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The Polish original should be referred to in matters of interpretation.)*

S T A T E M E N T

of the activity of the Supervisory Board of Zespół Elektrowni "Pałnów-Adamów-Konin" S.A. in 2014, including, among others, the statement on results of the evaluation of the company's financial statement for 2014, the Management Board's statement of the company activity in 2014 as well as the Management Board's request on the profit distribution for 2014

Konin, May 2015

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I. Information on the term of office of the Supervisory Board and the composition

The financial year of 2014 constituted a second full financial year of the activity of the Management Board of Zespół Elektrowni Pątnów-Adamów-Konin S.A. (hereinafter referred to as **ZE PAK S.A.** or **Company**) under VI term.

During the reporting period, the Supervisory Board was held in a constant, unchanged composition, which was as follows:

- 1) Zygmunt Solorz-Żak – Chairman,
- 2) Henryk Sobierajski – Vice-Chairman,
- 3) Wojciech Piskorz - Secretary,
- 4) Leszek Wysłocki,
- 5) Lesław Podkański,
- 6) Wiesław Walendziak,
- 7) Tomasz Zadroga,
- 8) Ludwik Sobolewski.

The Supervisory Board members that fulfil the independence criteria are Mr Ludwik Sobolewski and Mr Lesław Podkański.

Until the day of development of this statement, the composition of the Supervisory Board of the Company did not change.

II. The scope of activities of the Supervisory Board

During the reporting period, the Supervisory Board acted and performed its obligations based on the Code of Commercial Companies, the ZE PAK S.A. Articles of Association, and the ZE PAK S.A. Supervisory Board Regulations.

The Supervisory Board collectively supervises the Company's activities in all areas of its operation.

In 2014, the Supervisory Board mainly focused on the following issues:

- 1) shaping the organisational structure of the Company and the Capital Group and in the restructuring processes conducted in the PAK KWB Konin S.A. and PAK KWB Adamów S.A. companies,
- 2) approval of the Company's budget and the consolidated budget of the Capital Group for 2014 as well as the control of their implementation,
- 3) assessment of the statements of the Company and the Capital Group of the Company concluded for the financial year of 2013,
- 4) appointment of a new member of the Company's VI term Management Board,
- 5) expressing consent to appoint persons to fulfil the function in the bodies of the subsidiaries and affiliates,

6) the construction design of a new gas-steam unit in the Konin Power Plant.

The main forms of the Supervisory Board's supervision in all areas of the Company activities were:

- 1) holding meetings of the Supervisory Board,
- 2) meetings with the Management Board of the Company and its subsidiaries as well as the Company's management,
- 3) meetings with the auditor performing the research and review of the statements drawn up by the Company for the financial year 2013.

The year of 2014 was the first full financial year of operation of the Audit Committee of the Supervisory Board, the composition of which includes:

- 1) Lesław Podkański – Chairman,
- 2) Ludwik Sobolewski,
- 3) Wojciech Piskorz.

In 2014, the Audit Committee was held in a constant, unchanged composition. Members of the Audit Committee of the Supervisory Board, in the course of their activities performed within the reporting period, held meetings with the Management Board member, who manages the financial and commercial area, and with the Company auditor. During their meetings, the members of the Audit Committee discussed, among others, the results of the audit of financial statements for 2013 and the results of inspection of the interim financial statement concluded during the financial year of 2014. The Audit Committee also dealt with the issue of selection of the entity authorised to audit financial statements concluded for 2014, as well as the issues related to the risk management and functioning of the internal audit in the Company.

By fulfilling the code and statutory obligations, the Supervisory Board held five meetings during the reporting period, and at the same time complying its statutory obligation to hold meetings in each quarter.

In 2014, the Supervisory Board passed 32 resolutions in total. The Supervisory Board also occupied positions on issues related to the agenda of the held meetings.

During the reporting period, the Supervisory Board did not use the rights under Article 383 of the CCC, i.e. it did not suspend, for important reasons, in individual activities or all members of the Management Board.

The subject matter of the Supervisory Board meetings held in 2014 included all issues related to the functioning of the Company and the Capital Group of the Company. In particular, the Supervisory Board focused on the issues related to the economic and financial situation of the Company, approval and control of the implementation of the budgets of 2014 and conducting the restructuring processes in PAK

KWB Konin S.A. and PAK KWB Adamów S.A. The subject of the Supervisory Board's debates included also the investment issues, in which the topic of preparations for the investment on the construction of a new gas-steam unit in the Konin Power Plant dominated.

The appointment of a new member of the Company's VI term Management Board was an important event within the Supervisory Board activity, which took place in the financial year of 2014. At the meeting held on 2 December 2014, the Supervisory Board established a new number of members of the VI term Management Board and appointed Mr Sławomir Sykucki to the Management Board entrusting him with managing the ownership supervision and restructuring areas as well as protecting the environment in the Company. In accordance with the decisions of the Supervisory Board, Mr Sławomir Sykucki combines the performance of the obligations of a member of the ZE PAK S.A. Management Board with the function of the President of the Board in the PAK KWB Konin S.A. and PAK KWB Adamów S.A. companies.

As a result of the amendments adopted by the Supervisory Board since 2 December 2014, the composition of the Company's VI term Management Board was represented as follows:

- 1) Katarzyna Muszkat – President of the Board;
- 2) Anna Striżyk – Vice-President of the Board;
- 3) Piotr Jarosz – Vice-President of the Board;
- 4) Sławomir Sykucki – Vice-President of the Board.

The above mentioned persons perform the entrusted functions until the day of development of this statement.

Within the framework of the meeting taking place on 17 March 2014, the Supervisory Board, after getting familiarised with the presented by the ZE PAK S.A. Management Board the Company's budget for 2014, which included, among others, the electricity production and sale plan, the investment plan as well as the renovation and maintenance plan, adopted a resolution approving the Company's budget drawn up by the Management Board for 2014. Subsequently, after the review of materials and information presented by the Management Board members of the Company, the Supervisory Board also approved the consolidated budget of the ZE PAK S.A. Capital Group for 2014.

The Supervisory Board's approval to establish a new limited liability company under the name of EL PAK Serwis Sp. z o.o. in the Capital Group was an important issue within the activities of the ZE PAK S.A. Capital Group, which is related to the implementation of the restructuring programme in PAK KWB Konin S.A. and PAK KWB Adamów S.A. The main task of the established company was taking over, from both of the above mentioned mines, electricity and electromagnetic services as well as their location in one economic entity, which on the basis of the acquired employees, provides services for both mines and other companies of the group. The formation of a new company was an element of the organisational restructuring of the Capital Group aimed at optimising the structure of employment.

Within the area of shaping the organisational structure of the Capital Group, the Supervisory Board also considered the Management Board's requests on giving the approval for the liquidation of two subsidiaries, i.e. PAK Centrum Badań Jakości Sp. z o.o. and PAK Centrum Usług Informatycznych Sp. z o.o. The Supervisory Board familiarised itself with the Management Board's justification for the submitted requests and according to it, acting on the basis of the relevant provisions of the ZE PAK S.A. Articles of Association, agreed to conduct their liquidation. In accordance with the provisions drawn up by the Management Board, the tasks of both liquidated companies were incorporated to the relevant organisational units, which operate within the internal structure of ZE PAK S.A., the responsibilities of which include the performance for the Capital Group the services previously executed by the liquidated companies.

Within the framework of the conducted supervision over the activity of the Company, the Supervisory Board continuously monitored the economic and financial situation of ZE PAK S.A. and both mines supplying coal to the power plants of the group. The information in this field was presented to the Supervisory Board both by the ZE PAK S.A. Management Board and the management boards of both mines.

During the reporting period, the Supervisory Board also familiarised itself with the information on the final stage of modernisation of the Pątnów I Power Plant as well as the progress of works within the planned investment of the construction of a gas-steam unit in the Konin Power Plant. The Supervisory Board was constantly informed by the Management Board about the actions taken for the preparation of the investment to build a new gas-steam unit, expected investment expenses and the results of works on the acquisition of sources of the investment financing as well as security of the gas supply for the designed generating unit.

Acting on the basis of § 20 paragraph 3 section 7 of the Company's Articles of Association, during the reporting period, the Management Board agreed several times to appoint members of the subsidiaries' bodies of the Company. Within the framework of the granted power, the Supervisory Board agreed, among others, to appoint persons to management boards of a new term in AK KWB Konin S.A. and PAK KWB Adamów S.A.

In the course of the financial year 2014, the Supervisory Board of the Company, executing its statutory powers, took further decisions on the following topics:

- the evaluation of the Company's financial statement for the financial year 2013, the evaluation of the Management Board's statement on the activities of the Company in the financial year of 2013 and the proposal of the profit distribution for the financial year of 2013,
- issuing an opinion related to the financial statement of the ZE PAK S.A. Capital Group, and the Management Board's statement on the Capital Group's activity,

- adopting the statement on the Supervisory Board's activity, including the issued assessments, which were mentioned above,
- the choice of the the Ernst & Young Audyt Polska sp. z o.o. limited partnership as the auditor conducting the audit of the ZE PAK S.A. financial statement as well as the consolidated financial statement of the ZE PAK S.A. Capital Group concluded for 2014.

III. Information about results of the evaluation of the Company's financial statement for 2014, the Management Board's statement of the Company activity in 2014 as well as the Management Board's request on the profit distribution for 2014

The Supervisory Board, by executing its legal and statutory obligations, assessed the ZE PAK S.A. financial statement for the year concluded on 31.12.2014, which consisted of:

- 1) introduction to the financial statement and additional information and explanations;
- 2) the balance sheet as of 31 December 2014, which in case of assets and liabilities, amounts to PLN 3,950,697,923.20 (in words: PLN three billion nine hundred and fifty million six hundred and ninety-seven thousand nine hundred and twenty-three PLN 20/100);
- 3) the income statement for the period from 1 January 2014 to 31 December 2014 demonstrating the net profit in the amount of PLN 204,642,447.41 (in words: PLN two hundred and four million six hundred and forty-two thousand four hundred and forty-seven PLN 41/100);
- 4) the statement of changes in the equity for the period from 1 January 2014 to 31 December 2014 demonstrating the increase of the state of the equity by the amount of PLN 170,082,435.45 (in words: one hundred and seventy million eighty-two thousand four hundred and thirty-five PLN 45/100);
- 5) the cash flow statement for the period from 1 January 2014 to 31 December 2014 demonstrating the increase of the state of cash during the financial year by the net amount of PLN 15,387,111.00 (in words: fifteen million three hundred and eighty-seven thousand one hundred and eleven PLN 00/100).

The correctness and reliability of the financial statements for 2014 years were studied by auditors from the Ernst & Young Audyt Polska sp. z o.o. limited partnership auditing company with its registered office in Warsaw, which was appointed as an auditor by the Supervisory Board. The Supervisory Board familiarised itself with the auditor's opinion and report of the course and results of the audit of the financial statement. The Supervisory Board and the Audit Committee held meetings with the auditor's representatives, during which there were discussed, among other, the key issues resulting from the audit of statements as well as the auditor's recommendations for specific actions in the Company and its Capital Group. On this basis, the Supervisory Board states that the Company's financial statement for 2014, in all vital aspects, was concluded on the basis of properly maintained books of account, in

accordance with the required applicable accounting principles (policy), under the Accounting Act of 29 September 1994 (Journal of Laws 2013.330 consolidated text with amendments), and the regulations issued on its basis.

According to the auditor's opinion, it follows that the financial statement in all key aspects reliably and clearly presents all the information necessary to assess the financial result of the activity for the period from 1 January 2014 to 31 December 2014, as well as to assess the financial and economic situation of the Company as of 31 December 2014.

The Supervisory Board states that the Company's financial statement for 2014 is consistent with the books and documents of the Company and the actual state. The financial statement was signed by all the members of the ZE PAK S.A. Management Board, who confirmed in the report that on the day of its signing, the occurrence of circumstances that might indicate a threat to the continuation of the Company's activity is not found.

The Supervisory Board draws the shareholders' attention to the fact that in the opinion issued on the financial statement for 2014, the auditor did not raise any reservations.

Furthermore, the auditor's report includes a statement that during the audit, the auditor did not observe any circumstances, which would cause that the Company is unable to continue the activity for at least 12 months from the date of 31.12.2014 due to its intended or compulsory discontinuation or significant limitation of the current activity.

Having regard to the above fact, the Supervisory Board recommends the ZE PAK S.A. General Meeting to adopt a resolution on approving the financial statement of the Company for the year concluded on 31 December 2014.

Performing its statutory obligations, the Supervisory Board also assessed the Management Board's report of the Company's activity in 2014, which the auditor also familiarised with and did not report any remarks to it. The Supervisory Board emphasises that this report was drawn up in compliance with applicable laws and contains all the necessary information. In the report submitted for evaluation, among others, the information about significant events affecting the current and future activity of the Company, as well as a description of the financial and economic situation of the Company, in which a characteristics of the basic economic and financial values for 2014 and the factors affecting the current and future financial results of the Company were presented. The Supervisory Board states that the Management Board financial statement of the Company activity in 2014 is consistent with the books and documents of the Company and the actual state. Having regard to the above fact, the Supervisory Board recommends the ZE PAK S.A. General Meeting to adopt a resolution on approving the Management Board statement of the Company activity in 2014.

The Supervisory Board also familiarised itself with the Management Board's request on the profit distribution of the Company for 2014 in the net amount of PLN 204,642,447.41. The Management Board, taking into account the policy of the payment of dividend presented by the Company during the initial public offering, offers the profit distribution for 2014 as follows:

- a) the amount of PLN 40,658,837.60 (in words: forty million six hundred and fifty-eight thousand eight hundred and thirty-seven PLN 60/100) for the payment of dividend, which means that one share will account for the amount of PLN 0.80 (in words: eighty grosz),
- b) the remaining part of the profit in the amount of PLN 163,983,609.81 (in words: one hundred and sixty-three million nine hundred and eighty-three thousand six hundred and nine PLN 81/100) to spend on supplying the Company's supplementary capital.

The Supervisory Board following the arguments, which were put forward by the Management Board in the justification of the request, positively supported the Management Board's proposal and recommends the shareholders to make the profit distribution for 2014 in the above presented manner.

The Supervisory Board also announces that the Company drew up the consolidated financial statement of the ZE PAK S.A. Capital Group for 2014, to which the statement of the ZE PAK S.A. Management Board of the Capital Group activity in 2014 was enclosed. The consolidated financial statement as well as the individual financial statement were audited by the Ernst & Young Audyt Polska sp. z o.o. limited partnership auditing company, which was appointed as an auditor by the Supervisory Board. The Supervisory Board familiarised itself with the opinion and report of the performed activities, which were presented by the auditor. In the issued opinion, the auditor did not raise any reservations, stating at the same time that the consolidated financial statement of the ZE PAK S.A. Capital Group for 2014 was drawn up in accordance with the International Financial Reporting Standards approved by the EU, and is consistent in terms of the form and content with the applicable law, and in all essential aspects, it reliably and clearly presents all the information, which are vital for the assessment of the financial result of the Capital Group for 2014 as well as the assessment of the Group's financial and economic situation as of 31 December 2014. The auditor also did not report any remarks to the statement of the ZE PAK S.A. Management Board of the Capital Group activity in 2014. The Supervisory Board, after getting familiarised with the auditor's opinion and report, recommends the ZE PAK S.A. General Meeting to adopt a resolution on approving the consolidated financial statement of the ZE PAK S.A. Capital Group for 2014 as well as the statement of the ZE PAK S.A. Management Board of the Capital Group activity in 2014.

IV. Evaluation of the cooperation with the Management Board

The cooperation between the Supervisory Board and the Management Board worked in 2014 on rules consistent with the Company's Articles of Association and the Code of Commercial Companies. The Supervisory Board constantly contacted the Management Board in order to exchange information and

acquire explanations in the scope of the issues included in the agenda of the Supervisory Board meetings, as well as in case of the key issues for the functioning of the Company. The members of the ZE PAK S.A. Management Board, who constantly provided information and explanations on the issues included in the agenda, took part in all meetings of the Supervisory Board.

The Supervisory Board applies to the General Meeting for providing the discharge to all members of the Management Board, who performed the obligations in 2014.

V. Evaluation of the internal control system and risk management system which is significant for the Company

The internal control system and risk management system, for the effectiveness of which the Management Board is responsible, function within the Company. Ensuring the implementation of the main business objectives of the Company is a task of these systems. The most important mechanisms of the risk management system were presented in the Management Board's statement of the Company's activity in 2014.

The internal control system includes the main processes occurring in the activity of the Company and its subsidiaries, where there is a need to establish the control mechanisms to monitor and reduce risks relevant to the Company and its Capital Group.

In order to identify specific risks and to develop appropriate principles of procedure for reducing their impact on the business activity and situation of the Company, the comprehensive document describing the principles of risk management in the most important areas of activity of the Capital Group, in particular in the manufacturing, mining and trade area, was adopted and implemented in the Company. Within the framework of the mentioned rules, the specific roles were singled out and the scope of responsibility for decisions and actions related to the production and trade strategies and the market policy was defined. The adopted principles of the risk management are subject to the current verification pursuant to organisational and legal changes of the Capital Group, changes of the business model or trade strategy, and also in case of the occurrence of significant events for the Company in the market environment.

Within the area of risk management, the advisory panel for the Management Board, functioning under the name of Risk Management Committee, has an important role in the Company. The Committee consists of the persons occupying key positions in the organisational structure of the Company and performing essential operational tasks relevant to the correctness of decision-making processes. The main task of this Committee is to identify and assess the fundamental economic risks and to issue for the Management Board the recommendation of taking appropriate preventive actions.

In the Company, there are also the organisational regulations defining the organisation of the enterprise, in which the scope of tasks and responsibilities of individual organisational units and key positions were determined, and they additionally allow to equalise the significant risks related to conducting a business activity. The Management Board continuously updates the organisational structure adapting it to the current needs and situation of the Company and the Capital Group.

According to the Supervisory Board's opinion, the internal control system and risk management system significant to the Company function at a satisfactory level and do not differ from the solutions used in companies and Capital Groups, which scale and the extent of activity is similar to ZE PAK S.A.

VI. Concise evaluation of the Company situation

Despite obtaining worse financial results by the Company in 2014, the Supervisory Board, in comparison to previous years, assesses the current situation of the Company as correct. The mentioned assessment was issued on the basis of positive financial results of the Company and the Capital Group achieved for the year of 2014, and information obtained by the Supervisory Board during the held sessions and meetings with the Management Board and the auditor of the Company. The Supervisory Board, through the approval and control of the annual budgets of the Company and the Capital Group, constantly supervises the fulfilment of the set business purposes by the Management Board, thus controlling the current economic results of the Company and the major subsidiaries.

The Supervisory Board notes that despite the difficult market conditions for the electricity generators, the Company managed to conclude the year of 2014 with the profit amounting to over PLN 200 million. This profit is lower than the one achieved in 2013, which obviously resulted in the decrease of profitability indexes. On the other hand, the current liquidity index, informing about a degree of the current liability coverage with short-term current assets, confirmed a stable liquidity situation at the end of 2014.

The results achieved by the Company and the level, at which the main indicators of the Company's financial situation is, as well as securing the Company's external sources of financing, allow to state that the Company began the year of 2015 in a secure financial and liquidity condition, while securing the equity for implementation of the plans adopted for 2015.

However, it should be emphasised that the Company generates the majority of revenues from generation and sale of electricity, therefore, the level of development of the demand for electricity and the sale price determined by the market is very important and it has a key impact on the amount of current and future financial results of the Company.

Regarding the tasks for 2015, according to the Supervisory Board, they did not change, compared to the previous year, i.e. the Company should focus on the continuation of actions aimed to achieve greater efficiency in operation of the mines acquired in 2012 and the processes necessary to obtain approvals for the development of the new brown coal deposits which constitute fuel supplies in long-term perspective for generating units of the Capital Group.

Signatures of the Supervisory Board members

Zygmunt Solorz - Żak

Ludwik Sobolewski

Wiesław Walendziak

Tomasz Zadroga

Henryk Sobierajski

Leszek Wysłocki

Wojciech Piskorz

Lesław Podkański

Konin, May 2015