

**RESOLUTION No. 36/V/2018**  
**of the Supervisory Board of**  
**ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)**  
**of 25 May 2018**

**re. evaluation of the Company's financial statements for 2017**

Under Article 382.3 of the Code of Commercial Companies and Section 17.1.1 of the Company's Articles of Association, the Supervisory Board hereby resolves as follows:

Section 1.

1. Based on:

- 1) Independent auditor's report for the General Meeting on the audit of the Company's financial statements for the financial year ended 31 December 2017,
- 2) Opinion of the Audit Committee on the financial statements and consolidated financial statements for the financial year 2017 and evaluation of independence of the financial review process and effectiveness of the internal control and risk management systems,

to issue a positive opinion on the financial statements of ENERGA SA for the year ended 31 December 2017, considering that the statements give a true and fair view of all the information material to the evaluation of the profitability and operating profit or loss for the period from 1 January to 31 December 2016.

2. To move to the Company's General Meeting to approve the Company's financial statements showing:

- in the balance sheet – total assets of PLN 15,392 million,
- in the statement of profit or loss – net profit of PLN 107 million,
- in the statement of changes in equity
  - a decrease in equity by PLN 11 million,
- in the statement of cash flows
  - an increase in cash by PLN 1,722 million.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

The Resolution has been adopted unanimously by open vote with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....	4. Andrzej Powałowski .....
2. Zbigniew Wtulich .....	5. Marek Szczepaniec .....
3. Agnieszka Terlikowska-Kulesza .....	6. Maciej Żółtkiewicz .....



**RESOLUTION No. 37/V/2018  
of the Supervisory Board of  
ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)  
of 25 May 2018**

**re. evaluation of the Management Board's report on the Company's operations in 2017**

Under Article 382.3 of the Code of Commercial Companies and Section 17.1.1 of the Company's Articles of Association, the Supervisory Board hereby resolves as follows:

Section 1.

1. To issue a positive opinion on the ENERGA SA Management Board's report on the operations of ENERGA SA for the year ended 31 December 2017 and to move that it be approved by the Annual General Meeting.
2. The report referred to in paragraph 1 is attached as an Appendix to this Resolution.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

The Resolution has been adopted unanimously by open vote with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....
2. Zbigniew Wtulich .....
3. Agnieszka Terlikowska-Kulesza .....
4. Andrzej Powalowski .....
5. Marek Szczepaniec .....
6. Maciej Żótkiewicz .....

**RESOLUTION No. 38/V/2018  
of the Supervisory Board of  
ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)  
of 25 May 2018**

**re. evaluation of the Management Board's motion to distribute the 2017 net profit**

Under Article 382.3 of the Code of Commercial Companies and Section 17.1.1 of the Company's Articles of Association, the Supervisory Board hereby resolves as follows:

Section 1.

To issue a positive opinion on the motion of the Company's Management Board to distribute the 2017 net profit in the amount of PLN **106,601,622.10**, as attached as an Appendix to this resolution.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

The Resolution has been adopted unanimously by open vote with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....
2. Zbigniew Wtulich .....
3. Agnieszka Terlikowska-Kulesza .....
4. Andrzej Powalowski .....
5. Marek Szczepaniec .....
6. Maciej Żółtkiewicz .....

**RESOLUTION No. 39/V/2018  
of the Supervisory Board of  
ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)  
of 25 May 2018**

re. **motion to grant discharge to Mr. Dariusz Kaśków, President of the Management Board of ENERGA SA in respect of the performance of duties in 2017**

Under Article 382.1 of the Code of Commercial Companies, following evaluation of the Report of the Company's Management Board on the Company's operations in 2017 and the 2017 Financial Statements, the Supervisory Board resolves as follows:

Section 1.

To move to the Annual General Meeting of the Company to grant discharge to Mr. Dariusz Kaśków, President of the Management Board of ENERGA SA, in respect of the performance of his duties

in the period from 1 January to 17 January 2017.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

This resolution has been adopted in a secret vote, with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....

2. Zbigniew Wtulich .....

3. Agnieszka Terlikowska-Kulesza .....

4. Andrzej Powalowski .....

5. Marek Szczepaniec .....

6. Maciej Żółtkiewicz .....

**RESOLUTION No. 40/V/2018  
of the Supervisory Board of  
ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)  
of 25 May 2018**

**re. motion to grant discharge to Mr. Mariusz Rędaszka, Financial Affairs Vice-President of the Management Board, in respect of the performance of duties in 2017**

Under Article 382.1 of the Code of Commercial Companies, following evaluation of the Report of the Company's Management Board on the Company's operations in 2017 and the 2017 Financial Statements, the Supervisory Board resolves as follows:

Section 1.

To move to the Annual General Meeting of the Company to grant discharge to Mr. Mariusz Rędaszka, Financial Affairs Vice-President of the Management Board, in respect of the performance of his duties

in the period from 1 January to 17 January 2017.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

This resolution has been adopted in a secret vote, with the following number of votes cast:

3 in favour,  
1 against,  
2 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....
2. Zbigniew Wtulich .....
3. Agnieszka Terlikowska-Kulesza .....
4. Andrzej Powalowski .....
5. Marek Szczepaniec .....
6. Maciej Żótkiewicz .....

**RESOLUTION No. 41/V/2018  
of the Supervisory Board of  
ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)  
of 25 May 2018**

**re. motion to grant discharge to Mr. Grzegorz Ksepko, Corporate Affairs Vice-President of the Management Board, in respect of the performance of duties in 2017**

Under Article 382.1 of the Code of Commercial Companies, following evaluation of the Report of the Company's Management Board on the Company's operations in 2017 and the 2017 Financial Statements, the Supervisory Board resolves as follows:

Section 1.

To move to the Annual General Meeting of the Company to grant discharge to Mr. Grzegorz Ksepko, Corporate Affairs Vice-President of the Management Board, in respect of the performance of his duties

in the period from 1 January to 31 December 2017.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

This resolution has been adopted unanimously in a secret vote, with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....
2. Zbigniew Wtulich .....
3. Agnieszka Terlikowska-Kulesza .....
4. Andrzej Powalowski .....
5. Marek Szczepaniec .....
6. Maciej Żółtkiewicz .....





**RESOLUTION No. 42/V/2018  
of the Supervisory Board of  
ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)  
of 25 May 2018**

**re. motion to grant discharge to Mr. Przemysław Piesiewicz, Development Strategy Vice-President of the Management Board, in respect of the performance of duties in 2017**

Under Article 382.1 of the Code of Commercial Companies, following evaluation of the Report of the Company's Management Board on the Company's operations in 2017 and the 2017 Financial Statements, the Supervisory Board resolves as follows:

Section 1.

To move to the Annual General Meeting of the Company to grant discharge to Mr. Przemysław Piesiewicz, Development Strategy Vice-President of the Management Board, in respect of the performance of his duties

in the period from 1 January to 17 January 2017.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

This resolution has been adopted unanimously in a secret vote, with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....
2. Zbigniew Wtulich .....
3. Agnieszka Terlikowska-Kulesza .....
4. Andrzej Powalowski .....
5. Marek Szczepaniec .....
6. Maciej Żółtkiewicz .....



**RESOLUTION No. 43/V/2018  
of the Supervisory Board of  
ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)  
of 25 May 2018**

**re. motion to grant discharge to Ms. Mariola Anna Zmudzińska, Investor Relations Vice-President of the Management Board, in respect of the performance of duties in 2017**

Under Article 382.1 of the Code of Commercial Companies, following evaluation of the Report of the Company's Management Board on the Company's operations in 2017 and the 2017 Financial Statements, the Supervisory Board resolves as follows:

Section 1.

To move to the Annual General Meeting of the Company to grant discharge to Ms. Mariola Anna Zmudzinska, Development Strategy Vice-President of the Management Board, in respect of the performance of her duties

in the period from 1 January to 16 February 2017.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

This resolution has been adopted in a secret vote, with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....
2. Zbigniew Wtulich .....
3. Agnieszka Terlikowska-Kulesza .....
4. Andrzej Powalowski .....
5. Marek Szczepaniec .....
6. Maciej Żótkiewicz .....



**RESOLUTION No. 44/V/2018  
of the Supervisory Board of  
ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)  
of 25 May 2018**

**re. motion to grant discharge to Mr. Jacek Kościelniak, Financial Affairs Vice-President of the Management Board, in respect of the performance of duties in 2017**

Under Article 382.1 of the Code of Commercial Companies, following evaluation of the Report of the Company's Management Board on the Company's operations in 2017 and the 2017 Financial Statements, the Supervisory Board resolves as follows:

Section 1.

To move to the Annual General Meeting of the Company to grant discharge to Mr. Jacek Kościelniak, Financial Affairs Vice-President of the Management Board, in respect of the performance of his duties in the period from 11 February to 31 December 2017.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

This resolution has been adopted unanimously in a secret vote, with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....
2. Zbigniew Wtulich .....
3. Agnieszka Terlikowska-Kulesza .....
4. Andrzej Powalowski .....
5. Marek Szczepaniec .....
6. Maciej Żółtkiewicz .....

**RESOLUTION No. 45/V/2018**  
**of the Supervisory Board of**  
**ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)**  
**of 25 May 2018**

re. **motion to grant discharge to Ms. Alicja Barbara Klimiuk, Operational Affairs Vice-President of the Management Board, in respect of the performance of duties in 2017**

Under Article 382.1 of the Code of Commercial Companies, following evaluation of the Report of the Company's Management Board on the Company's operations in 2017 and the 2017 Financial Statements, the Supervisory Board resolves as follows:

Section 1.

To move to the Annual General Meeting of the Company to grant discharge to Ms. Alicja Barbara Klimiuk, Operational Affairs Vice-President of the Management Board, in respect of the performance of her duties in the period from 1 March to 31 December 2017.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

This resolution has been adopted unanimously in a secret vote, with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....
2. Zbigniew Wtulich .....
3. Agnieszka Terlikowska-Kulesza .....
4. Andrzej Powalowski .....
5. Marek Szczepaniec .....
6. Maciej Żółtkiewicz .....

**RESOLUTION No. 46/V/2018  
of the Supervisory Board of  
ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)  
of 25 May 2018**

**re. motion to grant discharge to Mr. Daniel Obajtek, President of the Management Board, in respect of the performance of duties in 2017**

Under Article 382.1 of the Code of Commercial Companies, following evaluation of the Report of the Company's Management Board on the Company's operations in 2017 and the 2017 Financial Statements, the Supervisory Board resolves as follows:

Section 1.

To move to the Annual General Meeting of the Company to grant discharge to Mr. Daniel Obajtek, President of the Management Board, in respect of the performance of his duties

in the period from 2 March to 31 December 2017.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

This resolution has been adopted unanimously in a secret vote, with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....
2. Zbigniew Wtulich .....
3. Agnieszka Terlikowska-Kulesza .....
4. Andrzej Powalowski .....
5. Marek Szczepaniec .....
6. Maciej Żółtkiewicz .....

**RESOLUTION No. 47/V/2018  
of the Supervisory Board of  
ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)  
of 25 May 2018**

**re. acceptance of the Supervisory Board's report on the evaluation of the financial statements, Management Board's report on the Company's operations and the Management Board's motion on the net profit distribution, for the period from 1 January 2017 to 31 December 2017**

Under Article 382.3 of the Code of Commercial Companies and Sections 17.1.2 and 17.1.4 of the Company's Articles of Association, the Supervisory Board hereby resolves as follows:

Section 1.

1. To accept and submit to the Annual General Meeting of ENERGA SA the Supervisory Board's report on the evaluation of the financial statements, the Management Board's report on the Company's operations and the Management Board's motion on the net profit distribution for the period from 1 January 2017 to 31 December 2017, accompanied by an opinion on the Company's equity investments made in 2017.
2. The report referred to in paragraph 1 is attached as an Appendix to this Resolution.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

The Resolution has been adopted unanimously by open vote with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....
2. Zbigniew Wtulich.....
3. Agnieszka Terlikowska-Kulesza .....
4. Andrzej Powalowski .....
5. Marek Szczepaniec .....
6. Maciej Żótkiewicz .....



**REPORT OF THE SUPERVISORY BOARD OF  
ENERGA SPÓŁKA AKCYJNA**

**ON THE EVALUATION OF THE FINANCIAL STATEMENTS,  
THE MANAGEMENT BOARD'S REPORT ON THE  
COMPANY'S OPERATIONS AND OF THE MANAGEMENT  
BOARD'S MOTION ON THE PROFIT DISTRIBUTION**

**in the period  
from 01/01/2017 to 31/12/2017**

***Warsaw, May 2018***

## Introduction

Acting pursuant to Article 382.3 of the Code of Commercial Companies (CCC), the Supervisory Board has reviewed:

- 1) the financial statements consistent with the International Financial Reporting Standards approved by the European Union for the year ended 31 December 2017, comprising: a statement of profit or loss, a statement of comprehensive income, a statement of financial position, a statement of changes in equity and a statement of cash flows, accounting principles (policy) and other notes,
- 2) ENERGA SA Management Board's report on the operations of ENERGA SA for the year ended 31 December 2017,
- 3) Independent auditor's report for the General Meeting on the audit of the annual financial statements of the Company for the financial year ended 31 December 2017, prepared by the auditors of KPMG Audyt Sp. z o.o. Sp. k. with its registered office in Warsaw,
- 4) Management Board's motion on the distribution of the 2017 net profit, accompanied by reasons,
- 5) Opinion of the Audit Committee on the Company's financial statements and consolidated financial statements for the financial year 2017 and evaluation of independence of the financial review process and effectiveness of the internal control and risk management systems.

### 1. Findings relating to the financial statements

"Report (...)" prepared by the auditors of KPMG Audyt Sp. z o.o. Sp. k. with its registered office in Warsaw finds that the financial statements of ENERGA SA:

- „- give a true and fair view of the property and financial position of the Entity as at 31 December 2017, operating profit or loss and cash flows for the financial year then ended, in accordance with EU IFRS, as well as the adopted accounting principles (policy),*
- have been prepared on the basis of accounting books that have been properly kept in all respects;*
- comply, in all material respects, as to the form and substance, with the law and the articles of association of the Entity.”.*

The impairment of shares and interests in subsidiaries of ENERGA SA was the critical business and accounting issue discussed during the audit.

The procedures applied during the audit of the above-mentioned critical issue included the evaluation of:

- 1) compliance of the accounting policy applied by the Company,
- 2) internal control system in terms of identification of indications of impairment of investments in subsidiaries,
- 3) correctness of identification of the Company's judgments regarding the existence of indications of impairment,
- 4) the appropriateness of the judgments and assumptions made by the Company and the estimates of the recoverable amount of shares and interests in subsidiaries made on their basis,

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*Report of the Supervisory Board of ENERGA Spółka Akcyjna*

*on the evaluation of the financial statements, the Management Board's report on the Company's operations and of the Management Board's motion on the profit distribution for the period from 1 January 2017 to 31 December 2017*

- 5) correctness and completeness of disclosures in the financial statements in respect of the adopted key assumptions and judgments regarding the impairment of shares and interests in subsidiaries.

These procedures, in conjunction with the audit of the reliability of individual items of the financial statements, provided the auditor with the basis to express a general, comprehensive opinion on the financial statements.

Having analyzed and discussed (with the involvement of representatives of the statutory auditor and of the Company) the financial statements and reports referred to above, the Audit Committee at the Supervisory Board of ENERGA SA approved such financial statements and reports, concluding that they were prepared in conformity with the applicable laws and that they accurately reflected the financial performance of the Group.

The Supervisory Board agrees with the foregoing and moves that the financial statements of ENERGA SA for the year ended 31 December 2017 be approved by the Annual General Meeting, as per Article 393 sub-paragraph 1 of the Commercial Companies Code.

## **2. Findings relating to the Management Board's report on the operations of ENERGA SA for 2017**

The auditor concluded that: *"the management report has, in all material respects, been prepared in compliance with the applicable laws and is consistent with the information contained in the annual financial statements.*

*Moreover, in light of our knowledge about the Entity and its surroundings obtained during the audit of the financial statements, we declare that we have found no material misstatements in the management report.*

*Moreover, we conclude that the information specified in paragraph 91(5)(4)(c) to (f), (h) and (i) of the regulation contained in the corporate governance statement has, in all material respects, been prepared in accordance with the applicable legal regulations and is consistent with the information contained in the company's financial statements".*

In addition, the Audit Committee considered that the ENERGA SA Management Board's report on the operations of ENERGA SA for the year ended 31 December 2017 duly reflects the scope of operations in 2017.

The Supervisory Board agrees with the foregoing and moves that the ENERGA SA Management Board's report on the Company's operations for the year ended 31 December 2017 be approved by the Annual General Meeting, as per Article 393 sub-paragraph 1 of the Commercial Companies Code.

## **3. Opinion on the appropriateness of the Company's capital involvement in other commercial companies and partnerships**

### **1) Investments in entities outside the ENERGA Group**

On 18 January 2017, the Management Board of ENERGA SA jointly with ENEA SA, PGE SA, PGNiG Technologie SA ("Investors") and Polimex-Mostostal SA ("Polimex")

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*Report of the Supervisory Board of ENERGA Spółka Akcyjna*

*on the evaluation of the financial statements, the Management Board's report on the Company's operations and of the Management Board's motion on the profit distribution for the period from 1 January 2017 to 31 December 2017*

entered into an investment agreement under which the Investors undertook to make capital investments in Polimex. On 20 January 2017, as the conditions precedent set forth in the investment agreement dated 18 January 2017 had been satisfied, ENERGA SA accepted an offer submitted by the Management Board of Polimex-Mostostal SA to subscribe, under a private placement, 37.5 million 'T' ordinary bearer shares with the nominal value of PLN 2 each, issued by Polimex at the issue price of PLN 2 per share and for the total issue price of PLN 75 million. ENERGA SA acquired from SPV Operator Sp. z o.o. 1.5 million shares in Polimex, admitted to trading on the WSE, as part of a block deal, for the total amount of PLN 5.8 million. Consequently, it became a holder of a 16.48% share in the share capital of Polimex.

On 30 March 2017, it was resolved that the share capital be increased and that ENERGA SA take up new shares in ENERGA Kogeneracja Sp. z o.o. in the amount of PLN 100,000,000. Capital injections were intended to secure funds for the subscription by ENERGA Kogeneracja Sp. z o.o. for new shares in Polska Grupa Górnicza Sp. z o.o. (currently known as Polska Grupa Górnicza SA, "PGG"). The number of shares in PGG increased following the execution, on 31 March 2017, of a new Investment Agreement which provides for capital injections to be made to PGG by the Investors (excluding Węglokoks S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw) for the total amount of PLN 1 billion. The deal was aimed at financing the acquisition by PGG of Katowicki Holding Węglowy SA. On 11 May 2017, the increase of the share capital of ENERGA Kogeneracja Sp. z o.o. was registered with the National Court Register.

On 8 December 2016, ENERGA SA, ENEA SA and Elektrownia Ostrołęka SA (currently known as Elektrownia Ostrołęka Sp. z o.o.) entered into an Investment Agreement regarding the construction of a new power unit in Ostrołęka (Ostrołęka C Project). Under the aforesaid agreement, ENERGA SA and ENEA SA assumed joint control over Elektrownia Ostrołęka SA. It was a condition precedent to the performance of the agreement to obtain the consent of the President of the Office of Competition and Consumer Protection for the concentration consisting in the acquisition by ENEA SA of a 50% shareholding in the Special Purpose Vehicle, i.e. Elektrownia Ostrołęka SA. On 11 January 2017, the President of the Office of Competition and Consumer Protection issued an unconditional consent for concentration. Consequently, on 1 February 2017, ENERGA SA and ENEA SA signed a share purchase agreement under which ENERGA SA sold to ENEA SA 24,980,926 shares in Elektrownia Ostrołęka SA (11.89%).

On 13 April 2017, the share capital of Elektrownia Ostrołęka SA was increased by PLN 19,000,000; new shares were taken up equally, i.e. in the amount of PLN 9,500,000, by ENERGA SA and ENEA SA, and paid for by cash. On 30 May 2017, the increase was registered with the National Court Register.

On 27 June 2017, ENEA SA acquired another block of shares from ENERGA SA, i.e. 20,017,269 shares, as per the Investment Agreement. Following the deal, the ownership structure of Elektrownia Ostrołęka SA was as follows: ENERGA SA - 76.21%, ENEA SA - 23.79%. The intended ownership structure (50% shareholding each) was achieved on 23 March 2018 following further sale of shares by ENERGA SA to ENEA SA.

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*Report of the Supervisory Board of ENERGA Spółka Akcyjna*

*on the evaluation of the financial statements, the Management Board's report on the Company's operations and of the Management Board's motion on the profit distribution for the period from 1 January 2017 to 31 December 2017*

2) Capital investments in Energa Group companies

In 2017, ENERGA SA made changes in the ownership structure of several companies belonging to the ENERGA Group, which was attributable to the implementation of strategic assumptions related to the restructuring of the ENERGA Group, which aims to improve the quality of management through tighter control over implemented projects, to enhance competitiveness, to accelerate decision-making processes and to ensure greater flexibility in the Group's operations. The integration of the companies in question is also designed to improve the Group's profitability.

On 6 September 2017, under an agreement entered into by ENERGA SA and ENERGA-OBRÓT SA, the ownership of all shares in ENERGA Oświeetlenie Sp. z o.o. was transferred to ENERGA SA. The deal involved strengthening the supervision over cooperation with local government entities and improving the financial liquidity of ENERGA-OBRÓT SA by reducing the debt arising from the issue of bonds in the amount of PLN 234 million.

On 14 September 2017, under an agreement between ENERGA SA and ENERGA-OPERATOR SA, the ownership of all shares in ENERGA-OPERATOR Logistyka Sp. z o.o. was transferred to ENERGA SA. Putting the Company under direct supervision of ENERGA SA following the acquisition of the company shares, involved, *inter alia*, increased control over the process of centralization of purchases of the ENERGA Group in one entity and improvement of the financial liquidity of ENERGA-OPERATOR SA by reducing the debt arising from the issue of bonds in the amount PLN 25.1 million.

On 13 September 2017, an Extraordinary General Meeting resolution on the merger of ENSA PGK1 Sp. z o.o. and ENERGA Invest SA was adopted. On 12 October 2017, an entry was made in the National Court Register regarding the merger of ENSA PGK1 Sp. z o.o. (as the transferee) and ENERGA Invest SA (as the transferor). The company is currently known as ENERGA Invest sp. z o.o. Following the merger, the share capital was increased by PLN 47,346,000. The purpose of the deal was to strengthen the efficiency of the operation and effective implementation of the investment tasks entrusted to ENERGA Invest Sp. z o. o., as well as to use potential benefits resulting from the operation of the Tax ENERGA Group.

Furthermore, in 2017, in order to make it possible to pursue current operations or to pursue new business lines, capital injections were made to some of the wholly-owned subsidiaries of ENERGA SA.

On 28 August 2017, there was adopted a resolution of the Extraordinary General Meeting of ENSA PGK3 sp. z o.o. to increase the share capital up to PLN 1,500,000 and to change the business objects and the name of the Company to ENERGA Ochrona Sp. z o.o. ENERGA SA took up new shares and paid for them in cash. The foregoing changes were registered with the National Court Register on 27 October 2017. The main purpose of the converted Company is to provide personal and property security services to the ENERGA Group companies.

On 28 August 2017, a resolution to increase the share capital of ENERGA Finance AB (publ) was adopted. The increase of the share capital up to EUR 24,200,000 was

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*Report of the Supervisory Board of ENERGA Spółka Akcyjna*

*on the evaluation of the financial statements, the Management Board's report on the Company's operations and of the Management Board's motion on the profit distribution for the period from 1 January 2017 to 31 December 2017*

registered on 19 September 2017. ENERGA SA took up new shares and paid for them in cash. The capital injection was aimed to increase the creditworthiness in relation to financial activities carried out.

On 3 July 2017, there was adopted a resolution of the Extraordinary General Meeting of EOB PGK2 Sp. z o.o. to change the business objects, to increase the share capital and to change the corporate name. On 13 December 2017, the change of the name of the Company to Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o., the change of the business objects and the increase of the share capital of the Company by PLN 290,000 were registered with the National Court Register. ENERGA SA took up new shares and paid for them in cash. The business object of the new entity is to pursue research and development projects aimed at implementing new innovative products in the ENERGA Group.

#### **4. Evaluation of the Management Board's motion regarding the profit distribution**

Having analyzed the reasons behind the proposal to distribute the 2017 net profit in the amount of PLN 106,601,622.10, the Supervisory Board issues a positive opinion on the Management Board's motion which provides for the allocation of the entire profit for the legal reserve.

**Furthermore, having evaluated the Company's financial statements, the Management Board's report on the operations of ENERGA SA in 2017, the Supervisory Board moves that the following Management Board Members be granted discharge in respect of the performance of their duties, namely:**

- 1) for the period from 1 January 2017 to 31 December 2017 – Mr. Grzegorz Ksepko,**
- 2) for the period from 1 January 2017 to 16 February 2017 – Ms. Mariola Anna Zmudzińska,**
- 3) for the period from 1 January 2017 to 17 January 2017:**
  - a) Mr. Dariusz Kaśków,**
  - b) Mr. Przemysław Piesiewicz,**
  - c) Mr. Mariusz Rędaszka,**
- 4) for the period from 11 February 2017 to 31 December 2017 – Jacek Kościelniak,**
- 5) for the period from 1 March 2017 to 31 December 2017 – Ms. Alicja Barbara Klimiuk,**
- 6) for the period from 2 March 2017 to 31 December 2017 – Mr. Daniel Obajtek.**

*Report date: 25 May 2018*

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*Report of the Supervisory Board of ENERGA Spółka Akcyjna*

*on the evaluation of the financial statements, the Management Board's report on the Company's operations and of the Management Board's motion on the profit distribution for the period from 1 January 2017 to 31 December 2017*

**Signatures of Members of the Supervisory Board present:**

CHAIRPERSON	Paula Ziemiecka-Księżak	.....
VICE-CHAIRPERSON	Zbigniew Wtulich	.....
SECRETARY	Agnieszka Terlikowska-Kulesza	.....
MEMBER	Andrzej Powałowski	.....
MEMBER	Marek Szczepaniec	.....
MEMBER	Maciej Żółtkiewicz	.....

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*Report of the Supervisory Board of ENERGA Spółka Akcyjna*

*on the evaluation of the financial statements, the Management Board's report on the Company's operations and of the Management Board's motion on the profit distribution for the period from 1 January 2017 to 31 December 2017*

**RESOLUTION No. 49/V/2018  
of the Supervisory Board of  
ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)  
of 25 May 2018**

**re. evaluation of the ENERGA Group's consolidated financial statements  
and of the report on the operations of the ENERGA Group in 2017**

Under Article 382.3 of the Code of Commercial Companies and Section 17.1.1 of the Company's Articles of Association, the Supervisory Board hereby resolves as follows:

Section 1.

1. Based on:

1) Independent auditor's report for the General Meeting

of ENERGA SA on the audit of the consolidated financial statements of the ENERGA SA Group for the financial year ended 31 December 2017,

2) Opinion of the Audit Committee on the financial statements and consolidated financial statements for the financial year 2017 and evaluation of independence of the financial review process and effectiveness of the internal control and risk management systems,

to issue a positive opinion on the consolidated financial statements of the ENERGA Group for the year ended 31 December 2017, considering that the statements give a true and fair view of all the information material to evaluation of its property and financial situation as well as its financial result in 2017.

2. To move to the General Meeting of the Company to approve the consolidated financial statements of the ENERGA Group for the year ended 31 December 2017, showing:

- in the consolidated balance sheet – total assets of PLN 21,056 million,
- in the consolidated statement of profit or loss – net profit of PLN 789 million,
- in the consolidated statement of changes in equity
  - an increase in equity by PLN 648 million,
- in the consolidated statement of cash flows
  - an increase in cash by PLN 2,179 million.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

The Resolution has been adopted unanimously by open vote with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board  
present:*

1. Paula Ziemiecka-Księżak .....	4. Andrzej Powalowski .....
2. Zbigniew Wtulich .....	5. Marek Szczepaniec .....
3. Agnieszka Terlikowska-Kulesza .....	6. Maciej Żółtkiewicz .....



**RESOLUTION No. 50/V/2018  
of the Supervisory Board of  
ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)  
of 25 May 2018**

**re. evaluation of the ENERGA SA Management Board's report on the Group's operations in 2017**

Under Article 382.3 of the Code of Commercial Companies and Section 17.1.1 of the Company's Articles of Association, the Supervisory Board hereby resolves as follows:

Section 1.

1. To issue a positive opinion on the ENERGA SA Management Board's report on the Group's operations for the year ended 31 December 2017 and to move that it be approved by the Annual General Meeting of the Company.
2. The report referred to in paragraph 1 is attached as an Appendix to this Resolution.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

The Resolution has been adopted unanimously by open vote with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....
2. Zbigniew Wtulich .....
3. Agnieszka Terlikowska-Kulesza .....
4. Andrzej Powalowski .....
5. Marek Szczepaniec .....
6. Maciej Żółtkiewicz .....

**RESOLUTION No. 48/V/2018**  
**of the Supervisory Board of**  
**ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)**  
**of 25 May 2018**

**concerning: the acceptance of the Report on Activities of the Supervisory Board of ENERGA Spółka Akcyjna in 2017**

Pursuant to Article 382.1 of the Code of Commercial Companies, the Supervisory Board resolves hereby to:

Section 1.

1. Accept and present to the Ordinary General Meeting of Shareholders of ENERGA SA the Report on Activities of the Supervisory Board of ENERGA Spółka Akcyjna in 2017.
2. The report referred to in paragraph 1 is attached as an Appendix to this Resolution.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

The Resolution has been adopted unanimously by open vote with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....
2. Zbigniew Wtulich .....
3. Agnieszka Terlikowska-Kulesza .....
4. Andrzej Powalowski .....
5. Marek Szczepaniec .....
6. Maciej Żółtkiewicz .....



***Energa***

**REPORT ON ACTIVITIES  
OF THE SUPERVISORY BOARD OF  
ENERGA SPÓŁKA AKCYJNA**

**IN 2017**

*Warsaw, May 2018*

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## **1. Information about the term of office the Supervisory Board and its activity during this term**

Currently, the Supervisory Board of ENERGA SA operates in the fifth Term of Office, which is to last for three years in line with Section 18.4 of the Company's Articles of Association and began on 26 June 2017. Therefore, year 2017 was the first year of operation of the Supervisory Board of the current Term of Office.

## **2. Members of the Supervisory Board, functions performed in the Supervisory Board, changes in the composition of the Supervisory Board during the financial year**

In financial year 2017 ENERGA SA Supervisory Board operated in the following composition:

- 1) between 1 January 2017 and 10 February 2017:
  - a) Paula Ziemiecka-Księżak - Chairperson of the Supervisory Board,
  - b) Zbigniew Wtulich - Vice-Chairperson of the Supervisory Board,
  - c) Agnieszka Terlikowska-Kulesza - Secretary of the Supervisory Board,
  - d) Andrzej Powałowski - Member of the Supervisory Board,
  - e) Marek Szczepaniec - Member of the Supervisory Board,
  - f) Maciej Żółtkiewicz - Member of the Supervisory Board,
  - g) Jacek Kościelniak - Member of the Supervisory Board,
- 2) between 10 January 2017 and 26 June 2017:
  - a) Paula Ziemiecka-Księżak - Chairperson of the Supervisory Board,
  - b) Zbigniew Wtulich - Vice-Chairperson of the Supervisory Board,
  - c) Agnieszka Terlikowska-Kulesza - Secretary of the Supervisory Board,
  - d) Andrzej Powałowski - Member of the Supervisory Board,
  - e) Marek Szczepaniec - Member of the Supervisory Board,
  - f) Maciej Żółtkiewicz - Member of the Supervisory Board,
- 3) between 26 June 2017 and 22 August 2017:
  - a) Paula Ziemiecka-Księżak - Chairperson of the Supervisory Board,
  - b) Zbigniew Wtulich - Member of the Supervisory Board,
  - c) Agnieszka Terlikowska-Kulesza - Member of the Supervisory Board,
  - d) Andrzej Powałowski - Member of the Supervisory Board,
  - e) Marek Szczepaniec - Member of the Supervisory Board,
  - f) Maciej Żółtkiewicz - Member of the Supervisory Board,
- 4) between 22 August 2017 and the day of preparation of this Report:
  - a) Paula Ziemiecka-Księżak - Chairperson of the Supervisory Board,
  - b) Zbigniew Wtulich - Vice-Chairperson of the Supervisory Board,
  - c) Agnieszka Terlikowska-Kulesza - Secretary of the Supervisory Board,
  - d) Andrzej Powałowski - Member of the Supervisory Board,
  - e) Marek Szczepaniec - Member of the Supervisory Board,
  - f) Maciej Żółtkiewicz - Member of the Supervisory Board.

On 17 January 2017, Mr Jacek Kościelniak was delegated by the Company's Supervisory Board to act temporarily in the capacity of a Management Board Member responsible for managing the Company for a period of up to three months from the date of delegation. Subsequently, in connection with his appointment to the Company's Management

Board, Mr Jacek Kościelniak tendered his resignation from membership in the Supervisory Board as of 10 February 2017.

In connection with the end of the Supervisory Board's 4rd Term of Office, on 26 June 2017 the Ordinary General Meeting Shareholders of ENERGA SA set the number of Supervisory Board Members and appointed three Supervisory Board members for the 5th Term of Office: Andrzej Powałowski, Marek Szczepaniec and Maciej Żółtkiewicz.

By the representation from the Minister of Energy made by the power of its personal rights, the following were appointed to the Supervisory Board on 26 June 2017: Paula Ziemiecka-Książak (as Supervisory Board Chairperson), Zbigniew Wtulich and Agnieszka Terlikowska-Kulesza.

Mr Marek Szczepaniec and Mr Andrzej Powałowski satisfy the independence criteria envisaged for independent supervisory board members within the meaning of the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, taking into account the requirements envisaged by the Good Practices for Warsaw Stock-Exchange Listed Companies, and also for independent members of the Audit Committee, within the meaning of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089).

### **3. Information about the number of meetings held and resolutions adopted by the Supervisory Board**

In 2017, the Supervisory Board of ENERGA SA held 14 meetings and adopted 124 resolutions.

Meetings of the Supervisory Board in 2017 took place at the following dates: 3 and 17 January, 9-10 and 16 February, 17 and 27 March, 20 April, 20 and 29 May, 22 June, 22 August, 18 and 26-27 October and 28 November.

Moreover, the Supervisory Board adopted resolutions by voting using remote means of direct communication at the following dates: 26 and 27 January, 2 and 3 February, 14 and 30 March, 11 April, 30 June, 30 May, 6 and 26 September, 25 October, 11, 19, 22 and 27 December.

### **4. Information about attendance of the Supervisory Board Members at the meetings and resolutions adopted on excused and not excused absences**

Four Supervisory Board meetings were held in 2017 with not all members in attendance, namely:

- 1) on 16 February, Mr Andrzej Powałowski was absent from the meeting,
- 2) on 29 May, Mr Andrzej Powałowski was absent from the meeting,
- 3) on 22 June, Mr Andrzej Powałowski was absent from the meeting,
- 4) on 22 August, Mr Andrzej Powałowski was absent from the meeting.

In each case, the Supervisory Board Members made a decision in the form of a resolution to justify absences on the basis of the information provided by the Supervisory Board Members on the reasons for their absences.

## **5. Key issues addressed by the Supervisory Board and conducted inspections and explanatory proceedings**

The most important matters handled by the Supervisory Board in financial year 2017 included, among others:

- 1) conduct of recruitment procedures for the positions of Members of the Management Board of ENERGA SA and defining the principles and amounts of compensation for the Members of the Management Board of ENERGA SA,
- 2) approving the Organisational By-Laws of the ENERGA Spółka Akcyjna Enterprise,
- 3) analysis of the current economic and financial position of the Company and the Group and of the execution and return on the investments conducted in the ENERGA SA Group,
- 4) expressing opinions on activities related to implementation of investment projects in the ENERGA Group,
- 5) adopting the consolidated version of the Articles of Association of ENERGA SA,
- 6) conducting supervisory activities related to development and deployment of the Sales Support System encompassing the billing system and the CRM system in the ENERGA Group.

Additionally, in 2017, the Supervisory Board decided on how to vote at the general meetings of subsidiaries in the scope arising from the Company's Articles of Association, approved the physical and financial plans of ENERGA SA and the ENERGA Group, evaluated standalone financial statements and consolidated financial statements for the financial year 2016 with the motion to distribute profit, and monitored the Management Board's execution of the sponsorship activity plan.

Moreover, the Supervisory Board conducted quarterly reviews of resolutions adopted by the Management Board of ENERGA SA.

In 2017, the Supervisory Board conducted supervisory activities related to development and deployment of the Sales Support System encompassing the billing system and the CRM system in the ENERGA Group. Those activities were initiated under Resolution No. 14/IV/2017 adopted on 26 January and were completed on 18 October by approving in Resolution No. 104/V/2017 the report on the completed activities. The Company Management Board responded to the recommendations of the Supervisory Board contained in the Supervisory Board's report, which recommendations were adopted by the Supervisory Board.

## **6. Information about resolutions adopted by the Supervisory Board in matters related to appointment to positions of Management Board Members and selection of the statutory auditor for examination of financial statements**

In 2017, the Supervisory Board adopted the following resolutions appointing Members to the Company Management Board:

- 1) Resolution No. 29/IV/2017 of 10 February 2017 on appointment of a member of the Management Board of ENERGA SA of the 5th Term of Office, the Management Board President,



- 2) Resolution No. 30/IV/2017 of 10 February 2017 on appointment of a member of the Management Board of ENERGA SA of the 5th Term of Office, the Management Board Vice-President for Financial Matters,
- 3) Resolution No. 31/IV/2017 of 10 February 2017 on appointment of a member of the Management Board of ENERGA SA of the 5th Term of Office, the Management Board Vice-President for Operations,

In 2017, the Company Supervisory Board did not select a statutory auditor to examine the standalone and consolidated financial statements of ENERGA SA and the ENERGA Capital Group and provision of other assurance services.

## **7. Information about the implementation of resolutions adopted by the General Meeting of Shareholders related to the activities of the Supervisory Board**

In 2017, the General Meeting of Shareholders of ENERGA SA did not adopt resolutions related to the activities of the Supervisory Board.

As part of its reporting duties, the Supervisory Board, jointly with the ENERGA SA Management Board, sent quarterly information about the Company to the Supervision Department of Energy Ministry, within the prescribed time limits and in compliance with the applicable guidelines. As regards the F-01 Reports for the months ending each quarter, the Energy Ministry received them as an appendix to the quarterly information about the Company.

In execution of Resolution No. 27 of the Extraordinary General Meeting of Shareholders of ENERGA SA of 15 December 2016 on principles of determining compensation for the Management Board Members, the Supervisory Board adopted in 2017 the following resolutions:

- 1) Resolution No. 10/IV/2017 of 17 January 2017 on establishment of the principles and amount of compensation for the Company Management Board Members with whom a management contract is entered into (amended by Resolution 38/IV/2017 of 17 March 2017),
- 2) Resolution No. 42/IV/2017 of 27 March 2017 on determination of the management goals for Members of the Management Board of ENERGA SA.

## **8. Information on execution of the strategic or remedial programme**

In 2017, work was on-going to implement the Strategy of the ENERGA Group for 2016-2025, in which the two principal objectives were specified and five strategic programmes were defined.

On 15 May 2017, under a decision of the Management Board of ENERGA SA, five strategic programmes were established, that had been previously outlined in the Strategy, with designation of leaders, members of the steering committees and time limits for submitting the detailed plans by the leaders to the steering committees. In parallel, the previous Programme for Improvement of Effectiveness and Functioning of the ENERGA

Group was closed and the new Effectiveness Improvement Programme for 2017-2025 was established.

As part of Strategic Programme No. 1 "Smart and Reliable Electricity Distribution Grid" (hereinafter: SP1), by the decision of the Company Management Board of 30 May 2017, the target coverage with the so-called smart meters of 75% power consumption points in 2020 and 100% in 2025. On the basis of the results of the completed analyses, the Management Board of ENERGA SA approved the new SP1 targets on 13 September 2017. In total, ten tasks were defined that are to be completed to 2020 or 2025. The tasks are grouped in four areas:

- 1) management of achievement of qualitative objectives,
- 2) performance of obligations towards the President of the Energy Regulatory Office,
- 3) new functionalities for customers of ENERGA-OPERATOR SA,
- 4) improvement of organisational effectiveness.

One of the objectives of SP1 remains obtaining the full return on the regulatory value of assets in the tariff of ENERGA-OPERATOR SA, for each tariff year. In 2017, the power grid of ENERGA-OPERATOR SA was exposed to the effects of catastrophic storms that occurred in August 2017 and "Ksawery" and "Grzegorz" hurricanes. As a result of those unforeseeable events, the Company was not able to achieve SAIDI set under the quality regulation. Currently, talks are on-going with the ERO President, with a view to eliminate extraordinary events independent from OSD from the domain of the indicators taken into account in calculations.

As part of Strategic Programme No. 2 (hereinafter: SP2), by 31 December 2017 the short-term Programme objective was attained, which consisted in developing a business model for the provision of access to a fibre-optic cable grid as an infrastructure of broadband Internet access. The financial projections prepared for business model purposes indicated a negative effect of the above service (product) on the value of the ENERGA Group.

As part of Strategic Programme No. 3, preparations to execution of the project of Power Plant C in Ostrołęka and to the construction of a flue gas purification system in the Cogeneration Plant in Elbląg were on-going in 2017, after the (planned) prior entry into a multi-annual agreement on heat supplies to the municipal heating network. Three binding bids were received at the end of 2017 in the competitive dialogue procedure for selection of the contractor for building a coal-fired unit with a capacity of approximately 1000 MW in Ostrołęka. As to the entry into a multi-annual agreement with Elbląskie Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. (hereinafter: EPEC), negotiations were on-going between representatives of ENERGA Kogeneracja Sp. z o.o. and EPEC, where the main disputed issue was the method of heat pricing during the term of the agreement.

As part of implementation of Strategic Programme No. 4 aimed at maintaining a strong position of the ENERGA Group in renewable energy sources, in December 2017 a decision of the Regional Director of Environmental Protection in Bydgoszcz was issued on environmental considerations of the permit for the construction project of a barrage on the Vistula river in the Siarzewo location. Furthermore, the preparatory work for the purposes of the following two wind farm projects was continued: Przykona Wind Farm and Czaplinek Wind Farm, along with execution of a project of a biomass-fuelled unit with a capacity of

approximately 10 MW in Kalisz. Furthermore, projects of solar parks of less than 1 MW capacity were prepared so as to be ready to the auction of renewable energy sources in 2018.

Under Strategic Programme No. 5, i.e. "Rolling out a new customer-oriented business model and developing new business areas", the Implementation Plan, i.e. a document describing in detail the activities that will be conducted to achieve the EBITDA target of PLN 100 million in 2020, was approved in September 2017. It was still at the implementation stage at the end of 2017. The EBITDA target for 2017, at a level of PLN 5 million, was achieved.

#### **9. Information about suspensions of Management Board members in the performance of their duties by the Supervisory Board, and about delegating Supervisory Board members to act as Management Board members**

In 2017 no ENERGA SA Management Board members were suspended in the performance of their duties.

On 17 January 2017, Mr Jacek Kościelniak was delegated by the Company's Supervisory Board to act temporarily in the capacity of a Management Board Member responsible for managing the Company for a period of up to three months from the date of delegation. Subsequently, in connection with his appointment to the Company's Management Board, Mr Jacek Kościelniak tendered his resignation from membership in the Supervisory Board as of 10 February 2017.

#### **10. Information about the Supervisory Board's decisions on selecting the auditor, commissioning expert opinions, etc.**

In 2016, the Company Supervisory Board decided to initiate competition proceedings, and then selected the authorised entity KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. in Warsaw as the statutory auditor to examine the standalone and consolidated financial statements of ENERGA SA and the ENERGA Capital Group and provision of other assurance services for 2017 and 2018.

#### **11. Committees operating within the framework of the Company's Supervisory Board**

The following Committees operate within the framework of the ENERGA SA Supervisory Board:

- 1) the Audit Committee,
- 2) the Nomination and Compensation Committee.

The rules of operation of the Committees and their tasks performed in 2017 are presented in the following documents, respectively:

- 1) Report on Activities of the Audit Committee in 2017,
  - 2) Report on Activities of the Nomination and Compensation Committee in 2017,
- which are attached to the present Report.

#### **12. Evaluation of work of the Supervisory Board**

Members of the Supervisory Board of ENERGA SA applied due care and commitment and used their extensive knowledge, competence and extensive experience to exercise oversight over the Company's activity as outlined in this Report.

The persons who sat on the ENERGA SA Supervisory Board were highly qualified in economics, finance and law and had long-term experience in performing functions in management and supervisory bodies of commercial companies.

Members of the Company Management Board and the Company's employees technically responsible for the matters addressed by the Supervisory Board provided to the Supervisory Board all information and explanations required by the Supervisory Board to perform its duties.

### **13. Evaluation of the manner in which the Company fulfils its disclosure obligations related to the corporate governance rules**

In 2017, ENERGA SA and its bodies were subject to the corporate governance rules described in the set of documents accepted by Resolution No. 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych in Warszawie SA of 13 October 2015 as "the Good Practices for WSE Listed Companies for 2016" (hereinafter: Good Practices, DPSN). The document is available on the website of the GPW and on the Company's website, under the "investor relations" bookmark.

On 7 June 2017, the Company, via the Electronic Information Base system (the EBI system), submitted a report on compliance with the DPSN rules, in which the Management Board of ENERGA SA stated that it did not apply the following rules:

- 1) Rule I.Z.1.10 – the Management Board of ENERGA SA did not decide to publish financial projections. If the Company decided to publish them – published in the period of at least last 5 years, with the information on the extent of their achievement;
- 2) Rule III.Z.3 – the Company does not comply with the requirement of Standard 1110-1, only with regard to the organisational independence of appointing and dismissing the Internal Audit Manager (IAM) and approval and changes of the remuneration of IAM. The standard referred to above is defined in the International Standards for the Professional Practice of Internal Auditing by the Institute of Internal Auditors. Moreover, IAM does not functionally report to the Supervisory Board;
- 3) Rule V.Z.6. – the Company implemented the Code of Ethics that regulates a number of behavioural principles which it intends to apply in relations with the external environment and inside the ENERGA Group. The Company is of opinion that the issue of identification, prevention and resolution of conflicts of interest should also be described in internal regulations. Therefore, the Company will use its best efforts to include such provisions in the corporate documents.

In accordance with the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities, ENERGA SA posted a declaration on the application of corporate governance in the standalone and consolidated Reports of the Management Board for 2017 published on 15 March 2018.

On the website of investor relations of ENERGA SA, in the corporate governance bookmark, a set of downloadable documents can be found, which include the current DPSN document, the EBI reports, the Code of Ethics of the ENERGA Group.

The Supervisory Board of ENERGA SA positively evaluates the manner of fulfilling the disclosure obligations related to the application of the corporate governance rules by the Company in 2017.

#### **14. Evaluation of reasonableness of the policy conducted by the Company with regard to sponsorship, charitable or other similar activities**

The ENERGA Group conducted sponsorship activities, in line with its universal promotional and image-building nature. When conducting sponsorship activities, the ENERGA Group followed the Master Plan of Sponsorship Activities for 2017 and was oriented on fulfilment of expectations of the recipients (customers, investors, shareholders, public opinion, employees of member companies of the ENERGA Group), related to the Company in the sponsorship area.

The sponsorship activities of the ENERGA Group aimed at differentiating the image of the ENERGA brand from activities of the competition and emphasising the leading position among Polish public utility companies.

The sponsorship activities performed in 2017 by the ENERGA Group were conducted with a breakdown into the following activities and ventures:

- 1) professional sports,
- 2) ENERGA Sport,
- 3) ENERGA Patronage,
- 4) ENERGA Education,
- 5) ENERGA for nature,
- 6) business relations.

The sponsorship activities of the ENERGA Group was examined by an external auditor to evaluate its effectiveness and purposefulness, in accordance with the recommendations contained in the regulation published on 15 June 2016, entitled: "Good Practices in Conducting Sponsorship Activities by Companies with State Treasury Holdings".

Verification of the conducted activities is contained in the annual report on effectiveness of the sponsorship activities conducted by the ENERGA Group in 2017 and includes:

- 1) revision of the sponsorship activities, aimed at verifying the adopted long-term sponsorship assumptions of the ENERGA Group, which include:
  - a) popularisation (building coverage understood as brand awareness),
  - b) distinction, understood as brand recognition (among activities of the competition),
  - c) sales promotion and support of sales activities,
  - d) promotion of the Polish character of the ENERGA brand, understood as an element of the National System of Energy Security,
- 2) evaluation of effectiveness of sponsorship projects, to verify their cost-effectiveness understood as achievement of the predefined results at the lowest possible cost,
- 3) the report on execution of the sponsorship activities, the purpose of which is to analyse the effectiveness and purposefulness of the agreements with the sponsorees of the ENERGA Group.

The completed verification demonstrated an average 150% effectiveness of 131 sponsorship projects implemented by the ENERGA Group in 2017. As in accordance with the market standards sponsorship activities are considered effective at the minimum level of

100%, the result obtained positions highly the effectiveness of the sponsorship activities of the ENERGA Groups.

The ENERGA Group has been engaged in activities for those in need for years. To perform such activities, the ENERGA Foundation was established in 2009. It was entered into the National Court Register on 1 April 2009, and on 13 September 2011 it obtained the status of a public benefit organisation.

The mission of the ENERGA Foundation is to support those in need, above all disadvantaged children. Moreover, the Foundation supports the elderly and victims of natural disasters. The Foundation provides supplementary funds to hospital wards and palliative care institutions. It supports the statutory activities of organisations providing aid in small local communities. It helps volunteer firefighting units and medical rescuers. It is involved in help to disadvantaged employees and families of employees of the ENERGA Group.

The main form of help are money donations, although the Foundation is also an organisation from which tips and guidelines may be obtained with regard to the care system and information about the available forms of problem solving. As the Foundation is unable to provide support to all those who turn to it for help, it adopts an action plan that it implements on the basis of its By-Laws and Rules. In accordance with the Act on Public Benefit Organisation, all achievements are recorded in the reports. The technical and financial reports summing up each subsequent year of the Foundation's operation are available on the website of the ENERGA Foundation.

The Foundation's expenses are made in accordance with the adopted annual budget plan having highlighted segments of specific nature, and also the leading subject, indicating the priority of activities within a one-year time perspective.

In 2017, the ENERGA Foundation helped over 500 entities, granting to them donations totalling PLN 4,097,949. The main areas of activities of the ENERGA Foundation in 2017 are presented below:

- 1) the "Łamiemy bariery" ("We are breaking Barriers") programme is the main object of activity of the ENERGA Foundation in 2017. Support for a total amount of PLN 766,000 was granted under that programme;
- 2) as part of the programme "Safety and upbringing for integration", the ENERGA Foundation granted support for a total amount of PLN 320,000;
- 3) The Foundation allocated in total approximately PLN 151,800 for activities of the ENERGA Group employees, which included a support of the "Aktywni Charytatywni" ("Active Charitable Workers") campaign. Moreover, the employees of the ENERGA Foundation encouraged the Group employees to help those in need through participation in campaigns aimed at providing direct aid, such as the collection of plastic bottle caps ENERGA Group has been conducting for years or charity collections of clothing and household appliances to be distributed among poor families, nursing homes, day centres, as well as victims of storms and other misfortunes;
- 4) As part of the programme "Fundacja ENERGA dzieciom" ("ENERGA Foundation for Children", targeted money donations were made for treatment, rehabilitation, purchase of life-saving and life-supporting equipment, and also for participation in rehabilitation camps, with a total value of over PLN 180,000;
- 5) as part of the programme "Fundacja ENERGA osobom w podeszłym wieku" ("ENERGA Foundation for the Elderly"), donations were transferred to Local Social Welfare Centres,

- a Branch of the World Association of Home Army Soldiers, a Social Assistance Home and individual beneficiaries for treatment, rehabilitation and medical transport, at a total amount of approximately PLN 50,000;
- 6) As part of the Programme "Fundacja ENERGA ochronie zdrowia" ("ENERGA Foundation for Healthcare"), donations were granted to healthcare and rescue institutions at a total amount of approximately PLN 100,000;
  - 7) as part of the programme „Fundacja ENERGA pracownikom i ich bliskim oraz byłym pracownikom Grupy” ("ENERGA Foundation for Employees and their Families and Former Employees of the Group"), support was granted for treatment, rehabilitation, purchase of prostheses and medical equipment increasing the quality of life, at a total amount of approximately PLN 150,000;
  - 8) a total of approximately PLN 550,000 was transferred to public benefit organisations working for the benefit of local communities, especially those that implement projects supporting children and adolescents in the areas of nutrition, education, health, organisation of leisure, but also those whose efforts focus on counteracting social exclusion;
  - 9) support was granted to victims of fires, storms and other misfortunes, including individuals, social assistance homes and units of the Volunteer Fire-fighting Service, by transferring targeted donations, at a total amount of PPLN 70,000;
  - 10) The ENERGA Foundation supported the Children's Smile Foundation operating at the Voivodeship Hospital in Toruń, transferring PLN 130,000 for the purchase of a ventilator for neonates.

The activities of the ENERGA Foundation as a public benefit organisation are transparent. The requests received by the ENERGA Foundation are considered systematically, in accordance with the adopted rules of granting financial support and the current budgetary capacity. The requests that meet formal requirements and consistent with the statutory objectives covered by the action plan for the current year are being accepted. It can be found out on the website of the ENERGA Group who can request support and in what form.

The Foundation's expenses are made in accordance with the adopted annual budget plan having highlighted segments of specific nature, and also the leading subject, indicating the priority of activities within a one-year time perspective.

On 13 June 2017, the CSR Foundation was established, whose main objective was to provide support to organisations and institution that conduct pro-social activities. Its priority tasks include granting support to local communities, development of national and patriotic awareness and involvement in teaching and cultural activities for children, adolescents and adults. As part of its activity, 27 projects were implemented in 2017, including 12 social ones, 11 educational ones and 4 sports ones, for a total amount of PLN 947,800 of business donations.

In May 2017, the CSR Division started to operate within the organisational structure of ENERGA SA, which signed four agreements on patronage in the form of a donation for a total amount of PLN 80,000. In this manner, two social initiatives, one historic activity and one educational activity were supported.

As evaluated by the Supervisory Board, in 2017 the Company reasonably implemented the policy of conducting sponsorship, charitable and other similar activities.

## 15. Analysis and evaluation of operation of the capital group members

At the end of 2017, the ENERGA Group consisted of 34 companies, including ENERGA SA. Additionally, as of 31 December 2017, the Group had holdings in joint ventures, i.e. Polska Grupa Górnicza SA, Elektrownia Ostrołęka SA and an associate – Polimex-Mostostal SA. At the end of 2017, the ENERGA Group employed 8,970 persons. In comparison with the end of 2016, the employment increased by 229 persons, i.e. by 2.6%. In 2017, a new organisational model of the ENERGA Group was implemented. It involved primarily consolidation of some entities in the individual business lines and was aimed at optimising the management process and at cutting costs. As a result of the above process, the number of companies in the ENERGA Group was reduced from 44 entities operating at the end of 2016 to 34 at the end of 2017 (including ENERGA SA). The core business of the ENERGA Group entails distribution, generation and sales of electricity and heat and concentrates on the following business lines:

- 1) the Distribution Business Line – the Business Line of key importance to the Group's operating profitability, involved in the distribution of electricity (which is a regulated activity in Poland) conducted on the basis of tariffs approved by the President of the Energy Regulatory Office (ERO). ENERGA-OPERATOR SA acts as the Lead Entity in this Line. At the end of 2017, the Distribution Business Line consisted of 12 entities. Throughout 2017, the Distribution Business Line earned 80% of the EBITDA for the ENERGA Group (almost 85% in 2016).

The sales revenue of the Distribution Business Line in 2017 was PLN 4,392 million and was higher in comparison with the corresponding period of the previous year by 6%. The increase in the average distribution rate (by almost 5%) and a higher volume of distributed electricity (by 2%) contributed to the growth in revenue.

EBITDA was maintained at a similar level year on year. An increase in the distribution margin (taking into account grid losses of PLN 83 million) had a significant impact on the net operating result of PLN 959 million. This was primarily an effect of a favourable structure of sales of the distribution service, i.e. an increase in volume in the high-margin group C and in group B, with a concomitant fall in low-margin group A. On the other hand, the costs of real property tax were higher by PLN 11 million, and OPEX increased by PLN 51 million, mainly because of higher costs of employee benefits. Additionally, the balance of other operating activities decreased by PLN 17 million. The net profit in 2017 was PLN 674 million and was lower on a yearly basis by PLN 29 million. This resulted mainly from a higher depreciation that arose from high capital expenditure. The capital expenditure of the Distribution Business Line was PLN 1,247 million, i.e. by PLN 16 million less than one year earlier;

- 2) the Generation Business Line operates on the basis of four Power Generation Areas: the Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP). As of the end of 2017, the Generation Business Line consisted of 6 entities. At the end of 2017, the total installed generation capacity in the Group's power plants was approximately 1.3 GW.

In 2017, the Group generated a gross 4.3 TWh of electricity. The installed capacity of power plants relied on diverse energy sources, such as hard coal, hydropower, wind, biomass and solar energy (photovoltaics). After 12 months of 2017, 63% of the Group's



gross electricity production originated from hard coal, 25% from hydro, 11% from wind and 1% from biomass. The Lead Entity in this Business Line is ENERGA Wytwarzanie SA. The share of the Generation Business Line in the total Group EBITDA was 18% in 2017 (16% in the corresponding period of the previous year) and remained at a level of PLN 398 million. EBITDA increased by PLN 83 million, which was mainly driven by higher revenue from sales of electricity, energy certificates as well as regulatory system services. However, the said increases were offset by a higher cost of fuel consumption. The total revenue of the Generation Business Line in 2017 attained a level of PLN 1,148 million, which corresponded to an increase by PLN 8 million from 2016. The following factors contributed to the increase in revenue:

- a) the year-on-year increase in electricity generation in the possessed hydro and wind sources and cogeneration plants of the Group,
- b) the increase in revenue from sale of green property rights was caused by the sale of a large inventory of green property rights,
- c) the increase in revenue from sales of Regulatory System Services mainly the Operating Reserve of the Ostrołęka Power Plant, which resulted from the higher capacity reported to the Operator and higher market prices of that service.

The aforesaid increases in revenue were partly offset by higher costs of consumption of the key fuels used in the production process, which was also affected by a higher unit cost of coal consumption by the Line.

At the same time, a year-on-year increase in the costs of purchase of CO<sub>2</sub> allowances (by PLN 5 million), as the Line was assigned a smaller pool of free allowances for production for 2017;

- 3) The Sales Business Line, with ENERGA-OBRÓT SA as its lead entity, sells electricity, gas and additional services both as separate products and in packages to all customer segments – from industry to small, medium-sized and large enterprises and to households. As of the end of 2017, the Sales Business Line consisted of 3 entities. At the end of 2017, the ENERGA Group provided services to over 3 million recipients. In 2017, the Sales Business Line was responsible for obtaining PLN 85 of EBITDA, i.e. 4% of EBITDA of the ENERGA Group, in comparison with PLN 40 million of EBITDA in 2016, when the share of the Business Line in EBITDA of the Group was 2%.

The revenue of the Sales Business Line in 2017 was PLN 5,316 million, and thus its level was reduced by PLN 310 million (by 6%), in comparison with 2016. The most important revenue item of the Business Line remains the revenue from the sales of electricity, which in 2017 were lower by 5% (i.e. by PLN 247 million) year on year. This situation resulted from the decrease in the revenue on wholesale electricity sales by PLN 319 million (41%) year on year, which was due to a 36% decline in volume and a 8% drop in the average selling price. On the other hand, the revenue on sales of electricity on the retail market in 2017 was slightly higher by PLN 72 million (or 2%) than in 2016; this resulted from a 5% increase in volume and a 3% lower average selling price. The decline of revenue of this Business Line was also driven by the revenue on sales of gas, which was by PLN 71 million lower year on year in the analyzed period, mainly due to a lower volume of sales.

The margin on electricity sales, which is the key contributor to the Business Line result, dropped by PLN 30 million year on year. This was the effect of obtaining lower unit

margins. Additionally, the following factors had a negative effect on the level of EBITDA of the Business Line: the margin on the sales of gas decreased year on year, by PLN 16 million. This was an effect of a drop in the sales volume and lower unit margins, which increased, in turn, as a consequence of an active sales policy. However, the Business Line's 2017 EBITDA was driven upwards by two one-off non-cash events, which more than doubled EBITDA in year-on-year terms: reversal of impairment losses for disputed receivables at the amount of PLN 44 million, following the analysis of the IFRS 9 standard, and reversal of a part of provisions for administrative and court proceedings recognized in December 2016 at a total amount of PLN 22 million;

- 4) The Services and Other Business Line comprises entities providing accounting, payroll and personnel, administrative and real property management services. As of the end of 2017, the Other Business Line consisted of 9 entities. In 2017, EBITDA was at a level of PLN -46 million (similarly as in the previous year).

The detailed information about evaluation of the activities of the ENERGA Group is contained in the document entitled: "Evaluation of the position of ENERGA and the ENERGA Group in the 2017 financial year." The Supervisory Board has no objections against functioning of the capital group members.

## **16. Evaluation of utilisation of fixed assets in the Company's activity**

In view of the fact that the core business of the Company is holding activity, the Company does not have any material property, plant and equipment. As of the end of December 2017, fixed assets were PLN 11,168 million and represented 72.6% of total assets. Over 64% of total fixed assets are interests in subsidiaries, associates and joint ventures. A significant item of fixed assets are also bonds that represent 34% of total fixed assets.

Under the possessed rights from shares and participations, the Company obtained in 2017 dividends of PLN 203 million versus PLN 874 million in 2016.

The Supervisory Board positively evaluates the method of utilisation of fixed assets in the Company's activity.

## **17. Collaboration with the Management Board**

The Supervisory Board favorably assesses its collaboration with the Management Board in 2017. The Management Board members provided all information and explanations within the time limits required by the Supervisory Board. The Management Board kept the Supervisory Board informed about problems and important events.

*Report date: 25 May 2018*

### **Signatures of Members of the Supervisory Board present:**

CHAIRPERSON

Paula Ziemiecka-Księżak

.....

VICE-CHAIRPERSON	Zbigniew Wtulich	.....
SECRETARY	Agnieszka Terlikowska-Kulesza	.....
MEMBER	Andrzej Powałowski	.....
MEMBER	Marek Szczepaniec	.....
MEMBER	Maciej Żółtkiewicz	.....



***Energa***

**REPORT ON ACTIVITIES  
OF THE AUDIT COMMITTEE  
OF THE SUPERVISORY BOARD OF ENERGA  
SA**

**IN 2017**

*Gdańsk, May 2018*

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## **1. Operation of the Audit Committee**

The principles of operation of the Audit Committee are defined in the Rules of Procedure of the Supervisory Board. The Audit Committee is also subject to the provisions of the Good Practices for Warsaw Stock-Exchange Listed Companies, excluding the rules for which the Company's Management Board submitted a non-compliance declaration.

The Audit Committee operates as a collective body and provides advice and opinions for the Supervisory Board.

The tasks of the Audit Committee include in particular the following:

- 1) monitoring the financial reporting process,
- 2) monitoring the reliability of the financial information presented by the Company,
- 3) monitoring the effective operation of internal control, internal audit and risk management systems in place in the Company,
- 4) monitoring the performance of financial audit activities,
- 5) monitoring whether the statutory auditor and the entity authorised to audit financial statements are independent and objective, in particular when they provide services other than financial review,
- 6) recommending an entity authorised to audit financial statements and to conduct financial review activities to the Supervisory Board.

## **2. Members of the Audit Committee and evaluation of its activity**

The Audit Committee of the Supervisory Board of ENERGA SA has been operating since 20 March 2013, when the Company's Supervisory Board made a decision to appoint it and approve the Rules of its Operation.

In the 2017 financial year, the Audit Committee operated in the following composition:

- 1) between 1 January 2017 and 26 June 2017:
  - a) Marek Szczepaniec - Chairperson of the Committee,
  - b) Andrzej Powalowski,
  - c) Zbigniew Wtulich,
- 2) between 22 August 2017 and 18 October 2017:
  - a) Paula Ziemiecka-Księżak,
  - b) Marek Szczepaniec,
  - c) Zbigniew Wtulich,
  - d) Andrzej Powalowski,
- 3) between 18 October 2017 and 20 October 2017:
  - a) Marek Szczepaniec - Chairperson of the Committee,
  - b) Paula Ziemiecka-Księżak,
  - c) Zbigniew Wtulich,
  - d) Andrzej Powalowski,
- 4) between 20 October 2017 and the day of preparation of the current Report:
  - a) Marek Szczepaniec - Chairperson of the Committee,
  - b) Zbigniew Wtulich,
  - c) Andrzej Powalowski.

Between 1 January 2017 and 26 June 2017, Mr Marek Szczepaniec served as the Chairperson of the Audit Committee.

In relation to appointing the members of the Supervisory Board of the 5th Term of Office on

26 June 2017 by the Ordinary General Meeting of Shareholders of ENERGA SA, the following persons were appointed to the Audit Committee on 22 August 2017: Ms Paula Ziemięcka-Księżak, Mr Marek Szczepaniec and Mr Zbigniew Wtulich.

Subsequently, on 18 October 2017, at a Supervisory Board meeting, Mr Andrzej Powałowski was appointed to the Committee. On the same day, at a meeting of the Audit Committee, Mr Marek Szczepaniec was elected the Chairperson of the Committee.

On 20 October 2017, Ms Paula Ziemięcka-Księżak resigned from her membership in the Committee.

**Marek Szczepaniec** graduated from the University of Gdańsk. Currently he is a professor at the Gdańsk University (since 2008) and professor at the Kazimierz Wielki University in Bydgoszcz (since 2014). In 1993-2001 he worked as a consultant at the Polish-American Small Business Advisory Foundation. In 1992-2006 he was a consultant with the consulting firm B.P.S. Consultants Poland. Since 2006, he has been a co-owner and vice-president of a research firm Qualifact. He specialises in research on entrepreneurship, human capital, economic growth, behavioural finance and corporate marketing strategies. He is an author of over 150 research reports, scientific articles and other publications. Examples of banking sector companies that used his reports and studies are PKO Bank Polski, BZ WBK, Credit Agricole, BNP Paribas, Pekao SA, ING, mBank, while in the insurance sector those were, for example PZU, Warta, Compensa, Allianz, Aviva, and in the fuel sector the LOTOS Group, PKN Orlen, BP, Total. He managed market research for Elektrociepłownia Wybrzeże and the ENERGA Group and is the author of a study entitled "Energy company customer service models. Global trends".

**Andrzej Powałowski** studied in 1969-1973 at the Faculty of Law and Administration in the Nicolaus Copernicus University in Toruń. In 1973 he started to work as an assistant in the National Economy Management Law Section at the Faculty of Law and Administration in the University of Gdańsk. In 1980 he obtained the title of Doctor of Philosophy in legal sciences and was employed at the position of assistant professor. From 1992 he held the position of senior lecturer at the Public Economic Law Faculty and from 1994 at the Public Economic Law and Environmental Protection Faculty. In 2009, he obtained the title of Habilitated Doctor of Philosophy in legal sciences in the area of public economic law.

In 2010, he was nominated to the position of extraordinary professor at the University of Gdańsk. At the Law and Administration Faculty at the University of Gdańsk he is currently the head of the Public Economic Law Section and the head of the postgraduate study programmes entitled "Legal conditions for conduct of business activity" and "Public procurement law and system". He is also a lecturer at the Off-Site Faculty of the Gdańsk School of Higher Education in Olsztyn. He was employed as an extraordinary professor of the Baltic College of the Humanities and the Real Estate Management College. He is an author of numerous publications in the form of books and articles for scientific journals, and a member of governing bodies of non-governmental organisations and scientific periodicals. He worked as a legal advisor and since 2010 he has been a trial lawyer in his own law firm in Gdańsk. He holds a position of an arbitrator at the International Court of Arbitration at the Polish Chamber of Maritime Commerce.

**Zbigniew Wtulich** graduated from the Faculty of Drainage and Water Engineering at the Warsaw University of Life Sciences. He started his professional career in 1984 as a Designer Assistant in the Hydro Drainage Design Department. Subsequently, he became a construction engineer in the Regional Drainage Projects Enterprise (in October 1984). He held that position until April 1988. Between 1988 and 1991, he worked as an engineer in a foreign company "Amak" (construction industry) and from 1993 to 1997 he was employed with the State Treasury Agricultural Property Agency. Before appointment to the Company Supervisory Board, Zbigniew Wtulich served as chief specialist at the State Treasury Department of Assets Records at the State Treasury Ministry (1997-1998), chief specialist and team coordinator at the State Treasury Restitution and Compensation Department at the State Treasury Ministry (1998-2001), division head in the Restitution and Equity Allocation Department at the State Treasury Ministry (2002-2006), division head in the Department of Records, Restitution, Compensation and Equity Allocation (2006-2010). In 2010-2017, he was a division head in the State Treasury Property Department. He also served as a Supervisory Board member in Zakłady Tworzyw Sztucznych "GAMRAT" SA (in 2011) and in Przedsiębiorstwo Gospodarki Wodnej i Rekultywacji S.A. (2002-2009). Currently he is the Minister's Advisor at the Department of Forestry in the Ministry of the Environment.

Mr Marek Szczepaniec and Mr Andrzej Powałowski satisfy the independence criteria envisaged for independent supervisory board members within the meaning of the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, taking into account the requirements envisaged by the Good Practices for Warsaw Stock-Exchange Listed Companies, and also for independent members of the Audit Committee, within the meaning of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089).

### **3. Information on meetings of the Audit Committee**

In 2017, the Committee held 5 meetings, all of them with all members in attendance.

The Audit Committee issued recommendations and opinions, and also adopted resolutions, in the following matters:

- 1) acceptance of the internal audit plan for 2017,
- 2) evaluation of effectiveness of the internal control system,
- 3) opinion on the Company's standalone financial statements, Management Board report on the Company's activity, consolidated financial statements of the ENERGA SA Capital Group and report on the activity of the ENERGA SA Capital Group for financial year 2016,
- 4) acceptance of the Report on Activities of the Audit Committee in 2016,
- 5) adoption of the Audit Committee work plan for 2017.

### **4. Material issues addressed by the Audit Committee**

The Audit Committee performed its duties in accordance with the scope of the powers entrusted to it and the adopted work plan. It agreed with Supervisory Board Members the annual Audit Committee work plan, in particular as regards the Supervisory Board's expectations. In addition, the Committee Chairperson, with the participation of the other Members, presented at Supervisory Board meetings the information on execution of the Audit Committee's tasks.



The most important matters with which the Audit Committee dealt in financial year 2017 included:

- 1) review of semi-annual and quarterly reports,
- 2) review and evaluation of the insurance policy,
- 3) analyses of agreements entered into by ENERGA SA, together with their attributed costs,
- 4) review of transactions with related entities,
- 5) evaluation of the internal control system,
- 6) discussion, with participation of the statutory auditor, of the results of review of the financial statements of the Company and of the ENERGA Capital Group for financial year 2016,
- 7) giving opinions on:
  - a) the Company's standalone financial statements for financial year 2016,
  - b) the Management Board's Report on the Company's Activity for 2016,
  - c) the consolidated financial statements of the ENERGA SA Capital Group for financial year 2016,
  - d) Report of the ENERGA SA Management Board on the Activity of the ENERGA SA Capital Group in 2016,  
along with the recommendation for the Company's Supervisory Board,
- 8) reviewing in detail the risk register and map prepared by the Management Board,
- 9) evaluation of the statutory auditor's independence, including an analysis of the representations made by the entity reviewing the financial statements,
- 10) evaluation of compliance of the Company's actions with the provisions of law and other regulations,
- 11) evaluation of the efficacy of the system of management of risks exerting significant impact on the Company's operations, including their identification and mitigation methods,
- 12) review of the results of operation of internal audits in the Company,
- 13) tasks ordered by the Supervisory Board.

At its meetings, the Audit Committee regularly met with representatives of the Company's auditor, and the Company's management staff and employees, and obtained all material information and explanations to fully understand the issues raised.

Any recommendations, observations and comments and findings following from an analysis of the matters dealt with by the Audit Committee were communicated to the Company's Supervisory Board and Management Board. They pertained in particular to harmonisation of the risk management and internal audit area in the Group.

The Audit Committee monitored the way in which its observations addressed to the Management Board were used. The recommendations and other findings of the Audit Committee were executed by the Company within the specified time limits.

In addition, the Audit Committee prepared and submitted to the Supervisory Board periodic reports on its activity, comprising detailed information on the tasks performed and arrangements made.

Report date: 7 May 2018

**Signatures of members of the Audit Committee:**

CHAIRPERSON                      Marek Szczepaniec                      .....

MEMBER                              Andrzej Powalowski                      .....

MEMBER                              Zbigniew Wtulich                      .....



**REPORT ON ACTIVITIES  
OF THE NOMINATION AND COMPENSATION  
COMMITTEE  
OF THE SUPERVISORY BOARD OF ENERGA  
SA  
IN 2017**

*Warsaw, May 2018*

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## **1. Operation of the Nomination and Compensation Committee**

The principles of operation of the Nomination and Compensation Committee are defined in the Rules of Procedure of the Supervisory Board. The scope of the Nomination and Compensation Committee's operations covers expressing opinions and conducting analyses to support the Supervisory Board in the performance of its duties defined by the Articles of Association in respect of the overall compensation policy for Management Board members, the Company's upper level management and in the other companies in the ENERGA Group, and to articulate recommendations on appointing Management Board members.

The powers and duties of the Nomination and Compensation Committee shall include in particular:

- 1) conducting activities to recruit the Company's Management Board members to the extent designated by the Supervisory Board,
- 2) preparing draft versions of contracts and other model documents in connection with serving as the Company's Management Board members and supervision of the performance of the contractual obligations taken by the parties,
- 3) supervising the implementation of the Management Board's compensation system, in particular preparing billing documents concerning variable and bonus elements of compensation,
- 4) monitoring and analysing the compensation system for the Management Boards and management staff of the Companies of the ENERGA Capital Group,
- 5) supervising the correct execution of perks for the Company's Management Board stemming from contracts, such as personal and medical insurance and usage of company cars, apartment, and other.

## **2. Members of the Nomination and Compensation Committee and evaluation of its activity**

The Nomination and Compensation Committee of the Supervisory Board of ENERGA SA has been operating since 27 February 2015, when the Company's Supervisory Board made a decision to appoint it and approve the new By-Laws of the Supervisory Board of ENERGA SA in which the methods of operation of the Committee were defined.

In the 2017 financial year, the Nomination and Compensation Committee operated in the following composition:

- 1) between 1 January 2017 and 26 June 2017:
  - a) Paula Ziemiecka-Księżak – Chairperson of the Committee,
  - b) Agnieszka Terlikowska-Kulesza,
  - c) Zbigniew Wtulich,
- 2) from 22 August 2017:
  - a) Paula Ziemiecka-Księżak,
  - b) Agnieszka Terlikowska-Kulesza,
  - c) Zbigniew Wtulich.

In relation to appointing the members of the Supervisory Board of the 5th Term of Office on 26 June 2017 by the Ordinary General Meeting of Shareholders of ENERGA SA, the following Supervisory Board Members were appointed to the Nomination and Compensation Committee on 22 August 2017:

- 1) Ms Paula Ziemiecka-Księżak,

- 2) Ms Agnieszka Terlikowska-Kulesza,
- 3) Mr Zbigniew Wtulich.

**Paula Ziemiecka-Księżak** graduated from the Leon Koźmiński Entrepreneurship and Management College. In 1996 she began her employment with the Ministry of the Treasury. She worked in the departments conducting oversight of State Treasury-owned companies. She conducted oversight of companies in the motor transportation and marine transport sectors and also in the energy sector. Currently, she is the Head of the Supervision Division of the Department of Supervision and Ownership Policy of the Energy Ministry. Her scope of duties comprises supervision of overall economic and legal issues associated with the activity of State Treasury-owned companies from, among others, the black coal mining and power sectors. Additionally, she gained experience related to supervision of operations of State Treasury-owned companies from 2002, by serving in supervisory bodies of such companies as SIP-MOT SA in Zamość, PKS Ostrołęka SA, Opakomet SA based in Kraków and PERN SA based in Płock. She has been holding the position of the Chairwoman of the ENERGA SA Supervisory Board since 12 November 2015.

**Agnieszka Terlikowska-Kulesza** graduated from the Agricultural Faculty of the Warsaw University of Life Sciences and postgraduate studies at the Warsaw School of Economics in finance and European economic and legal relations. In February 1997, she started work at the Ministry of State Treasury, in the Department of Commercialisation and Direct Privatisation, in the Tender Privatisation Team. Between September 1997 and June 2002, she worked for the Privatisation Agency in the Tender Team as the chief specialist and then as the Section Manager. During that period, she participated in the organisation of tenders for the selection of entities performing pre-privatisation analyses of companies with State Treasury holdings, she oversaw and executed privatisation projects, conducted mainly through the invitation to tender procedure, she verified economic and financial analyses and valuations of companies with State Treasury holdings slated for privatisation. Between July 2002 and June 2016, she was the chief specialist in State Treasury-owned corporate supervision departments at the State Treasury Ministry. She supervised companies from the ceramic, construction and vehicle transportation industries. In 2009–2016, she supervised chemical sector companies. Since July 2016, she has been chief specialist at the Department of Supervision and Ownership Policy at the Energy Ministry, where she is overseeing mining sector companies. She gathered additional experience by serving in 2011–2016 in supervisory bodies of companies with State Treasury holdings such as: "Chłodnia Szczecińska" Sp. z o.o., Zakłady Ceramiczne "Bolesławiec" w Bolesławcu Sp. z o.o., Przedsiębiorstwo Komunikacji Samochodowej w Białymstoku SA, Przedsiębiorstwo Robót Drogowych Sp. o.o. in Mielec, Przedsiębiorstwo Elektryfikacji i Robót Instalacyjnych "ELTOR-Warszawa" Sp. z o.o. in Wołomin.

**Zbigniew Wtulich** graduated from the Faculty of Drainage and Water Engineering at the Warsaw University of Life Sciences. He started his professional career in 1984 as a Designer Assistant in the Hydro Drainage Design Department. Subsequently, he became a construction engineer in the Regional Drainage Projects Enterprise (in October 1984). He held that position until April 1988. Between 1988 and 1991, he worked as an engineer in a



**RESOLUTION No. 51/V/2018**  
**of the Supervisory Board of**  
**ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company)**  
**of 25 May 2018**

**to approve the Supervisory Board's report on the evaluation of the consolidated financial statements and the report on the activities of the ENERGA SA Group in the year ended 31 December 2017**

In accordance with Article 382.3 of the Code of Commercial Companies and Section 17.1.2 of the Company's Articles of Association, the Supervisory Board hereby resolves to:

Section 1.

1. Approve and present to the Annual General Meeting of ENERGA SA the Supervisory Board's report on the evaluation of the consolidated financial statements and the Management Board's report on the activities of the ENERGA SA Group in the period from 1 January 2017 to 31 December 2017.
2. The report referred to in paragraph 1 is attached as an Appendix to this Resolution.

Section 2.

This Resolution shall come into force upon being adopted.

Number of attendees: 6.

The Resolution has been adopted unanimously by open vote with the following number of votes cast:

6 in favour,  
0 against,  
0 abstaining.

*Signatures of Members of the Board present:*

1. Paula Ziemiecka-Księżak .....
2. Zbigniew Wtulich .....
3. Agnieszka Terlikowska-Kulesza .....
4. Andrzej Powalowski .....
5. Marek Szczepaniec .....
6. Maciej Żótkiewicz .....