

**REPORT ON THE OPERATION OF THE SUPERVISORY BOARD OF  
FEERUM S.A.  
FOR THE YEAR 2017**

The Supervisory Board present a report on its activities in the financial year 2017 contains in particular an evaluation report on the operations of the Company FEERUM S.A. and Capital Group of the Company in the fiscal year 2017, financial statement of the Company for the financial year 2017 and the motion of the Management Board on settlement of Company's loss incurred for the year 2017 and the evaluation of the system of internal control and risk management system for the Company.

### **1. Composition of the Supervisory Board**

As of 31 December 2017 the Supervisory Board consisted of:

- Magdalena Łabudzka-Janusz - Chairman of the Supervisory Board,
- Maciej Kowalski - Deputy Chairman of the Supervisory Board,
- Maciej Janusz - Member of the Supervisory Board,
- Jakub Marcinowski - Member of the Supervisory Board,
- Jerzy Suchnicki - Member of the Supervisory Board,

In the period from 1 January 2017 to 31 December 2017, the Chairman of the Supervisory Board was Mrs. Magdalena Łabudzka-Janusz.

On 30 October 2017 the Extraordinary General Meeting of the Issuer pursuant to resolution no. 5/2017 revoked Mr. Maciej Janusz from the function of member of the Supervisory Board of the Issuer and pursuant to resolution no. 6/2017 appointed Mr. Henryk Stanisław Chojnacki as member of the Supervisory Board of the Issuer.

On 24 October 2017 the Supervisory Board of the Company adopted resolution regarding approval of Regulations FEERUM S.A. Audit Committee and the appointed Audit Committee operating within the Supervisory Board (pursuant to the provisions of Article 128 and Article 129 of the Act of 11 May 2017 on expert auditors, audit firms and public supervision, Journal of Laws of 2017, item 1089) in the following composition:

- Jakub Marcinowski – Chairman of the Audit Committee,
- Maciej Kowalski – Deputy of Chairman,
- Jerzy Suchnicki – Secretary of the Audit Committee,

On 6 November 2017, the Supervisory Board of the Company adopted resolution regarding change in the composition of the Audit Committee operating within the Supervisory Board of FEERUM S.A. As a result of the adoption of this resolution, the composition of the Audit Committee is as follows:

- Henryk Chojnacki – Chairman of the Audit Committee,
- Maciej Kowalski – Deputy of Chairman,
- Jakub Marcinowski – Secretary of the Audit Committee,

The Audit Committee in the abovementioned composition meets the independence criteria and other requirements specified in the Act of 11 May 2017 on expert auditors, audit firms and public supervision.

## **2. The scope of the Supervisory Board**

The Supervisory Board operates under the provisions of the Polish Commercial Companies Code, as well as on the basis of Articles of Association of the Company and Bylaws of the Supervisory Board of the Company dated 7 November 2013.

In 2017 the Supervisory Board supervised the Company's activities in all areas.

The Supervisory Board elected ECDDP Audyt Sp. z o.o., 8 Zielony Most St. 31-351 Kraków, to audit the financial statements of the Company for the financial year 2017.

In 2017 the Supervisory Board did not conduct any inspections or explanatory proceedings as well as did not suspend members of the Management Board.

## **3. Evaluation of the internal control system and risk management system for the Company**

The Company has an internal control system and for its effectiveness is responsible the Company's Management Board. The internal control system includes the main processes of the Company's operations, where is a necessity of establishing control mechanisms to monitor and reduce risks significant for the Company. The main task of this control system is to ensure the implementation of the Company's business objectives. The Company has and continuously updates the organizational structure, in which clearly the path reporting, responsibility and the privilege level are defined, what finally allowing to mitigate significant risks which is connected with conducting business. In the Supervisory Board's opinion the internal control system and risk management of the Company is at a satisfactory level.

## **4. Evaluation of the report of Management Board on the activities of the Company and Capital Group of the Company for the financial year 2017, the financial statements of the Company for the financial year 2017 and the Management Board's motion on coverage of Company incurred net loss for the financial year 2017.**

The Supervisory Board of FEERUM S.A. with its registered seat in Chojnów presents a report on the results of the assessment of the following statements of the Company for the financial year 2017:

1. Financial statements of the Company and Capital Group;
2. Management Board's report on the activities of the Company and the Capital Group of the Company, and
3. Assessment of the Management Board's motion on coverage of loss.

### **Ad. 1**

The Supervisory Board, after reading the auditor's opinion and the report on progress and results of the audit the financial statements of the Company for the year 2017 and the financial statement of the Capital Group of the Company for 2017 and after evaluation the above mentioned statements, the Supervisory Board states that the financial statements of Company for the year 2017 and the financial statement of the Capital Group of the Company for 2017 has been prepared on the basis of properly maintained accounting records, is consistent with the

form and content with the binding regulations and presents reliably all information necessary to evaluate the profitability and financial result in the specified period, as well as economic and financial position of the Company and Capital Group as of December 31, 2017. In addition, the Supervisory Board states that the financial statements of the Company and Capital Group for the financial year 2017 is consistent with the books and documents of the Capital Group Companies and the facts. Therefore, the Supervisory Board proposes to the Ordinary General Meeting to approve the financial statement of the Company for the financial year 2017 and the financial statement of the Capital Group of the Company for 2017.

#### **Ad. 2**

The Supervisory Board, after the analysis and evaluation of the report of the Management Board on Company's and Capital Group of Company business activities in the year 2017, states that the Management Board's report on the Company's and Capital Group of the Company operations in the financial year 2017 is in accordance with the books and documents of the Capital Group Companies and the facts. With reference to the above, the Supervisory Board approves the report and requests the Ordinary General Meeting for its approval. In addition, the Supervisory Board proposes to the Ordinary General Meeting to approve performance of duties carried out by the President of the Management Board - Mr. Daniel Janusz and Member of the Management Board Mr. Piotr Wiewlesik in the financial year 2017.

#### **Ad. 3**

The Supervisory Board, after consideration of the motion of Management Board regarding profit for the year 2017 in the amount of PLN 3,553 thousand, the Supervisory Board issues a positive opinion and requests to the Ordinary General Meeting to adopt a resolution on the distribution of profit in the manner proposed by the Management Board.