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**ENERGA SA MANAGEMENT BOARD REPORT ON ENTERTAINMENT EXPENSES, EXPENSES FOR  
LEGAL SERVICES, MARKETING SERVICES (INCLUDING SPONSORSHIP), PUBLIC RELATIONS  
SERVICES AND SOCIAL COMMUNICATION SERVICES AND FOR MANAGEMENT-RELATED  
ADVISORY SERVICES, FOR THE YEAR ENDED ON 31 DECEMBER 2018**

*Gdańsk, May 2019*

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## I. INTRODUCTION

The present Report on Expenses of ENERGA SA has been prepared as an enforcement of Section 17.2.4. of the Company's Articles of Association. The amounts specified in the Report are presented in thousands of zlotys.

<i>Expenditures of Energa SA</i>	2017	2018	Change	% change
Expenses for marketing services	32,540	46,315	13,775	42.3%
Expenses for management-related advisory services	6,872	4,896	-1,976	-28.8%
Expenses for legal services	2,511	1,544	-967	-38.5%
Expenses for public relations and social communication services	1,240	2,220	980	79.0%
Entertainment expenses	380	323	-57	-15.0%
<b>Total</b>	<b>43,543</b>	<b>55,298</b>	<b>11,755</b>	<b>27.0%</b>

## II. EXPENSES FOR MARKETING SERVICES (INCLUDING SPONSORSHIP SERVICES)

<i>PLN'000</i>	2017	2018	Change	% change
Expenses for marketing services	32,540	46,315	13,775	42.3%

The marketing service activities aimed at promoting the ENERGA brand and at building and maintaining the high level of its market awareness. The image of the Energa brand, i.e. its perception and assessment by the environment, plays an important role supporting the achievement of the Group's objectives and maintenance of the leading market position. The brand promotion expenses are centralised and incurred by the Company, and licences are granted to the Group companies for the use of the Energa brand, for a fee.

The marketing expenses included primarily promotional services for the ENERGA brand, advertising services in the area of creation, designing and printing, advertising materials with the logo, manufacture and operation of promotional aids, corporate social responsibility (CSR) activities and media purchases.

The increase in marketing services vis-a-vis 2017 was due to the implementation of the image-building campaign for Energa Group, among other things; the campaign was the first one of that type for many years. During the campaign, there were TV spots and radio commercials on the local and nationwide media that presented new characters of the Group.

2018 was a special year for Poland which celebrated 100 years of regaining independence. To commemorate that event, national flags and patriotic badges were manufactured. The Company also covered the costs of purchasing white and red T-shirts for scouts who created a "living flag" during the meeting of the Polish Scouting and Guiding Association. The record was entered to the Guinness Book of Records for Poland. As part of celebrating the centennial of Poland's independence, Energa SA also implemented the campaign under the theme "Patriotyzm źródłem dobrej energii" [Patriotism is the source of good energy] and supported the 10th edition of the Niepokorni Niezłomni Wyklęci (NNW) Festival.

In the sponsorship area, the Company incurred expenses for cooperation with entities representing organisers of professional sports as well as culture and art events, with whom it entered into agreements for the provision of sponsorship services.

2018 sponsorship activities included very large projects from various categories. In sports, the flagship projects included the contracts with the Polish Basketball Association and Lechia Gdańsk soccer team. The cooperation with the Polish Basketball Association not only turned out to be very effective; it also brought Energa immense media attention following the historical event which was the basketball players qualification for the 2019 World Championships. Apart from the national teams, the sponsorship activities also included two premier league teams (among others) where Energa acted as the naming rights sponsor. Energa SA also sponsored clubs such as: Energa AZS Koszalin, Energa MKS Kalisz, Energa Wybrzeże Gdańsk, KS Energa Toruń, Energa Toruń or the Energa Stadium. The Company also supported individual athletes who won medals during world championships, notably Paulina Guba, Joanna Łochowska, Joanna Fiodorow and Michał Haratyk. GK Energa has remained the naming rights sponsor of the stadium in Gdańsk.

As for art and culture, it goes without saying that the International Film Festival Energa Camerimage which was held in Bydgoszcz and became known on the international scene, as well as the production of *Kamerdyner*, a movie directed by Filip Bajon were absolutely the largest projects in that area. As regards events and initiatives that Energa has supported for years, it is also worth mentioning the sponsorship of Polska Filharmonia Bałtycka, as well as entertainment events in Dolina Charlotty and the Polish Circles of Art in China Festival. Events with

patriotic components also received financial support during that special year of the centennial of Poland's independence.

In terms of business relations, Energa was also involved in many important congresses, including the European Economic Congress, the Polish Economic Summit, the Economic Forum in Krynica and Congress 590. In 2018, because of the centennial of Poland's independence, the sponsoring expenses incurred by the Company totalled 0.27% of the consolidated net revenue from sales in the previous financial year. In the previous years, that ratio was lower and stood at 0.2%.

The expenses related to execution of the individual sponsorship projects are supervised on an on-going basis by the Company Supervisory Board, which in accordance with the provisions of the Articles of Association expresses its opinion on both the plan and principles of conducting sponsorship activity in Energa Group and submits to the General Meeting of Shareholders, at least once a year, the evaluation of reasonableness of the Company's policy for the sponsorship activity.

### III. EXPENSES FOR MANAGEMENT-RELATED ADVISORY SERVICES

PLN'000	2017	2018	Change	% change
Expenses for management-related advisory services	6,872	4,896	-1,976	-28.8%

The expenses for management-related advisory services relate to advising for strategic projects for the Capital Group, acquisition of funding, marketing strategy, tax advising, optimisation of the Group structure and processes within the Group. It is worth noting that the expenses for advisory services went down by nearly 29% from 2017. This was due to the fact that some of the tasks were performed by the employees of Energa SA.

### IV. EXPENSES FOR LEGAL SERVICES

PLN'000	2017	2018	Change	% change
Expenses for legal services	2,511	1,544	-967	-38.5%

The expenses for legal services were incurred in 2018 in relation to the provision of legal advisory services for Energa SA by specialised entities, which included in particular development of legal information, analyses and opinions, legal support at matters related to the development and adjustment of contents of the internal acts to the applicable legal regulations, on-going service related to trademark protection, representation in court and pre-court disputes and administrative proceedings, and also comprehensive legal services for investment projects executed in Energa Group. It is worth noting that the legal expenses went down by nearly 39% from 2017; the decrease resulted from the fact that a major part of the tasks were performed by the employees of Energa SA without any outside help.

### V. EXPENSES FOR PUBLIC RELATIONS AND SOCIAL COMMUNICATION SERVICES

PLN'000	2017	2018	Change	% change
Expenses for public relations and social communication services	1,240	2,220	980	79.0%

The conducted public relations and social communication activities shaped the positive image of Energa Group among the individual stakeholder groups.

In the external communication area, expenses were related mainly to the building and maintenance of investor and media relations and related in particular to media monitoring, participation in business conferences and events, and operation of an electronic press office.

The activities of Energa Group, the largest employer in Pomerania and one of the four principal energy companies in Poland, make it the daily subject of interest of the media – starting from the local and regional ones, through the pan-Polish, sectoral or economic ones, and ending on those that address social and sport topics. This is why the Energa Group Press Office provides continuous updates about the activities of the Group and its individual companies, and also about their initiatives. This makes it possible to create and reinforce the positive image, and to get with the message both to the media and to the public. As a Group we use multiple communication channels, the most important of which are the media.

As part of the communication-related tasks, the Company also took care about the positive relations with the investors. Since the Ostrołęka C project reached key milestone stages, Energa SA had to take extra efforts in that area and cooperate with consulting agencies as well.

The increase in PR and social communication costs was mainly related to the cooperation agreements that help shape the corporate social responsibility.

In the internal communication area, expenses were related to the building and maintenance of employee relations and related in particular to organisation of activities addressed to the Company employees and their

families, publishing, printing and typesetting of the "Emisja" magazine describing events within Energa Group and other internal communication tools (including the Intranet).

**VI. ENTERTAINMENT EXPENSES**

<i>PLN'000</i>	2017	2018	Change	% change
Entertainment expenses	380	323	-57	-15.0%

The purpose of the entertainment expenses is to build positive relations with the Company's environment, including the relations with the key business counterparties.

**The Management Board of Energa SA****Alicja Barbara Klimiuk****Jacek Kościelniak****Grzegorz Ksepko***/illegible signature/**/illegible signature/**/illegible signature/*