting, its entitlements and participation forms in a meeting, meeting's agenda, are included in the General Meeting Rules.

Rights of shareholders

Right to participate in a General Meeting and right to vote

Pursuant to Article 412 § 1 of the Commercial Companies Code, shareholders can participate in a General Meeting and execute voting rights deriving from registered shares, in person or by proxy. Every share shall give the right to one vote at a General Meeting.

Pursuant to Article 4061 § 1 of the Commercial Companies Code, entitled to participate in a General Meeting are persons who are Company's shareholders at least 16 days before the date of a General Meeting, i.e. during the registration day to participate in a General Meeting.

Right to demand convening Extraordinary General Meeting or including particular matters in agenda of a next General Meeting

Pursuant to Article 400 § 1 of the Commercial Companies Code, a shareholder or shareholders holding at least on twentieth of the Issuer's share capital can demand convening a Company's Extraordinary General Meeting, as well as including certain matters on agenda of a next General Meeting. The Company's Articles of Association do not provide different resolutions on this matter.

Right to take an action to repeal a General Meeting resolution

In case when a resolution is contradictory with the Company's Articles of Association or good practices and negatively influences the Company's business or is intended to harm a shareholder, pursuant to Article 422 § 1 of the Commercial Companies Code, a shareholder can bring a lawsuit against the Company to repeal a General Meeting's resolution. To bring a lawsuit is entitled:

- Shareholder who voted against the General Meeting's resolution and after its adoption demanded to register his/her objection in the meetings minutes;
- Shareholder unreasonably not admitted to participate in a General Meeting;
- Shareholder who did not participate in a General Meeting, however, only in case when the General Meeting was not convened properly or in case of adoption of a resolution upon a matter not included in the General Meeting's agenda.

Pursuant to Article 424 § 2 of the Commercial Companies Code, a legal action to repeal a General Meeting's resolution should be undertaken not later than a month after a shareholder received a notice on adopting a resolution, but not later than three months after adopting a resolution by a General Meeting.

Right of a shareholder to take an action to conclude invalidity of a General Meeting resolution

Shareholders entitled to take an action to conclude the invalidity of a General Meeting's resolution, can also pursuant to Article 425 § 1 of the Commercial Companies Code take an action against the Company to conclude a nullity of a General Meeting's resolution that is against the law. Such an action should be instigated up to thirty days after the General Meeting's resolution publication, but not later than a year after the General Meeting's resolution adoption.

Right to demand election of a Supervisory Board of the Company by voting in separate groups

Pursuant to Article 385 § 3 of the Commercial Companies Code, on request of shareholders representing at least one fifth of share capital of the Company, a Supervisory Board should be elected by way of voting in separate groups, even if the Articles of Association provide for a different way of appointing a Supervisory Board. Shareholders representing at a General Meeting this part of shares that derives from division of a total number of shares represented at a General Meeting by number of members of a Supervisory Board, can create a separate group in order to elect one member of a Supervisory Board, however they do not participate in electing the other members of a Supervisory Board. The mandates for a Supervisory Board not filled by an appropriate group of shareholders created pursuant to rules stated above shall be filled by way of voting in which take part all the shareholders of the Company who have not cast their vote while electing members of a Supervisory Board being elected by separate groups voting.

Right to demand performing an audit by a certified auditor of a particular matter related with establishing a public company or conducting its operations (auditor for special cases)

Resolution concerning this matter is adopted by a General Meeting on request of a shareholder or shareholders representing at least 5% of total number of votes at the Company's General Meeting (Article 84 of the Public Offering Act). If a General Meeting dismisses such request for designating a certified auditor for special cases, claimants can bring the case to the Registry Court within 14 days from adopting a resolution to appoint such an auditor.

Right to demand providing information on the Company by the Company's Management Board

Pursuant to Article 428 § 1 of the Commercial Companies Code, a shareholder can bring up during the course of a General Meeting a demand for a Management Board to provide information concerning the Company, if providing such information by the Management Board is relevant in order to assess an issue included in a General Meeting's agenda. Management Board is obliged to provide the information requested by a shareholder, however, pursuant to Article 428 § 2 of the Commercial Companies Code, the Management Board in certain circumstances should refuse providing such information. What is more, pursuant to Article 428 § 5 of the Commercial Companies Code, in justified circumstances the Management Board can provide the information requested by a shareholder of the Company in writing, not later than two weeks after the day of bringing up such demand during a General Meeting.

Right to request copies of the Management Board's report on the Company's activity and financial statements including a copy of the Supervisory Board's report and a certified auditor's opinion, not later than 15 days before a General Meeting (Article 395 § 4 of the Commercial Companies Code).

Right to view in the Management Board's office a list of shareholders entitled to participate in a General Meeting and request a copy of such a list with cost return for its preparation, as well as sending such a list free of charge via an electronic mail (Article 407 § 1 and § 11 of the Commercial Companies Code).

Right to demand verification of an attendance list of shareholders present at a General Meeting

Pursuant to Article 410 § 1 of the Commercial Companies Code, immediately after electing a chairman of a General Meeting, an attendance list should be drawn up containing the General Meeting's participants including a number of the Company's shares held by each participant and a corresponding number of votes. Chairman is obligated to sign such a list and make it available during the course of a General Meeting.

Pursuant to Article 410 § 2, on shareholders' request having 10% of share capital represented at this General Meeting, an attendance list should be verified by an elected for this purpose committee.

Right to demand copies of requests concerning matters on a General Meeting's agenda

Pursuant to Article 407 § 2 of the Commercial Companies Code, each shareholder has the right to demand a copy of applications concerning matters included in the agenda of a next General Shareholders' Meeting. Such demand should be submitted to the Management Board of the Company.

Right to view a minutes book and demand signed by a Management Board copies of resolutions (Article 421 § 2 of the Commercial Companies Code).

Right to take a legal action to mend damages caused to the Company

Pursuant to Article 486 and 487 of the Commercial Companies Code, if the Company does not take a legal action against an entity that caused damages to the Company within a year from the date of revealing an action that caused the damages, a shareholder has the right to take such a legal action.

Right to view documents and demand in the Company's premises free of charge copies of the documents, enumerated in Article 505 § 1 of the Commercial Companies Code (in case of a merger of companies), in Article 540 § 1 of the Commercial Companies Code (in case of dividing a company), and in Article 561 § 1 of the Commercial Companies Code (in case of a transformation of a company).

Right to view the Share Register and demand an excerpt with cost return for its preparation (Article 341 § 7 of the Commercial Companies Code).

Right to share the Company's profit, including the right to dividend

The Company's shareholders, pursuant to Article 347 § 1 of the Commercial Companies Code, have the right to share the Company's profit pointed in the Company's financial statements, audited by a certified auditor, which has been allocated by a General Meeting to be paid to shareholders. Profit allocated to be paid to the Company's shareholders is calculated on the basis of a number of shares held by a given shareholder on the dividend day that was set by a General Meeting. Pursuant to Article 348 § 3 of the Commercial Companies Code, the dividend day can be set at the day of adopting a resolution on its payment or during the next three months, counting from the day of adopting the resolution, provided there are kept the dates pointed in the regulations of the KDPW. In accordance with a set of the "Good practices of WSE Listed Companies 2016" the dividend day or a term of a dividend payment are set so that the time between these dates was up to 15 working days.

Pursuant to Article 395 of the Commercial Companies Code, an entity entitled to adopt a resolution concerning the allocation of profit (or loses coverage) and dividend payment is a General Meeting. Information concerning payment of dividend is published in the form of current reports.

The Company's Articles of Association do not include any detailed rules concerning the way to allocate a profit.

Conditions for receiving a dividend are set pursuant to the regulations of the KDPW.

Right to acquire

In case of a new issue, pursuant to Article 433 § 1 of the Commercial Companies Code, shareholders have the preferential right to acquire new shares in relation to the number of already held shares (right to acquire).

In the Company's best interest, pursuant to Article 433 § 2 of the Commercial Companies Code, after meeting certain criteria a General Meeting can deprive those who are shareholders of the Company at the time, in whole or in part of the right to acquire shares.

Right to share in assets that remained after liquidation of a joint-stock company

In case of a joint stock company liquidation the liquidation trustees should end the company's current businesses, collect their active receivables, complete the company's liabilities and liquidate the company's assets, pursuant to Article 468 § 1 of the Commercial Companies Code. Pursuant to Article 474 § 1 of the Commercial Companies Code, after satisfying or securing the company's creditors, the remaining part of the Company's assets can be shared between shareholders. Assets remaining after satisfying or securing the company's creditors, pursuant to Article 474 § 2 of the Commercial Companies Code, are shared between the company's shareholders with regard to an amount paid by each of the shareholders for the company's share capital. The amount paid for the company's share capital by a given shareholder is set on the basis of a number and value of shares held by the shareholder.

Right to transfer shares

Pursuant to Article 337 § 1 of the Commercial Companies Code, shares are transferrable. The Company's Articles of Association do not provide any limitations to transfer shares.

*IV. Membership and operational rules of the Company's managing and supervising bodies and their committees***Management Board**

In the period from 1 January to 31 May 2016 the Management Board functioned in the following membership:

Marek Tiahnybok	- acting President of the Management Board
Jacek Suchenek	- Vice President of the Management Board
Wojciech Strusiński	- Vice President of the Management Board

In the period from 1 June to 22 November 2016 the Management Board functioned in the following membership:

Tomasz Laudy	- President of the Management Board (appointed on 4 April, effective on 1 June 2016)
Jacek Suchenek	- Vice President of the Management Board
Wojciech Strusiński	- Vice President of the Management Board
Marek Tiahnybok	- Vice President of the Management Board (dismissed on 22 November 2016, effective on the day of adopting the resolution)

In the period from 22 November to 31 December 2016 the Management Board functioned in the following membership:

Tomasz Laudy	- President of the Management Board
Jacek Suchenek	- Vice President of the Management Board
Wojciech Strusiński	- Vice President of the Management Board

On 31 January 2017 Jacek Suchenek submitted his resignation from fulfilling the function in the

Management Board of the Company.

On 8 February 2017 the Supervisory Board adopted a resolution appointing Włodzimierz Kawecki to the membership of the Management Board entrusting him with fulfilling the function of a Vice President of the Management Board. He undertook this function in the Company's Management Board starting from 10 February 2017.

Detailed tasks of the Company's Management Board are set forth in the Articles of Association of the Company and the Management Board Rules, which are adopted by the Management Board and validated by the Supervisory Board.

Management Board of the Company is responsible for overall managing of the Company's operations and representing the Company in court and outside a court. To issue statements and signing on behalf of the Company are authorized two Management Board members jointly or one Management Board member jointly with a proxy. All matters related to managing the Company, not reserved by the Articles of Association or resolutions to the competences of a General Meeting or the Supervisory Board, are dedicated to be in the Management Board powers.

Management Board of the Company is responsible for managing current issues of the Company, and in particular for:

- Determining a strategy of the Company's development;
- Adopting the plans that are necessary for the Company's correct operating, dividing tasks among its members;
- Dividing tasks among the Company's employees, supervision and control over their realization;
- Adopting corporate organization rules of the Company and other rules deemed necessary for the Company's correct operating (including in particular rules of documents flow, rules for budgeting);
- Convening General Meetings and Extraordinary General Meetings under the law and the Articles of Association, as well as setting agenda for such Meetings;
- Requesting and submitting to other Boards of the Company reports, statements, opinions and other necessary documents upon cases requiring a resolution;
- Preparing the Company's current year financial statements and submitting these statements after being audited by certified auditors together with a written report on activity of the Company for a given period of time to proper bodies of the Company;
- Submitting and receiving declarations of intent on behalf of the Company;
- Granting and revoking powers of attorney;
- Granting and revoking joint commercial representation;
- Representing the Company in court and outside a court, including appearing on behalf of the Company before authorities, offices, institutions and other third parties, including entering into any agreements;
- Appointing and dismissing the Company's departments' directors;
- Managing the Company's assets on a current basis;
- Preparing the Company's annual budget;
- Implementing resolutions of a General Meeting and a Supervisory Board;
- Keeping bearer shares register and temporary certificates or outsourcing keeping a shares register to a bank or a brokerage house;
- Corporate governance in entities, of which the company is a shareholder (shares/stocks).

In case of buying shares, stocks or bonds of other legal entities as well as other form of any participation of the Company in other entities, the Management Board is obliged to undertake

decisions on the basis of an appropriate resolution, and then presenting an appropriate request to the Supervisory Board to approve of such activity.

Basic form of work of the Management Board is holding sittings and adopting resolutions (also outside sittings) regarding management of the Company's matters and performance of management. Sittings of the Management Board are usually held twice a month.

Competencies of particular Management Board's members are specified in Organizational Rules of the Company and in an appropriate Management Board's resolution.

Fulfilling a function in a Management Board is the main area of professional activity of members of the Management Board of the Company.

Supervisory Board

In the period from 1 January to 25 April 2016 the Supervisory Board functioned in the following membership:

Monika Hałupczak	– Chairman of the Supervisory Board
Wojciech Napiórkowski	– Vice Chairman of the Supervisory Board
Gwidon Skonieczny	– Member of the Supervisory Board
Wojciech Włodarczyk	- Member of the Supervisory Board
Piotr Woźniak	- Member of the Supervisory Board

On 25 April 2016 the Supervisory Board accepted a resignation submitted by Monika Hałupczak from fulfilling the function of a Chairman of the Supervisory Board. Simultaneously, the Supervisory Board of the Company appointed Gwidon Skonieczny to be a new Chairman of the Supervisory Board.

With regard to the above, from 25 April to 14 June 2016 the Supervisory Board functioned in the following membership:

Gwidon Skonieczny	– Chairman of the Supervisory Board
Wojciech Napiórkowski	– Vice Chairman of the Supervisory Board
Monika Hałupczak	– Member of the Supervisory Board
Wojciech Włodarczyk	- Member of the Supervisory Board
Piotr Woźniak	- Member of the Supervisory Board

General Meeting of 14 June 2016, within the scope of appointing members of the Supervisory Board of the new 8th term in office, appointed in a secret ballot five members of the Supervisory Board.

On 23 June 2015 the Supervisory Board was established; the Board elected a Chairman and a Vice Chairman.

With regard to the above, from 14 June to 31 December 2016 the Supervisory Board functioned in the following membership:

Gwidon Skonieczny	– Chairman of the Supervisory Board
Aleksandra Górską	– Vice Chairman of the Supervisory Board
Wojciech Napiórkowski	– Member of the Supervisory Board
Wojciech Włodarczyk	- Member of the Supervisory Board
Piotr Woźniak	- Member of the Supervisory Board

On 17 January 2017 due to a resignation from fulfilling a function of the Chairman of the Supervisory Board submitted by Gwidon Skonieczny, the Supervisory Board appointed Wojciech Włodarczyk to the Chairman of the Supervisory Board. Remaining membership of the Supervisory Board remained unchanged.

Supervisory Board elects among its members a Chairman, a Vice Chairman and if necessary a Secretary of the Supervisory Board.

The Supervisory Board acts under the Qumak S.A. Supervisory Board Rules.

The Supervisory Board exercises a constant supervision over the Company's operations, and except matters reserved by the Articles of Association and Commercial Companies Code regulations, its competencies include:

- Delegating its members to individually perform particular supervision activities;
- Defining a number of Management Board members;
- Appointing, dismissing and suspending members of the Company's Management Board;
- Delegating its member or members to temporarily perform duties of Management Board of the Company in case when individual members or the entire Management Board is suspended or dismissed, or when for other reasons the Management Board is prevented from performing its duties;
- Approving the Management Board's By-Laws;
- Approving to incur by the Company liabilities due to loans, guaranties, bank bonds, short-term bank credits, lease agreements, and long-term credits, i.e. with payment period longer than 12 (twelve) months, of the value during a year greater than the amount of PLN 3,000,000.00 (three million zloty) or 15% (fifteen percent) of the Company's net assets in accordance with the last Company's balance sheet examined by a certified auditor;
- Approving the Company's assets burdening with a value greater than the amount of PLN 3,000,000.00 (three million zloty) or 15% (fifteen percent) of the Company's net assets in accordance with the last Company's balance sheet examined by a certified auditor, in one or in few transactions made jointly during 12 (twelve) months by setting mortgage, deposit, collateral transfer of ownership or other agreements leading to similar encumbrance;
- Approving acquiring stocks, shares and bonds of other legal entities, as well as any other form of the Company's participation in other entities, if the transaction's value is greater than PLN 1,000,000.00 (million zloty);
- Approving the Company's assets sale, value of which is greater than 10% (ten percent) of the Company's net assets value, in one or in few transactions made jointly during 12 (twelve) months;
- Approving annual Company's business plans, including investments and financial plans (budget);
- Issuing opinion on agenda and terms of shareholders general meetings convened by the Management Board;
- Issuing opinion on profit allocation or appropriation, or on coverage of loss;
- Electing a certified auditor to conduct an audit of the Company's financial statements;
- Setting salary of the Management Board members.

The Supervisory Board evaluates the Management Board's requests presented to a General Meeting in order to adopt resolutions, in particular concerning:

- Changes to the Articles of Association;
- Increase or decrease of share capital;
- The Company's merger or transformation;
- The Company's dissolution or liquidation;
- Issue of bonds, including convertible bonds;

- Selling and leasing of the Company, establishing right to use or disposal of real estates of the Company;
- Approving of buying real estates and other fixed assets by the Company within the period of 12 (twelve) months at a value greater than 15% (fifteen percent) of the Company's net assets in accordance with the value pointed in the last Company's balance sheet audited by a certified auditor.

The Supervisory Board convenes a General Meeting, when:

- Management Board of the Company did not convene a General Meeting within an appropriate time;
- If deems it necessary (Extraordinary General Meeting). Agenda of such an Extraordinary General Meeting is set by the Supervisory Board.

In order to perform its duties the Supervisory Board can:

- Scrutinize every part of the company's activity;
- Demand reports and explanations from the Company's Management Board and employees;
- Perform assets revision;
- Supervise the Company's books and any other documents of the Company.

The Supervisory Board adopts resolutions with an absolute majority of votes and its resolutions are valid only in the presence of at least half of its members at a meeting. Matters not covered in agenda can be addressed only if all Supervisory Board's members are present at the meeting.

Members of the Supervisory Board can participate in adopting the Supervisory Board's resolutions by casting their vote in writing through another member of the Supervisory Board. The Supervisory Board resolutions can be adopted without having meeting, by voting in writing or by using means of remote direct communication. A resolution adopted in the abovementioned way is valid provided that all Supervisory Board members took part in such voting.

Committees operating within the Supervisory Board

Within the Supervisory Board there are:

- Audit Committee
- Remuneration Committee

Audit Committee consists of 3 members; at least one of them should meet criteria of independence and have accounting or financial auditing qualifications, as well as in accordance with the rule II.Z.8. of the "Good practices of WSE Listed Companies 2016" Chairman of the Audit Committee should meet criteria of independence. Audit Committee's members are elected among the Supervisory Board members.

Tasks of an Audit Committee include in particular:

- a) Monitoring a process of financial reporting;
- b) Monitoring the effectiveness of systems of internal control, internal audit and risk management;
- c) Monitoring performing a financial audit in the Company;
- d) Monitoring the independence of a certified auditor and an entity authorized to audit financial statements;
- e) Recommending to the Supervisory Board an entity authorized to audit financial statements to conduct an audit in a company;

f) Overview transactions with related entities.

What is more, the Audit Committee exercises control over financial targets' implementation using the current financial situation analysis made on every Supervisory Board's meeting, in this way supervising the Company's financial standing and the Management Board's realization of agreed budget.

Rules of Audit Committee of the Supervisory Board set membership, way for appointing, tasks, scope of activity and work mode of the Committee.

The Company does not set in the Articles of Association criteria for independence, but it does that in the Supervisory Board By-Laws. By criteria for independence of members of the Committee, it is understood:

- a) Not holding any titles of ownership of shares and other financial instruments of the Company or its related entity;
- b) Non participation within previous last 3 years in keeping accounting books or in preparing financial statements of the Company;
- c) Lack of any personal relations to persons being members of the Supervisory Board and the Management Board of the Company.

In 2016 the membership of this Committee was the following:

In the period from 1 January 2016 to 23 June 2016:

Monika Hałupczak
Wojciech Napiórkowski
Piotr Woźniak

In the period from 23 June 2016 to 31 December 2016:

Piotr Woźniak
Wojciech Napiórkowski
Wojciech Włodarczyk

Remuneration Committee consists of two members, elected among the Supervisory Board members.

Remuneration Committee acts under its Rules adopted by a resolution of the Supervisory Board of 1 October 2013, and its tasks include:

- a) Periodic evaluation of rules on remuneration for the Management Board members and delivering to the Supervisory Board appropriate recommendations in this scope;
- b) Preparing proposals for remuneration and granting bonuses, in particular within a program of options for managers regarding particular members of the Management Board, to be considered by the Supervisory Board;
- c) Analyzing and providing opinion on the Company's payroll policy.

These actions are undertaken to adjust the level of remuneration for members of the Management Board to the Company's business and its financial results.

In 2016 the Remuneration Committee operated in the following membership:

In the period from 1 January 2016 to 23 June 2016:

Wojciech Włodarczyk
Gwidon Skonieczny

In the period from 23 August 2016 to 31 December 2016:

Aleksandra Górską
Gwidon Skonieczny

V. Description of basic characteristics of internal control and risk management systems applied in the Company in relation with a process of preparing financial statements

The Management Board of Qumak S.A. is responsible for the Company's internal control system and its effectiveness in accordance with a process of preparation of financial statements and periodic reports prepared and published pursuant to the Regulation of the Minister of Finance of 19 February 2009, as amended, concerning current and periodic information published by the issuers of securities and conditions to consider as equivalent information required in the regulations of law of non-member states (Dziennik Ustaw [Journal of Laws] of 2009, No 33 item 259).

The Company prepares financial statements pursuant to the International Financial Reporting Standards published by European Union. The Company on a current basis monitors changes to the laws and external regulations concerning preparing financial statements, on a current basis there are updated also internal rules of the Company to adjust them to changing regulations.

Internal control and risk management system in relation with the process of preparation of financial statements in the Company is implemented according to existing in the Company procedures of financial statements preparation and their validation. This system ensures effective and reliable financial information flow, and merit supervision is provided by the Chief Financial Officer.

Financial statements are prepared by financial and accountant staff under supervision of the Chief Accountant and the Chief Financial Officer, and validated by the Company's Management Board. Thereafter, financial statements are verified by an independent auditor – certified auditor selected by a Supervisory Board resolution (applies to annual and semi-annual reports). Every year the Supervisory Board evaluates the Company's financial statements within the scope of their compatibility with the books and documents, also with the actual state of affairs, as well as the Management Board's statement on the Company's activity in a given business year. The Supervisory Board informs shareholders on findings of its assessment, and the fact that the Supervisory Board members are independent guarantees the impartiality of actions. Within the Supervisory Board there is an Audit Committee, which during its meetings with a certified auditor analyzes results and opinions on financial statements audit.

The Company has in its structure a separate Audit and Internal Control Unit, the aim of which is performing a proper and impartial evaluation of the systems for managing risk and internal control as well as analysis of business processes. The Audit and Internal Control Unit functions in Qumak S.A. on the basis of Rules adopted by the Management Board and the Audit Committee. These Rules ensure an audit its proper independence and impartiality, as well as specify rules and authorizations of access to information. At the same time, it sets rules for communication of results of work and communication with the Audit Committee supervising the function of an internal audit.

The Company has a functional control system, attributable to individual job positions, which include certain tasks within the control scope resulting from delegated employees' duties. In the Company's organizational structures there are units the aim of which is creating in the Company a measurable information system enabling assessment of realized tasks, corrections of plans and indicating risks

within the scope of performing projects. Additionally, the Company has series of procedures and instructions for the flow of documents. They describe, among others, rules for financial, merit and financial control of documents stored in accounting systems, as well as concerning personal responsibility. Confirmation of effectiveness of implemented procedures for control and management of risk in a process of preparing financial statements are opinions of certified auditors issued on the basis of audits of financial statements of the Company, and issued with no objections.

VI. *Shareholders holding directly or indirectly large block of shares*

To the best knowledge of the Company on 31.12.2016 the shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at a General Meeting of the Company were:

Shareholder	Number of shares	Share in capital	Number of votes	Share in total number of votes on GM
OFE PZU „Złota Jesień”	558 500	5.38%	558.500	5.38%
PTE Allianz Polska S.A.	989.603	9.54%	989.603	9.54%
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA	960.000	9.25%	960.000	9.25%
Nationale-Nederlanden OFE	1.037.757*	10%	1.037.757*	10%
Altus TFI S.A.	540.861	5.21%	540.861	5.21%

*The above table includes information received by the Company on 4 January 2017 from Nationale Nederlanden Powszechne Towarzystwo Emerytalne managing funds: Nationale-Nederlanden Otwarty Fundusz Emerytalny (OFE) and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny (DFE), on increasing by the OFE and DFE the state of held shares of the Company over 10% of votes at a General Meeting of the Company. This exceeding the threshold of 10% of the total number of votes in the Company by the OFE and DFE took place as a result of a purchase transaction of the Company's shares on a regulated market on 29 December 2016.

On 6 March 2017 the Company received a notice sent by Altus Towarzystwo Funduszy Inwestycyjnych S.A., acting on behalf of investment funds managed by ALTUS TFI S.A., providing information on increase made by ALTUS TFI S.A. of share in total number of votes in the Company and on exceeding a threshold of 10% in total number of votes in the Company. Exceeding the threshold took place as a result of a settlement made on 2 March 2017. After this change the investment funds managed by ALTUS TFI S.A. in total hold 1 039 324 shares of the Company, which constitutes 10.02% of the Company's share capital, and are entitled to 1 039 324 votes in the Company, which accounts for 10.02% in the total number of votes in the Company

VII. Holders of special control entitlements from securities

All shares of the Company are non-preference shares, granting the same right to vote on a General Meeting of the Company as well as to share in capital.

VIII. Limitations on executing voting rights and in transferring ownership rights of securities

There are no limitations concerning transferring ownership rights and no limitations concerning executing voting rights connected with shares of the Company.

IX. Description of rules concerning appointing and dismissing executive managers

1. Management Board

The Management Board consists of 2 to 5 members appointed by the Supervisory Board. Number of members of the Management Board is set by the Supervisory Board. The Supervisory Board appoints and dismisses members of the Management Board, including the President of the Management Board, and one or more Members of the Management Board. Term of office of the Management Board lasts three years, except for the first Management Board, which is in office for a period of two years. Management Board's Members are appointed for a joint term in office.

2. Supervisory Board

The Supervisory Board consists of 5 to 7 members appointed for a common term in office. Number of members of the Supervisory Board is determined by a General Meeting. Term in office of a Supervisory Board lasts three years. The term in office of members of a Supervisory Board expires on the day of a General Meeting which approves financial statements for the last full business year of their office. Term in office of members of the Supervisory Board, elected as a result of a supplementary election, ends with the expiry of the term in office of the Supervisory Board for which they were appointed.

X. Description of rules on changing the Articles of Association of the Company

The Company's Articles of Association can be changed by a General Meeting through adopting a resolution on this matter with the three-fourths majority of cast votes.

Warsaw, 27 April 2017

Tomasz Laudy

President of the Management Board

Wojciech Strusiński

Vice President of the Management Board

Włodzimierz Kawecki

Vice President of the Management Board