

**RESOLUTION No. 48/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**re. the motion to the General Meeting on the approval of the Company's standalone financial statements for 2018**

In reference to Resolution No. 25/V/2019 of the Supervisory Board of ENERGA SA of 13 March 2019, having evaluated the Company's standalone financial statements for the financial year 2018, the Supervisory Board resolves as follows:

Section 1

To move to the Company's General Meeting to approve the Company's financial statements for the financial year 2018 showing:

- in the balance sheet – total assets of	PLN 15,293 million,
- in the statement of profit or loss – net profit of	PLN 495 million,
- in the statement of changes in equity	
- an increase in equity by	PLN 459 million,
- in the statement of cash flows	
- a decrease in cash by	PLN 950 million.

Section 2

This Resolution shall enter into force upon its adoption.

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 Supervisory Board present:*

1. Paula Ziemiecka-Księżak	<i>/illegible signature/</i>
2. Zbigniew Wtulich	<i>/illegible signature/</i>
3. Agnieszka Terlikowska-Kulesza	<i>/illegible signature/</i>
4. Andrzej Powalowski	<i>/illegible signature/</i>
5. Marek Szczepaniec	<i>/illegible signature/</i>
6. Maciej Żółtkiewicz	<i>/illegible signature/</i>

**RESOLUTION No. 49/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**re. the motion to the General meeting on approval of the Management Board's Report on the Company's Activity for 2018**

In reference to Resolution No. 26/V/2019 of the Supervisory Board of ENERGA SA of 13 March 2019 regarding evaluation of the Management Board's Report on the Company's Activity for the financial year 2018, the Supervisory Board resolves as follows:

Section 1

To move to the Company's General Meeting to approve the Management Board's Report on the Company's activity for the financial year 2018.

Section 2

This Resolution shall enter into force upon its adoption.

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 Supervisory Board present:*

1. Paula Ziemiecka-Księżak

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2. Zbigniew Wtulich

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3. Agnieszka Terlikowska-Kulesza

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4. Andrzej Powalowski

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5. Marek Szczepaniec

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6. Maciej Żółtkiewicz

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**RESOLUTION No. 50/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**re. evaluation of the Management Board's motion to distribute the 2018 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 2018 net profit in the amount of **PLN 495,002,271.26**, as attached as an Appendix to this Resolution.

Section 2

This Resolution shall enter into force upon its adoption.

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 Supervisory Board present:*

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

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**RESOLUTION No. 1531/V/2019 of the Management Board of ENERGA Spółka Akcyjna (the Company)  
of 15 April 2019**

**re. the motion to distribute net profit for the financial year 2018**

Acting under Section 14.3.9 of the Company's Articles of Association:

Section 1

1. The Management Board hereby moves to the General Meeting of ENERGA SA to distribute the 2018 net profit in the amount of PLN 495,002,271.26 by allocating the same in full for the legal reserve.
2. The reasons for the motion to distribute the 2018 net profit are provided in the Appendix to this Resolution.

Section 2

This Resolution shall enter into force upon its adoption.

Number of voters: 3.

The Resolution has been adopted unanimously.

**The Management Board of ENERGA SA**

**Alicja Barbara Klimiuk**

**Jacek Kościelniak**

**Grzegorz Ksepko**

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**GENERAL MEETING OF  
ENERGA Spółka Akcyjna**

**REASONS FOR THE PROPOSED DISTRIBUTION OF 2018 NET PROFIT**

We hereby move that the 2018 net profit in the amount of PLN 495,002,271.26 be distributed by being allocated in full for the legal reserve.

Concurrently with the adoption of the ENERGA Group Strategy for 2016-2025, on 15 November 2016, the Company announced that the dividend policy would be adapted to the financial needs of the investment process, under which the incurring of the most significant expenses is expected to come to an end in 2023. At the same time, the provisions regarding the declared dividend payments contained in the Company's Prospectus, as approved by the Polish Financial Supervision Authority, became obsolete on 15 November 2013.

The shareholder's right to dividend results from the participation in the capital. Based on the analysis of the Company's financial results, observation of the market and regulatory developments, and taking into account the current and planned capital expenditures of ENERGA Group, we move that no dividend be paid out of the net profit earned by the Company in 2018 and that said net profit be allocated in full for the legal reserve.

Furthermore, Article 396.1 of the Code of Commercial Companies (CCC) requires the Company to create reserve capital and to allocate for it at least 8% of the profit earned for a given financial year until the reserve capital reaches one-third of the share capital (in the case of ENERGA SA – PLN 1,507,204,294.96). As at 31 December 2018, the Company's legal reserve amounted to PLN 1,539,518,833.20, thus accounting for 34.0% of the share capital. Therefore, the Code's requirement regarding the method of net profit distribution has been fulfilled.

**The Management Board of ENERGA SA**  
**Alicja Barbara Klimiuk**  
**Jacek Kościelniak**  
**Grzegorz Ksepko**

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**RESOLUTION No. 51/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**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 2018**

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 2018 and the 2018 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 January to 31 December 2018.

Section 2

This Resolution shall enter into force upon its adoption.

Number of attendees: 6.

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

6 in favour,

0 against,

0 abstaining.

*Signatures of Members of the Supervisory Board present:*

1. Paula Ziemiecka-Księżak

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2. Zbigniew Wtulich

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3. Agnieszka Terlikowska-Kulesza

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4. Andrzej Powalowski

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5. Marek Szczepaniec

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6. Maciej Żółtkiewicz

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**RESOLUTION No. 52/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**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 2018**

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 2018 and the 2018 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 1 January to 31 December 2018.

Section 2

This Resolution shall enter into force upon its adoption.

Number of attendees: 6.

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

6 in favour,

0 against,

0 abstaining.

*Signatures of Members of the Supervisory Board present:*

1. Paula Ziemiecka-Księżak

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2. Zbigniew Wtulich

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3. Agnieszka Terlikowska-Kulesza

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4. Andrzej Powalowski

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5. Marek Szczepaniec

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6. Maciej Żółtkiewicz

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**RESOLUTION No. 53/V/2019 of the Supervisory Board  
of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**re. motion to grant discharge to Mr. Grzegorz Ksepko, Vice-President of the Management Board for  
Corporate Matters, in respect of the performance of duties in 2018**

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 2018 and the 2018 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, Vice-President of the Management Board for Corporate Matters, in respect of the performance of his duties in the period from 1 January to 31 December 2018.

Section 2

This Resolution shall enter into force upon its adoption.

Number of attendees: 6.

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

6 in favour,

0 against,

0 abstaining.

*Signatures of Members of the Supervisory Board present:*

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

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**RESOLUTION No. 54/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**re. motion to grant discharge to Mr. Daniel Obajtek, President of the Management Board, in respect of the performance of duties in 2018**

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 2018 and the 2018 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 1 January to 5 February 2018.

Section 2

This Resolution shall enter into force upon its adoption.

Number of attendees: 6.

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

6 in favour,

0 against,

0 abstaining.

*Signatures of Members of the Supervisory Board present:*

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

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**RESOLUTION No. 55/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**re. motion to grant discharge to Mr. Arkadiusz Siwko, President of the Management Board, in respect of the performance of duties in 2018**

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 2018 and the 2018 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. Arkadiusz Siwko, President of the Management Board, in respect of the performance of his duties in the period from 2 July to 31 July 2018.

Section 2

This Resolution shall enter into force upon its adoption.

Number of attendees: 6.

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

4 in favour,

0 against,

2 abstaining.

*Signatures of Members of the Supervisory Board present:*

1. Paula Ziemiecka-Księżak

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2. Zbigniew Wtulich

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3. Agnieszka Terlikowska-Kulesza

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4. Andrzej Powalowski

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5. Marek Szczepaniec

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6. Maciej Żótkiewicz

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**RESOLUTION No. 56/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**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 2018 to 31 December 2018**

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 2018 to 31 December 2018, accompanied by an opinion on economic reasonableness of ENERGA SA'S capital involvement in other companies made in financial year 2018.
2. The report referred to in paragraph 1 is attached as an Appendix to this Resolution.

Section 2

This Resolution shall enter into force upon its adoption.

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 Supervisory Board present:*

1. Paula Ziemiecka-Księżak
2. Zbigniew Wtulich
3. Agnieszka Terlikowska-Kulesza
4. Andrzej Powalowski
5. Marek Szczepaniec
6. 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 2018 to 31 December 2018, accompanied by an opinion on economic reasonableness of ENERGA SA's capital involvement in other companies made in financial year 2018.**

***Gdańsk, May 2019***

## 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 2018, 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) The report of the Management Board ENERGA SA on the activities of ENERGA SA for the year ended on 31 December 2018,
- 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 2018, 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 2018 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 2018 and evaluation of independence of the financial review process and effectiveness of the internal control and risk management systems, and made an assessment, on 13 March 2019, of the Management Board's statements and reports, as presented in the Company's Supervisory Board Resolution No. 25/V/2019 and 26/V/2019.

### 1. Findings relating to the financial statements

The Report made by the auditors of KPMG Audyt Sp. z o.o. Sp. k. with its registered office in Warsaw reads that the standalone financial statements of the ENERGA SA:

- „- *give a true and fair view of the property and financial position of the Entity as at 31 December 2018, operating profit or loss and cash flows for the financial year then ended, in accordance with International Financial Reporting Standards approved by the European Union, as well as the adopted accounting principles (policy),*
- *comply, in all material respects, as to the form and substance, with the applicable laws and the articles of association of the Entity,*
- *have been prepared, in all material aspects, based on properly kept books of accounts, in accordance with Chapter 2 of the Accounting Act of 29 September 1994 (Journal of Laws of 2019, item 351) (the "Accounting Act")."*

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,
- 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 2018 be approved by the Annual General Meeting, as per Article 393 subparagraph 1 of the Commercial Companies Code.

## 2. Findings relating to the Management Board's report on the operations of ENERGA SA for 2018

The statutory auditor has concluded that: *"the report on the activities, in all material respects, has been prepared in conformity with the applicable laws and is consistent with the information contained in the standalone 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 are of the view that the information specified in paragraph 70(6)(5)(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 2018 duly reflects the scope of operations in 2018.

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 2018 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

As at 31 December 2018, ENERGA Group consisted of 22 companies, including its parent company, ENERGA SA.

### 1) Investments in entities outside ENERGA Group

#### Elektrownia Ostrołęka Sp. z o.o.

On 11 January 2017, ENERGA SA and ENEA SA signed an investment agreement concerning the execution of the new power unit construction project in Ostrołęka. The General Meeting of Elektrownia Ostrołęka SA passed a resolution (Resolution 1) on 23 November 2017 to convert this company into a limited liability company. The conversion was registered in the National Court Register on 27 February 2018.

On 23 March 2018, ENERGA SA signed an agreement to sell a third stake in Elektrownia Ostrołęka Sp. z o.o. to ENEA SA. As a result of this transaction, each of ENERGA SA and ENEA SA holds a 50% stake in Elektrownia Ostrołęka Sp. z o.o. and the same percentage of voting rights at the General Meeting. The Management Board and the Supervisory Board consist of the same number of representatives of both investors. Decisions on significant actions require unanimous consent of both partners.

An increase in share capital of Elektrownia Ostrołęka Sp. z o.o. by PLN 35 m by a resolution of the Shareholders Meeting of 29 March 2018, pursuant to which ENERGA SA and ENEA SA each subscribed for 50% of new shares (i.e. PLN 17.5 m, respectively) in exchange for cash contributions, was registered with the National Court Register on 30 July 2018.

On 12 July 2018, Elektrownia Ostrołęka Sp. z o.o. signed a Public Contract with the General Contractor: A Consortium of GE Power Sp. z o.o. as the Consortium Leader and ALSTOM Power Systems SAS, selected in a contract award procedure conducted by Elektrownia Ostrołęka Sp. z o.o. Before the contract was signed, the General Meeting passed a resolution on 6 July 2018 to give its consent to the contract.

The subject matter of the Contract is the design, construction and commissioning of a 1,000 MWe power unit with auxiliary facilities.

On 27 July 2018, a resolution was passed by the General Meeting of Elektrownia Ostrołęka Sp. z o.o. to increase the company's share capital by PLN 287 million to PLN 551,100,000. The new shares were equally divided between ENERGA SA and ENEA SA, which acquired PLN 143.5 million each. The increase was registered by the National Court Register on 16 October 2018.

On 28 December 2018, the Extraordinary General Meeting of Elektrownia Ostrołęka passed a resolution giving consent to the issuance of a notice to proceed (NTP) in connection with the construction of the 1000 MW Ostrołęka Power Plant C. On 28 December 2018, the Management Board of Elektrownia Ostrołęka issued a notice to proceed with the construction of Ostrołęka Power Plant C to the general contractor: a Consortium of GE Power Sp. z o.o. as the Consortium Leader and Alstom Power Systems SAS.

On 28 December 2018, ENERGA SA, ENEA SA and Ostrołęka Power Plant terminated the Investment Agreement of 8 December 2016 amended with Annex no. 1/2018 of 26 March 2018 and signed the Memorandum of Understanding the intention of which is to conclude a new investment agreement specifying the terms of their co-operation and financing of the project of construction of the new power unit in Ostrołęka in the construction phase. The parties declared their financial commitment to the construction project in the following amounts: ENEA SA – PLN 1 billion and ENERGA SA – not less than PLN 1 billion,

and other investors – the outstanding amounts required for the coverage of the financial outlays made.

On 4 January 2019, a resolution was passed by the Meeting of Shareholders of Elektrownia Ostrołęka to increase the company's share capital by PLN 361,382,100, i.e. up to PLN 912,482,100. The new shares were acquired by ENERGA SA and ENEA SA, 50% each, i.e. PLN 180,691,050 each. The merger was recorded in the National Court Register on 1 March 2019.

#### ElectroMobility Poland SA

On 4 October 2018, the General Meeting of Shareholders of ElectroMobility Poland SA passed a resolution concerning an increase in the share capital of the company to PLN 70 m, by increasing the nominal value of shares. Under the resolution, ENERGA SA contributed PLN 10 m in cash to the company. The increase in the share capital of ElectroMobility was registered with the National Court Register on 7 January 2019.

#### 2) Merger of ENERGA Group Companies

On 26 February 2018, a Merger Plan was signed by four investment companies operating within the Distribution Business Line, namely Przedsiębiorstwo Budownictwa Elektroenergetycznego ENBUD Słupsk Sp. z o.o. (the acquiring company), Energetyka Kaliska – Usługi Techniczne Sp. z o.o., ZEP-Centrum Wykonawstwa Specjalistycznego Sp. z o.o. and Zakład Budownictwa Energetycznego Sp. z o.o. (the target companies).

The general meetings of these companies that passed resolutions on the merger were held on 3 April 2018. The merger was registered by the National Court Register on 30 April 2018. At the same time, the acquiring company's Articles of Association were amended by renaming the company to ENERGA-OPERATOR Wykonawstwo Elektroenergetyczne Sp. z o.o.

Following the Merger Plan, agreed and signed on 19 January 2018, to merge ENERGA Centrum Usług Wspólnych Sp. z o.o. (the acquiring company) and RGK Sp. z o.o. (the target company), the general meetings of these companies passed their resolutions on the merger on 16 April 2018. The merger was registered by the National Court Register on 7 June 2018.

Two Group companies: ENERGA-OPERATOR SA and ENERGA-OPERATOR Techniczna Obsługa Odbiorców Sp. z o.o. signed a Merger Plan on 26 April 2018, with ENERGA-OPERATOR SA as the acquiring company. On 1 June 2018, the General Meeting of ENERGA-OPERATOR Techniczna Obsługa Odbiorców Sp. z o.o. passed a resolution concerning the merger. The merger did not involve an increase in the acquiring company's share capital (pursuant to Articles 514(1) and 515(1) of the Commercial Companies Code), since the simplified procedure provided for in Articles 516(1), 516(5) and 516(6) of that Code was followed. The merger was recorded in the National Court Register on 2 July 2018.

Another merger within ENERGA Group was carried out in Q3 2018. Six grid work companies merged, following the simplified procedure, with the Lead Entity of the Distribution Business Line, ENERGA-OPERATOR SA.

On 16 July 2018, the Management Board of ENERGA-OPERATOR SA (the acquiring company) and the Management Boards of its subsidiaries, i.e. ENERGA-OPERATOR Eksploatacja Elbląg Sp. z o.o., ENERGA-OPERATOR Eksploatacja Gdańsk Sp. z o.o., ENERGA-OPERATOR Eksploatacja Kalisz Sp. z o.o., ENERGA-OPERATOR Eksploatacja Płock Sp. z o.o., ENERGA-OPERATOR Eksploatacja Słupsk Sp. z o.o., and ENERGA -OPERATOR Eksploatacja Toruń Sp. z o.o. (the target companies) signed the Merger Plan.

Resolutions of General Meetings of the companies being acquired were adopted on 31 August 2018. The merger was registered by the National Court Register on 1 October 2018.

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

Having analyzed the reasons behind the proposal to distribute the 2018 net profit in the amount of PLN 495,002,271.26, 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 2018, 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 2018 to 31 December 2018 – Ms. Alicja Barbara Klimiuk,
- 2) for the period from 1 January 2018 to 31 December 2018 – Mr. Grzegorz Ksepko,
- 3) for the period from 1 January 2018 to 31 December 2018 – Mr. Jacek Kościelniak,
- 4) for the period from 1 January 2018 to 5 December 2018 – Mr. Daniel Obajtek,
- 5) for the period from 2 January 2018 to 31 December 2018 – Mr. Arkadiusz Siwko.

Report date: 28 May 2019

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

CHAIRPERSON	Paula Ziemiecka-Księżak	<i>/illegible signature/</i>
DEPUTY CHAIRPERSON	Zbigniew Wtulich	<i>/illegible signature/</i>
SECRETARY	Agnieszka Terlikowska-Kulesza	<i>/illegible signature/</i>
MEMBER	Andrzej Powalowski	<i>/illegible signature/</i>
MEMBER	Marek Szczepaniec	<i>/illegible signature/</i>
MEMBER	Maciej Żółtkiewicz	<i>/illegible signature/</i>



**RESOLUTION No. 57/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**re. acceptance of the Report on Activities of the Supervisory Board of ENERGA Spółka Akcyjna in 2018**

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 2018.
2. The report referred to in paragraph 1 is attached as an Appendix to this Resolution.

Section 2

This Resolution shall enter into force upon its adoption.

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 Supervisory Board present:*

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

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**REPORT ON ACTIVITIES OF THE SUPERVISORY BOARD OF ENERGA SPÓŁKA AKCYJNA IN 2018**

***Gdańsk, May 2019***

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## **1. Information about the term of office of 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. 2018 was the second 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 the entire financial year 2018, ENERGA SA Supervisory Board operated in the following composition:

- |    |                               |   |  |
|----|-------------------------------|---|--|
| 1) | Paula Ziemiecka-Księżak       | - | Chairperson of the Supervisory Board,        |
| 2) | Zbigniew Wtulich              | - | Deputy Chairperson of the Supervisory Board, |
| 3) | Agnieszka Terlikowska-Kulesza | - | Secretary to the Supervisory Board,          |
| 4) | Andrzej Powalowski            | - | Member of the Supervisory Board,             |
| 5) | Marek Szczepaniec             | - | Member of the Supervisory Board,             |
| 6) | Maciej Żółtkiewicz            | - | Member of the Supervisory Board.             |

Marek Szczepaniec and Andrzej Powalowski 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 Best Practices of WSE 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 2018, the Supervisory Board of ENERGA SA held 15 meetings and adopted 132 resolutions.

Meetings of the Supervisory Board in 2018 took place at the following dates: 29 January, 5 February, 8, 23 and 27 March, 20 April, 25 May, 22 and 29 June, 5 and 31 July, 20 August, 5 September, 18-19 October, 28 November as well as 14 and 19 December.

Moreover, the Supervisory Board adopted resolutions by voting using remote means of direct communication at the following dates: 16 January, 6 February, 28 March, 3 April, 23 and 30 May, 20 and 25 June, 25, 27, 30 and 31 July, 30 August, 7, 30 and 31 October, 13, 20 and 22 November as well as 3, 11, 12 and 28 December.

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

Five Supervisory Board meetings in 2018 were held without all members in attendance, notably:

- 1) on 5 February, Mr Marek Szczepaniec was absent from the meeting,
- 2) on 29 June, Mr Andrzej Powalowski was absent from the meeting,
- 3) on 31 July, Ms Agnieszka Terlikowska-Kulesza and Mr Zbigniew Wtulich were absent from the meeting,
- 4) on 20 August, Mr Zbigniew Wtulich was absent from the meeting,
- 5) on 5 September, Mr Andrzej Powalowski was absent from the meeting.

In each case, the Supervisory Board members resolved to justify absences, relying on information provided by the Supervisory Board members concerning 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 FY 2018 included, without limitation:

- 1) initiation and conduct of recruitment procedures for the positions of members of the Management Board of ENERGA SA,
- 2) approving the ENERGA Spółka Akcyjna Organisation Policy,
- 3) analysis of the current economic and financial position of the Company and the Group and of the execution of and return on ENERGA Group's investments,
- 4) adopting a consolidated version of the Articles of Association of ENERGA SA and a consolidated version of the Rules of Procedure of the General Meeting,
- 5) supervising the activities carried out as part of the investment project consisting in the construction of the

Ostrołęka C power unit with a capacity of approx. 1000 MW.

Additionally, in 2018, 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 ENERGA Group, evaluated standalone financial statements and consolidated financial statements for the financial year 2017 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.

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

In 2018, 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 and Corporate Governance Department of Energy Ministry. 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.

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

In 2018, work was continued to implement the Strategy of 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 newly established steering committees. In parallel, the previous Programme for Improvement of Effectiveness and Functioning of ENERGA Group was closed and the new Effectiveness Improvement Programme for 2017-2025 was established.

As part of the Strategic Programme 1 – Development of a smart and reliable electricity distribution grid, offering the capacity for storage and local energy management (hereinafter: PSI), the tasks related to the development of the Tetra system were implemented. A total of 136 base stations were launched, as well as around 1,300 mobile terminals, 13 stationary terminals, around 1,800 portable terminals and 2,800 SCADA terminals. In 2018, 754 indoor switchgears were delivered (66% of the PSI target); the company also signed an agreement on the delivery of additional 402 indoor switchgears to be installed in 2019. 400 pole mounted switch disconnectors were installed (34% of PSI target) and tender proceedings were held for the delivery of additional 200.

A technical dialogue regarding the construction of the FDIR system was held until the end of November 2018 as part of the "Smart Grid Programme – Grid Monitoring and Management"; the ToR were prepared based on the technical dialogue and the public procurement procedure was announced in December 2018 by way of the competitive dialogue. The Smart Grid Programme was extended until the end of 2021.

The bare MV lines were replaced by 856.10km of partially insulated overhead lines (26% of the PSI target) and 56.28km of cable lines in forests and woodlands (37% of the PSI target) by 31 December 2018.

In 2018, the connection time and the time for submitting the measurement and settlement data were at acceptable levels.

Following the complaints to the National Appeals Chamber regarding the procurement procedure to supplement the AMI meters that were about to lose certification and to install AMI meters in areas that are economically justified, the deadline for signing a contract with the vendor was postponed until 1 March 2019.

Objective: The percentage of the power delivery points (PPE) covered by the balancing systems was fulfilled, if one accounts for the original assumptions of the Energy Regulatory Office, i.e. to cover the power

delivery points by the balancing systems. However, the balancing data cannot be read from all the power stations via remote channels. If needed, "manual" reading of the data is possible. The procedure for the delivery of routers to supplement missing routers in places when there is no communication with a balancing meter for a remote reading was completed in March 2019. Since one of the Distribution Grid Operators failed to fulfil its target, the solidary target in that area was not achieved either.

Pursuant to Resolution No. 1015/V/2018 of 27 March 2018, the Management Board of ENERGA SA decided to conclude the works and close the Strategic Programme No. 2.

As part of the Strategic Programme No. 3, a contract was signed in 2018 with the general contractor of Power Plant C in Ostrołęka, i.e. the consortium of GE Power Sp. z o.o. (the consortium leader) and Alstom Power Systems S.A.S.; at the end of December 2018, the general contractor was given notice to proceed. In addition to that, further preparatory works were underway to construct an installation for filtering of exhaust gases in the CHP plant in Elbląg – the process for selecting the vendor and installation constructor was started. 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 guarantee of the off-take of the contracted heat power and the heat volume during the period guaranteeing the return on equity invested by Energa Kogeneracja. The Strategic Programme No. 3 also included the works to optimise the boiler in the BB20p biomass unit in Elbląg (the trial operation after the modernisation was completed in December and the boiler was put in operation). Concurrently, investment projects were continued in relation to the development of the heating systems serviced.

As part of implementation of Strategic Programme No. 4 aimed at maintaining a strong position of ENERGA Group in renewable energy sources, preparatory works were continued throughout 2018 in relation to two wind farm projects (among other things): WF Przykona (30MWe) and WF Czaplinek (15MWe), a biomass unit of 10MWe in Kalisz and photovoltaic (PV) farms. Three projects took part in the renewable energy auctions that took place in November 2018, notably: WF Przykona and two PV farms (PV Pierzchały and PV Czernikowo+); however, they did not get the support. Due to the low prices of renewable energy for wind farms during the auctions (the price of the winning bids ranged from PLN 157.80 to PLN 216.99/MWh, and the weighted average price was PLN 196.17/MWh), it was decided early 2019 that the WF Przykona project would be commenced to generate and sell energy on market conditions; this does not exclude the possibility of WF Przykona project joining the auction in 2019 and getting the support. As at 31 December 2018, the tender proceedings to select the general contractor of the BB10 biomass unit was pending. A contract with the National Fund for Environmental Protection and Water Management was signed in December 2018 for subsidising the BB10 project with approx. PLN 57.8 million from the OP Infrastructure and Environment 2014-2020. Works were conducted in 2018 as part of the EW Wisła project on the technical concept of the Siarzewo barrage, the update of the archeological photo of Poland and pre-implementation environmental monitoring, among other things.

Under Strategic Programme No. 5, i.e. "Rolling out a new customer-oriented business model and developing new business areas", the "ENERGA-OBRÓT SA Development Programme" was launched in August 2018; the Programme replaced the Implementation Plan which had been approved in September 2017. It was still at the implementation stage at the end of 2018. The EBITDA target due to the implementation of a new customer-centric business model and development of new business areas in 2018 was set at a level not lower than PLN 23 million. The actual EBITDA for 2018 in respect to new businesses was PLN 35.4 million. The target was achieved. The actual EBITDA result was spread as follows: ENERGA-OBRÓT SA - Mass Market: PLN 25.225 million,- ENERGA-OBRÓT SA - Business Market: PLN 7.732 million (including the Local Market: PLN 6.770 million) Energa Oświetlenie Sp. z o.o. PLN 2.441 million.

#### **8. 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 2018 no ENERGA SA Management Board members were suspended in the performance of their duties.

#### **9. 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. In 2018, the Company Supervisory Board initiated and completed 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 financial years 2019 to 2021.

#### **10. 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 Remuneration Committee,

The rules of operation of the Committees and their tasks performed in 2018 are presented in the following documents, respectively:

- 1) Report on Activities of the Audit Committee in 2018,
- 2) Report on Activities of the Nomination and Compensation Committee in 2018 which are enclosed herewith.

#### **11. 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.

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

In 2018, 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 14 March 2019, the Company published the Management Board's Reports on the 2018 Activity of the Company and of ENERGA SA Group SA, along with the statement on the application of the corporate governance rules; in the statement, the Management Board of ENERGA SA represented that the following principles were not applied:

- 1) Principle I.Z.1.10 – the Management Board of ENERGA SA did not take a decision on the publication of financial forecasts in light of the provisions of the Regulation of the Minister of Finance on Current and Interim Information of 29 March 2018;
- 2) Principle 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 has been 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;

In view of the fact that the Company has implemented the Energa Group Anti-Fraud and Conflicts of Interest Policy, Principle V.Z.6, formerly reported as not applicable, has been applicable to ENERGA SA since 2018. The document addresses the concerns of identification, prevention and resolution of conflicts of interest.

A set of downloadable documents can be found on the website of investor relations of ENERGA SA, in the corporate governance bookmark.

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 2018.

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

ENERGA Group conducted sponsorship activities, in line with its universal promotional and image-

building nature. When conducting sponsorship activities, ENERGA Group followed the Master Plan of Sponsorship Activities for 2018 and was oriented on fulfilment of expectations of the recipients (customers, investors, shareholders, public opinion, employees of ENERGA Group member companies), related to the Company in the sponsorship area.

The sponsorship activities of 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 2018 by 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, and
- 6) Business Relations.

The sponsorship activities of ENERGA Group were examined by an external auditor to evaluate their 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 ENERGA Group in 2018 and includes:

- 1) an evaluation of effectiveness of sponsorship projects, to verify their cost-effectiveness understood as achievement of the predefined results at the lowest possible cost,
- 2) a summary of the evaluation of effectiveness of sponsorship projects,
- 3) a purposefulness analysis to revise the sponsorship activities; the analysis is used for the verification of the legitimacy of undertaking or continuing sponsorship activities.

The completed verification demonstrated an average 161% effectiveness of 193 sponsorship projects implemented by ENERGA Group in 2018. The evaluated cost of reaching 1,000 off-takers due to the services provided, which is defined by the net CPT value in relation to the ENERGA brand was PLN 67.94. 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 ENERGA Group.

The Supervisory Board considers the sponsorship activities conducted by ENERGA Group to be purposeful and effective.

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 helping disadvantaged employees and families of employees of ENERGA Group. Cash donations are the main form of aid.

In 2018, the Foundation was granted a donation of PLN 7 million. The funds were transferred to the Foundation's account on 15 March 2018.

2018 also saw a merger of the two foundations and the take-over of the CSR Foundation by the ENERGA Foundation. The merger took place upon prior consent of the Founder. The foundations merger resulted in the take-over of all obligations and requests (36), 15 of those requests were fulfilled to the total amount of PLN 754,500. Following the foundations merger, there were three members of the Management Board; effective as of 5 March 2018, there have been twelve members. This state of affairs has continued until the drafting date hereof.

Following the decision of the Foundation Management Board on an initiative to encourage clients and employees of ENERGA Group to transfer 1% of their income tax to the Foundation, the Foundation received PLN 44,752.50 from that source in 2018. The said amount was almost three times as high as the amount assumed by the Management Board and presented in the 2018 Action Plan. The total proceeds were spent on supporting the Group employees who applied for support from the ENERGA Foundation.

The 2018 Foundation Action Plan provided for 14 programmes; a total of PLN 6,690,000 was spent to support those programmes. While entering the individual programmes into the plan, the Management Board made certain estimates regarding the amounts to be needed for each programme planned. During the first six months, the Management Board kept track of the number of requests sent in relation to the individual



programmes. Following an analysis, in June 2018, the Foundation Management Board requested the Foundation Council for consent to update the amounts earmarked for the individual programmes. Upon receiving the consent, the amounts were verified accordingly. As a result of the update, the total amount earmarked for the implementation of the statutory purposes remained unchanged.

From among 14 programmes implemented, the most important are the following: ENERGA Foundation to Seniors was recognised by Management Board as the leading theme; "Vivat Niepodległa" [Long Live Independent Poland] was considered to be a programme equal to the leading theme; ENERGA Foundation programme addressed to health and rescue institutions and organisations and the ENERGA Foundation programme addressed to the employees and their loved ones. As for the latter, it is worth noting the number of employees who requested support from the Foundation. In 2018, there were around 100 people who received the support to the total amount of PLN 951,678.12 (for comparison purposes, in 2017, there were 39 people requesting support and the total support amount was PLN 200,332.00). The support was provided to rebuild home after the fire, to educate children, for medical treatment and rehabilitation, to name a few. The Foundation also tries to support the Group employees in the hardest moments when they lose their loved ones. As part of regular meetings with the Trade Unions, the Foundation Management Board provided updates on the areas of aid and support; as a consequence, it was possible to reach a much greater number of ENERGA Group employees in need.

The Group provides details of all corporate social responsibility activities in its CSR reports every year. The 2018 report included ratios reported according to the Core option, in line with the GRI Sustainability Reporting Standards issued by the Global Reporting Initiative (GRI).

As evaluated by the Supervisory Board, in 2018 the Company reasonably implemented the policy of conducting sponsorship, charitable and other similar activities.

Furthermore, as per the agreement concluded by the Founders, in 2018 ENERGA SA donated PLN 3.5 million to the Polish National Foundation.

*Report date: 28 May 2019*

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

CHAIRPERSON	Paula Ziemiecka-Księżak	<i>/illegible signature/</i>
DEPUTY CHAIRPERSON	Zbigniew Wtulich	<i>/illegible signature/</i>
SECRETARY	Agnieszka Terlikowska-Kulesza	<i>/illegible signature/</i>
MEMBER	Andrzej Powałowski	<i>/illegible signature/</i>
MEMBER	Marek Szczepaniec	<i>/illegible signature/</i>
MEMBER	Maciej Żółtkiewicz	<i>/illegible signature/</i>

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**REPORT ON ACTIVITIES OF THE AUDIT COMMITTEE OF THE SUPERVISORY BOARD OF ENERGA SA  
IN 2018**

***Gdańsk, May 2019***

## Contents

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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 body and provides advice and opinion to the Supervisory Board. The tasks of the Audit Committee shall in the first instance include:

- 1) monitoring:
  - a) the financial reporting process;
  - b) the effectiveness of the internal control system and the risk management and internal audit systems, including in the area of financial reporting;
  - c) the performance of audit activities, in the first instance audits carried out by an audit firm, taking into account any conclusions and findings of the Audit Supervision Committee arising from the inspection conducted in the audit firm.
- 2) inspecting and monitoring the independence of the registered auditor and the audit firm;
- 3) communicating audit findings to the Company's Supervisory Board and explaining how the audit contributed to the reliability of financial reporting in the Company, and what the role of the Audit Committee was in the audit process,
- 4) assessing the independence of the registered auditor and giving consent to the provision of permitted non-audit services to the Company thereby,
- 5) developing a policy for the selection of an audit firm to carry out an audit,
- 6) developing a policy for the provision of permitted non-audit services by an audit firm carrying out an audit, by entities affiliated to the audit firm and by a member of the audit firm's network,
- 7) defining the procedure for the selection of an audit firm by the Company,
- 8) making recommendations to the Supervisory Board regarding the appointment of an audit firm, in accordance with the policies referred to in sub-paragraphs 5 and 6 above,
- 9) making recommendations intended to ensure the reliability of the financial reporting process in the Company, and
- 10) monitoring the operation of the Compliance Management System at the Company and in ENERGA Group.

## 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 entire 2018 financial year and up to the drafting date hereof, the Audit Committee operated in the following composition:

- 1) Marek Szczepaniec – Chairperson of the Committee,
- 2) Zbigniew Wtulich,
- 3) Andrzej Powałowski.

**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 the Co-Owner and Vice-President of Qualifact, a research firm. 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; in the insurance sector: PZU, Warta, Compensa, Allianz, Aviva; in the fuel sector: 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 an Associate Professor at the University of Gdańsk. Currently, he is the Head of the Public Economic Law Section at the Law and Administration Faculty and the Head of postgraduate programmes: "Legal conditions for conduct of business activity" and "Public procurement law and system" at the University of Gdańsk. 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 is an arbitrator of the International Court of Arbitration of 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 worked as a Construction Engineer for 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 in the Department of Forestry of the Ministry of the Environment.

Marek Szczepaniec and Andrzej Powalowski 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 Best Practices of WSE 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 2018, the Committee held 4 meetings, including three with all members in attendance.

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

- 1) opinion on the Internal Audit Charter of ENERGA Group, 5th edition,
- 2) adoption of the Audit Committee work plan for 2018.
- 3) acceptance of the internal audit plan for 2018,
- 4) 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 2017,
- 5) acceptance of the Report on Activities of the Audit Committee in 2017,
- 6) recommendation on the election of the statutory auditor to audit financial statements and perform other attestation services for the financial years 2019-2021.

### **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 2018 included:

- 1) review of annual, 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 2017,
- 7) giving opinion on:
  - a) the Company's standalone financial statements for financial year 2017,
  - b) the Management Board's Report on the Company's Activity for 2017,
  - c) the consolidated financial statements of ENERGA SA Capital Group for the financial year 2017,
  - d) Report of the ENERGA SA Management Board on the Activity of the ENERGA SA Capital Group in 2017, including 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) conducting the procedure for the election of the statutory auditor to audit financial statements and perform other attestation services for the financial years 2019-2021, and
- 14) 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: 27 May 2019

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

CHAIRPERSON	Marek Szczepaniec	<i>/illegible signature/</i>
MEMBER	Andrzej Powalowski	<i>/illegible signature/</i>
MEMBER	Zbigniew Wtulich	<i>/illegible signature/</i>

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

**IN 2018**

***Gdańsk, May 2019***

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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 ENERGA Group, and to articulate recommendations on appointing Management Board members.

The powers and responsibilities of the Nomination and Remuneration Committee shall in the first instance include:

- 1) conducting activities related to the recruitment of members of the Company's Management Board within the scope indicated by the Supervisory Board;
- 2) preparing draft contracts and templates of other documents in connection with serving as members of the Company's Management Board and supervising the performance of the contractual obligations assumed by the parties;
- 3) supervising the implementation of the Management Board's remuneration system, in the first instance preparing accounting documents concerning variable and bonus elements of remuneration;
- 4) monitoring and analysing the remuneration system for the Management Boards and management teams of the Companies of ENERGA Group;
- 5) supervising the correct provision of contractual extra benefits to the Company's Management Board, such as personal and medical insurance, and use of company cars, apartments, etc.

## 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 entire 2018 financial year and up to the drafting date hereof, the Nomination and Compensation Committee operated in the following composition:

- 1) Paula Ziemiecka-Księżak – Chairperson of the Committee,
- 2) Agnieszka Terlikowska-Kulesza,
- 3) 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 departments responsible for the oversight of state-owned companies. She was in charge of the oversight of companies from 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 Chairperson of the Supervisory Board at ENERGA SA 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 2001–2016 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 worked as a Construction Engineer for 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 in the Department of Forestry of the Ministry of the Environment.

### **3. Information on meetings and important matters addressed by the Nomination and Compensation Committee**

In 2018, the Committee held 5 meetings with all members in attendance. The Nomination and Compensation Committee took action and adopted resolutions in the following matters:

- 1) Report on Activities of the Nomination and Compensation Committee of the Supervisory Board of ENERGA SA of the 5th term of office,
- 2) adoption of the General Terms and Conditions of the conduct of recruitment procedures for the positions of members of the Management Board of ENERGA SA,
- 3) acceptance of the Report on Activities of the Nomination and Compensation Committee in 2017,
- 4) activities associated with recruitment procedure for ENERGA SA Management Board President,
- 5) acceptance of the Report on an analysis of agreements terminated in 2018 with persons holding managerial positions in ENERGA SA and ENERGA Group in terms of possible severance pays, rewards, compensation damages, due to non-competition agreements and leaves of absence without pay.

Report date: 27 May 2019

#### **Signatures of members of the Nomination and Compensation Committee:**

CHAIRPERSON	Paula Ziemiecka-Księżak	<i>/illegible signature/</i>
MEMBER	Agnieszka Terlikowska-Kulesza	<i>/illegible signature/</i>
MEMBER	Zbigniew Wtulich	<i>/illegible signature/</i>

**RESOLUTION No. 58/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**re. the motion to the General Meeting on the approval of the ENERGA Group consolidated financial statements for 2018**

In reference to Resolution No. 27/V/2019 of the Supervisory Board of ENERGA SA of 13 March 2019, having evaluated ENERGA Group's consolidated financial statements for the financial year 2018, the Supervisory Board resolves as follows:

Section 1

To move to the General Meeting of the Company to approve the consolidated financial statements of ENERGA Group for the year ended 31 December 2018, showing:

- in the consolidated balance sheet – total assets of	PLN 21,599 million,
- in the consolidated statement of profit or loss –	
- net profit in the amount of	PLN 744 million,
- in the consolidated statement of changes in equity	
- an increase in equity by	PLN 891 million,
- in the consolidated statement of cash flows	
- a decrease in cash by	PLN 917 million.

Section 2

This Resolution shall enter into force upon its adoption.

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 Supervisory Board present:*

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

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**RESOLUTION No. 59/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**re. the motion to the General meeting on approval of the Management Board's Report on the Group's Activity for 2018**

In reference to Resolution No. 28/V/2019 of the Supervisory Board of ENERGA SA of 13 March 2019 regarding evaluation of the Management Board's Report on the Company's Activity for the financial year 2018, the Supervisory Board resolves as follows:

Section 1

To move to the Company's General Meeting to approve the Management Board's Report on ENERGA Group's activity for the financial year 2018.

Section 2

This Resolution shall enter into force upon its adoption.

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 Supervisory Board present:*

1. Paula Ziemiecka-Księżak

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2. Zbigniew Wtulich

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3. Agnieszka Terlikowska-Kulesza

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4. Andrzej Powalowski

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5. Marek Szczepaniec

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6. Maciej Żółtkiewicz

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**RESOLUTION No. 60/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**re. acceptance of the Supervisory Board's report on the evaluation of the consolidated financial statements and the report on the activity of the ENERGA SA Group in the year ended 31 December 2018**

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 2018 to 31 December 2018.
2. The report referred to in paragraph 1 is attached as an Appendix to this Resolution.

Section 2

This Resolution shall enter into force upon its adoption.

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 Supervisory Board present:*

1. Paula Ziemiecka-Księżak

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2. Zbigniew Wtulich

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3. Agnieszka Terlikowska-Kulesza

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4. Andrzej Powalowski

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5. Marek Szczepaniec

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6. Maciej Żółtkiewicz

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**REPORT OF THE SUPERVISORY BOARD OF ENERGA SPÓŁKA AKCYJNA 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 2018 TO 31 DECEMBER  
2018**

***Gdańsk, May 2019***

## Introduction

Acting under Article 382.3 of the Code of Commercial Companies, the Supervisory Board has examined the following documents:

- 1) the consolidated financial statements of the ENERGA SA Group prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union, for the year ended 31 December 2018, comprising: a consolidated statement of profit or loss, a consolidated statement of comprehensive income, a consolidated statement of financial position, a consolidated statement of changes in equity, a consolidated statement of cash flows, a summary of significant accounting policies and other explanatory notes;
- 2) the ENERGA SA Management Board's report on the activities of the Group for the year ended on 31 December 2018,
- 3) the statutory auditor's report to the Annual 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 2018, prepared by the auditors, KPMG Audyt Sp. z o.o. Sp. k. with its registered seat in Warsaw;
- 4) the Audit Committee's Opinion on the standalone and consolidated financial statements for the 2018 financial year, including an assessment of the independence of the audit process and the effectiveness of internal controls and the risk management system in the financial reporting process; subsequently, on 13 March 2019, the Supervisory Board evaluated the Management Board's Reports and passed Resolutions Nos. 27/V/2019 and 28/V/2019.

### 1. Findings about the consolidated financial statements

The auditors acting on behalf of KPMG Audyt Sp. z o.o. Sp. k. with its registered seat in Warsaw have concluded that the consolidated financial statements of the ENERGA SA Group:

- „- *give a true and fair view of the consolidated property and financial position of the Group as at 31 December 2018, consolidated operating profit or loss and consolidated cash flows for the financial year then ended, in accordance with International Financial Reporting Standards approved by the European Union, as well as the adopted accounting principles (policy),*
- *comply, in all material respects, as to the form and substance, with the laws applicable to the Group and the articles of association of the Parent Company.*”

The key business and accounting issues discussed in the course of the audit included:

- 1) impairment of items of the Group's property, plant and equipment;
- 2) correctness of recognition of the Group's revenue;
- 3) claims on the grounds of discontinuation of performance of long-term contracts for the purchase of property rights resulting from green certificates,
- 4) the implementation of the duty arising from Article 52 of the RES Act,
- 5) contractual obligations arising from the Act of 28 December 2018 Amending the Act on Excise Duty and Certain Other Acts.

The scope of the procedures performed during the audit of the above-mentioned key matters, included the examination of:

- 1) compliance with the accounting policies adopted by the Group;
- 2) the internal control system in respect of identification of indications of impairment;
- 3) correctness of cash-generating unit (CGU) identification;
- 4) reasonableness of the Group's assumptions and judgments as well as estimates of the recoverable amount of items of property, plant and equipment in the electricity generation segment, made on their basis;
- 5) correctness and completeness of the disclosures in the consolidated financial statements with respect to impairment tests;
- 6) reasonableness of the amount of sales revenue through the identification of independent expectations as to such revenue;
- 7) reasonableness of the calculation of costs resulting from discontinuation of performance of green certificate purchase contracts in the event of an adverse outcome of the related disputes;
- 8) correctness and completeness of the disclosures in the consolidated financial statements relating to contingent liabilities arising from discontinuation of performance of green certificate purchase contracts.

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 this view and motions for the approval of the consolidated financial statements of the ENERGA SA Group for the year ended 31 December 2018 by the Annual General Meeting.

## 2. Findings about the Management Board's report on the activities of ENERGA SA Group in 2018

The statutory auditor has concluded that: *"the report on the activities, in all material respects, has been prepared in conformity with the applicable laws and is consistent with the information contained in the consolidated financial statements.*

*Furthermore, we represent that, in light of our knowledge of the Group and its business environment, as obtained in the course of our audit of the consolidated financial statements, we have not identified any material misstatement in the aforesaid report.*

*Moreover, we are of the view that the information specified in paragraph 70(6)(5)(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 consolidated financial statements".*

Additionally, the Audit Committee has concluded that the ENERGA SA Management Board's report on the activities of ENERGA Group accurately reflects the scope of the activities in 2018.

The Supervisory Board agrees with this view and motions for the approval of the Management Board's report on the activities of the ENERGA SA Group in the year ended 31 December 2018 by the Annual General Meeting.

Report date: 28 May 2019

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

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

CHAIRPERSON	Paula Ziemiecka-Księżak	<i>/illegible signature/</i>
DEPUTY CHAIRPERSON	Zbigniew Wtulich	<i>/illegible signature/</i>
SECRETARY	Agnieszka Terlikowska-Kulesza	<i>/illegible signature/</i>
MEMBER	Andrzej Powalowski	<i>/illegible signature/</i>
MEMBER	Marek Szczepaniec	<i>/illegible signature/</i>
MEMBER	Maciej Żółtkiewicz	<i>/illegible signature/</i>



**RESOLUTION No. 61/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**re. acceptance of the evaluation of the position of ENERGA SA and ENERGA SA Group in 2018**

In accordance with Section 17.1.5 of the Company's Articles of Association, the Supervisory Board hereby resolves to:

Section 1

1. Accept and present to the Annual General Meeting of ENERGA SA a document entitled: "Evaluation of the position of ENERGA SA and ENERGA Group in the financial year 2018."
2. The document referred to in par. 1 has been attached as an Appendix hereto.

Section 2

This Resolution shall enter into force upon its adoption.

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 Supervisory Board present:*

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

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**EVALUATION OF THE POSITION OF ENERGA SA AND ENERGA GROUP in the financial year 2018**

***Gdańsk, May 2019***

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## 1. Evaluation of the position of ENERGA SA

The Supervisory Board has a good opinion of the position of ENERGA SA. No adverse events which could pose a risk to the Company's ability to continue as a going concern or have a negative impact on its financial position occurred in 2018. Stability of the financial position of the Company is confirmed by the rating assigned to it by Fitch in 2018: BBB, outlook stable.

The main source of the Company's financial income in 2018 was dividend income, which increased by PLN 472 million (233%) yoy. In addition to dividend, the Company's revenue also derived from services provided to other Group companies. The revenue growth in 2018 was driven mostly by increasing income from marketing activities, as well as office space leases (in the form of recharging). Interest income increased by PLN 14 million (6%), with the parallel increase of interest expenses by PLN 80 million (30%).

The above factors contributed to the net result of ENERGA SA, which amounted to PLN 495 million and improved by PLN 388 million (363%) vs. the net profit in 2017.

For 2018, ENERGA SA reported:

1) sales revenue of million, up by 11% as compared to 2017, and the increase was mainly attributable to higher revenue from marketing services provided to Group companies;	PLN 89
2) other operating revenue of million, which means a 10% drop versus 2017;	PLN 9
3) financial revenue totaling million, up by 114% as compared to 2017, which was primarily due to an increase of PLN 472 million (233%) in dividend income.	PLN 914
In 2018, the Company incurred:	
1) costs of goods sold in the amount of million, which means a 1% increase versus 2017;	PLN 79
2) general and administrative expenses of million, which means a 6% increase versus 2017;	PLN 76
3) financial expenses totaling million, which means a 30% increase versus 2017 due to an increase in debt in 2017;	PLN 351
4) other operating expenses of million, which means a 22% drop versus 2017.	PLN 14

As at 31 December 2018, the balance sheet total of ENERGA SA was PLN 15,293 million and it was higher by PLN 99 million (1%) than as at 31 December 2017. In 2018, ENERGA SA purchased additional stock in Elektrownia Ostrołęka Sp. o.o. – the value increased by PLN 162 million. At the same time, the value of investments in bonds issued by subsidiaries increased, due to new bonds acquired.

The balance of loans and borrowings changed significantly in relation to the previous year as well. The decline was mainly attributable to obligations repaid to International Financial Institutions, where aside from ongoing scheduled payments, certain prepayments were made. By reason of the above, the balance of cash and cash equivalents declined. It declined by PLN 950 million (32%) in 2018 vs. the same period in 2017. As at 31 December 2018, ENERGA SA held PLN 2,065 million in cash.

The decline in net cash flows from financing activity was mostly caused by the said prepayment of loans to International Financial Institutions and absence of receipts from loans and issuances of debt securities.

Cash flows from operating activities dropped by PLN 31 m. This was mainly due to a higher level of income tax, which was related to the separate recognition of capital gains in the tax calculation. Additionally, the tax in 2017 was lower due to a refund of an income tax overpayment for 2016.

The decrease in net cash inflows from the Company's investing activities was mainly attributable to a higher level of investment in bonds issued by subsidiaries and a lower level of cash inflows from the redemption of bonds by subsidiaries. This was partially offset by a higher level of dividends received in 2018.

As at 31 December 2018, non-current assets represented 72.2%, while current assets accounted for 27.8% of total assets, as compared to 72.6% and 27.4%, respectively, in the preceding year. As far as the structure of equity and liabilities is concerned, as at 31 December 2018 equity accounted for 49.6% of total equity and liabilities (versus 46.3% as at the end of 2017). The remaining portion of equity and liabilities were liabilities, with financial liabilities as the main item.

The entire result of ENERGA SA for 2017 totaling PLN 107 m was transferred to supplementary capital. As at 31 December 2018, 49.6% of the Company's operations were financed by equity, vs. 46.3% at the end of 2017.

As at 31 December 2018, ENERGA SA was part of the WIG, WIG20, WIG30, WIG-Energia, WIGdiv and WIG-Poland stock market indices as well as the international RESPECT Index, FTSE All World, FTSE4Good Emerging Index and MSCI Global Sustainability Indexes. Yet again, ENERGA SA has proved that it is a socially responsible corporate citizen managed according to the best standards. For the fifth time, ENERGA SA was included in the RESPECT Index, which groups listed companies that are socially responsible and managed to the highest standards. ENERGA SA is also a part of the FTSE4Good Emerging Index. This index represents companies from more than twenty emerging economies, which are selected based on compliance of their operations with environmental, CSR and corporate governance criteria.

In 2018, ENERGA Group additionally continued its engagement in the Carbon Disclosure Project. The CDP is an international non-governmental organisation which seeks to demonstrate the environmental footprint of large organisations and to build a low-carbon economy. Since 2002, more than 6,000 companies have disclosed their environmental impact information through the CDP.

In 2018, the Company focused its efforts on active communication with investors which won it the following awards: in March 2018, ENERGA SA won the Bulls and Bears statue from the "Parkiet" magazine for the best company in the WIG20 index. In the period reviewed by the jury, the company recorded a 38% increase in share price and excellent financial performance.

In April 2018, ENERGA Group received a distinction and a "Transparent Company 2017" certificate. The title of a Transparent Company is awarded to companies which thoroughly comply with the obligation to inform investors and improve the quality of communication with all market participants. In June 2018, ENERGA SA won the main prize in the Corporate Social Responsibility category. The organiser of the contest recognised the Group for its efforts towards building a strategy that balances social interests, environmental protection and stakeholder relationships. The prize was presented during the Vision for Development Forum (Forum Wiza Rozwoju) in Gdynia.

As part of its regular initiatives, it published four periodic and 56 current reports, organized four conferences presenting its performance, which were also transmitted online, and published the 2017 annual report online. The Company's representatives held more than 120 face-to-face meetings with institutional investors (investor conferences or non-deal roadshows), Furthermore, thematic workshops focusing on the Group's business were run for brokerage house analysts in addition to two investor chats with the participation of a Member of the Management Board (addressed mainly to private investors). Finally, ENERGA SA supports the efforts of the Association of Private Investors aimed to improve communication with private investors and its representatives attended the Wall Street Convention in Karpacz. On 11 October 2018, ENERGA SA organised the Individual Investor Day.

## **2. Evaluation of the position of ENERGA Group**

In 2018, the net profit amounted to PLN 744 million and it 6% lower than the figure reported for 2017.

The Group's EBITDA of PLN 1,877 million dropped by PLN 283 million, or 13%, year-on-year. The share of the Distribution Business Line in the Group's EBITDA was the highest (91%); the business line maintained the EBITDA at a similar level y/y.

This was mainly attributable to the fact that the margin on sale of distribution services was higher year-on-year (an increase in volume in the high-margin group G and B), which was accompanied by an increase in OPEX, in three areas in particular.

With respect to employee benefits, the increase was driven mostly by a change in actuarial reserves

(as compared to the low base in 2017, when material actuarial provisions were reversed), and additionally by employment growth due to measures taken to address the skills gap. Furthermore, the cost of right of way and debt provisions increased due to the full application of IFRS 9.

The balance of other operating activities was also higher, mostly as a result of the absence of any material accidental losses, which did occur in 2017.

The EBITDA of the Generation Business Line in 2018 was PLN 329 million, accounting for 18% of the total Group EBITDA (it was also 18% in 2017). The Line's EBITDA in 2018 was driven by a range of factors, including revenue from the sale of electricity and green property rights, cost of purchase of emission allowances and cost of consumption of key fuels for production.

Revenue from the sale of electricity depends mainly on the level of selling prices for electricity charged by the Ostrołęka and wind farms. The increase in revenue from the sale of green property rights was driven by high market prices. The cost of purchase of CO<sub>2</sub> emission allowances depended on the market prices of emission allowances and a smaller pool of free production allowances granted for 2018. However, it is appropriate to note that this cost is largely offset by electricity prices. The cost of consumption of key fuels for production was determined by the unit prices for the coal purchased by the Group.

Apart from the factors affecting the gross results of the Business Line presented above, one has to note that:

- 1) impairment charges on wind farms totalling PLN 117 million were reversed in Q2 2018. The reversal was dictated by developments in the legislative environment, namely signing of the Act of 7 June 2018 Amending the Renewable Energy Sources Act and Certain Other Acts by the President of the Republic of Poland;
- 2) impairment charges on wind farms and photovoltaic farms totalling PLN 145 million were reversed in Q4 2018. The reversal was dictated by developments in the market environment, in particular an increase in electricity and green certificate prices.

In 2018, EBITDA of the Sales Business Line was PLN -85 million vs PLN 85 million in 2017. The deteriorated EBITDA yoy in the Sales Business Line resulted from the persisting high prices of electricity on the market and the occurrence of favourable non-recurring events in 2017, in particular the reversal of impairment losses for receivables in dispute. In 2018, the Sales Business Line was also charged with the provision for contractual obligations of PLN 136 million (following the implementation of the Act of 28 December 2018 Amending the Act on Excise Duty and Certain Other Acts) and with the amount of PLN 26 million in connection with cases seeking recognition of long-term contracts for purchase of green certificates as invalid (arising from the resolutions of some of those cases in arbitration proceedings).

The margin on the sale of electricity went up by PLN 88 million yoy, driven mainly by considerably reduced legal and contractual obligations in connection with the limitation of the scope of the Offtaker of Last Resort function starting from 1 January 2018 and the discontinuation of performance of long-term purchase contracts for green certificates starting from September 2017. However, the growth of the margin was limited as a result of a sudden and unexpected increase in electricity prices on the futures, SPOT and balancing markets observed last year. This translated into unexpectedly high costs of closing out of contract positions.

An important factor having a bearing on EBITDA was the revenue from the sale of services by the commercial operator, which were mostly provided to wind farm operators. The decline in this revenue by PLN 46 million is attributable to a substantially reduced scope of the function of Offtaker of Last Resort and thus the considerably lower volume of obligatory energy purchases from farms located in the territory of ENERGA Group. However, it should be noted that the decline in revenue from the sale of commercial operator services is outweighed by the benefits of a reduced cost of electricity resulting from the restriction of this function.

In 2018, equity in net income/loss of associates and joint ventures was recognised at PLN 90 million, marking an increase by PLN 66 million year on year.

In 2018, ENERGA Group generated PLN 10,337 million in sales, 2% or PLN 197 million less than in 2017. An increase in revenue was seen by the Generation and the Sales Business Lines (9% and 4%, respectively).

The revenue generated by the Distribution Business Line decreased (-6%). This was mainly the effect of a change in the presentation of the costs of the transitional charge. Starting from Q1 2018, sales revenues were adjusted for the transitional charge which had been previously presented under expenses (without affecting the

distribution margin).

In 2018, ENERGA Group incurred:

1) costs of goods sold in the amount of which means a 4% drop versus 2017;	PLN 8,284 million,
2) selling expenses in the amount of which means a 4% increase versus 2017;	PLN 354 million,
3) general and administrative expenses of which means a 9% increase versus 2017;	PLN 355 million,
4) other operating expenses in the amount of which means a 70% increase versus 2017.	PLN 272 million,

As at 31 December 2018, the balance sheet total of ENERGA Group was PLN 21,599 million, up by PLN 543 million compared to 31 December 2017.

In non-current assets, the most significant change was recorded under property, plant and equipment. The biggest contributors to the PLN 964 m increase were capital expenditures, in particular in the Distribution Business Line (expenditures on grid expansion and upgrades) and impairment losses on assets (mostly reversal of impairment loss on wind farms and photovoltaic farms in the Generation Business Line totalling) net of depreciation and amortisation.

As regards non-current assets, a substantial change affected investments in associates and joint ventures measured by the equity method, which was due to the involvement of Energa Group in Polska Grupa Górnicza Sp. z o.o., Polimex Mostostal SA, Elektrownia Ostrołęka Sp. z o.o. and ElectroMobility Poland SA. The key change within current assets concerned the balance of cash. A substantial change was also recorded in inventories (an increase by PLN 335 m), which was mainly due to a higher inventory of energy certificates of origin.

ENERGA Group equity as at 31 March 2018 was PLN 10,356 million and financed the Group in 47.9%. In Q2 2018, ENERGA SA's profit for 2017 was distributed. The entire profit totaling PLN 107 m was transferred to supplementary capital.

As regards liabilities, major changes affected the balance of trade liabilities and deferred income and non-current grants (the decline affects mostly connection fees and results from the application of IFRS 15: Revenue from Contracts with Customers). In relation to 31 December 2017 the provisions item, especially short-term provisions item, also changed, which was the result of, inter alia, the establishment of the provision for contracts giving rise to charges.

The balance of loans and borrowings changed significantly in relation to the previous year as well. The decline was mainly attributable to obligations repaid to International Financial Institutions, where aside from scheduled payments, certain prepayments were made.

In 2018, capital expenditures of Energa Group totalled PLN 1,668 million, of which the most capital intensive investments were made in the Distribution Business Line, totalling PLN 1,368 million. The investments of the Distribution Business Line included grid expansion aimed at connecting new customers and producers as well as upgrades to improve the reliability of electricity supply. Additionally, expenditure was incurred on innovative technologies and grid solutions, such as the smart grid conversion project. In the Generation Business Line, efforts made to align with sustainability requirements and upgrading investments at Ostrołęka Power Plant B had a significant share in the spending.

### **3. Evaluation of the internal control system, compliance system and the system of management of risk considered to be material for the Company**

The internal audit function is a particularly important component of the internal control system at ENERGA SA. Its tasks are fulfilled by the Audit and Internal Control Unit (AIC), whose employees implement audit, control and advisory projects in the ENERGA Group companies, in addition to exercising supervision and coordinating the tasks of the remaining audit units within the Group. The roles and responsibilities of the internal audit function in ENERGA Group affect all the areas of the entity's operations in compliance with the applicable laws.

In 2018, AIC supported the Company's operations through identification and assessment of material risks, threats and deficiencies in the design and effectiveness of the internal controls in place within the Group, also by means of formulating recommendations the implementation of which contributed to securing and improving the organization, in addition to increasing its value. The findings of such activities were presented to the management and supervisory bodies of the relevant Group companies, which were provided with insights on the audited areas. The auditors placed a special emphasis on those areas which they believed required corrective action and/or improvement.

Audit and control tasks were fulfilled in accordance with the *ENERGA Group Audit Charter*, the *ENERGA Group's Internal Audit Policy* as well as International Standards for the Professional Practice of Internal Auditing.

The Audit Committee works in close liaison with the AIC Head, is provided with up-to-date information concerning the audit tasks in progress as well as audit reports and annual reports on the activities of the internal audit and internal control function.

In 2018, an evaluation was conducted focusing on internal controls, the risk management system and compliance, with the involvement of a third-party advisor (E&Y).

The basic goals of the evaluation was to strengthen the system by identifying the possibilities of implementing the existing best practices in internal control, risk management and compliance as well as identifying the areas in which the said system should be reinforced due to the changes in the Company, ENERGA Group and the outside environment, among others.

The Evaluation covered ENERGA SA, including the corporate governance and business supervision activities in relation to ENERGA Group. The Evaluation was based on the COSO Standards developed by the Committee of Sponsoring Organisations of the Treadway Commission, including in particular COSO 2013 Internal Control – Integrated Framework which defines 5 components of internal control:

- 1) Control environment,
- 2) Risk assessment,
- 3) Control activities,
- 4) Information and communication,
- 5) Monitoring activities.

#### 1. Control environment

Control environment is the foundation of the internal control system by ensuring an adequate culture in the organisation that focuses on the processes of internal control, risk management and compliance. In 2018, as a result of the involvement of the Management Board, Audit Committee and Supervisory Board in the setting of standards, monitoring and oversight of the internal control system, risk management and compliance, as well as implementation of numerous activities to strengthen the control environment, such as: commencing the implementation of the compliance system, reinforcing corporate and business governance of ENERGA Group, the Company's engagement in the employees development and promoting ethical values, the assessment as part of that component is higher than a year earlier and also higher than in all the previous years. In order to maintain the control environment at a high level, the managing and supervisory bodies must be constantly involved; there must be effective systems for the company and group management in place and focus on the development and retention of employees, including those who are directly responsible for the development and implementation of the processes of internal control, risk management, internal audit and compliance.

#### 2. Risk assessment,

Risk assessment requires an identification and analysis of material risks in order to achieve the targets set. Numerous activities were taken in 2018 to strengthen risk management processes at ENERGA Group; the activities were coordinated by the Risk Unit at ENERGA SA. It is in particular worth noting the expansion of risk management processes so as to cover other ENERGA Group companies and the activities taken to identify and monitor strategic risks, also in view of the strategic programmes implemented by ENERGA SA. The component's grade was higher than a year earlier; however, it still contains elements that are developed both in ENERGA SA and ENERGA Group. This refers to, among other things, strengthening of the adequate tool support for the risk management processes and the development of the risk assessment methodology in order to make the assessments objective, e.g. by way of a detailed analysis of controls in the processes or the Key



Risk Indicators (KRIs).

### 3. Control activities

The assumptions of the Company's policies, the procedures and practices that ensure the achievement of the management targets and the implementation of the risk management strategy form the key aspects of the control component. ENERGA SA invariably develops control activities in processes, ensures IT systems to support those processes and keeps a consistent system of internal records which is reflected in the assessment for the current year and for the previous years. The assessment for 2018 is higher than a year earlier; there were many elements that contributed thereto, including but not limited to: a consistent system for long-term and annual planning and setting targets in the Company and ENERGA Group, the development of the tax management process and creating a dedicated organisational unit at ENERGA SA, obtaining an ISO 27001:2017 certification on Information Security Management System at ENERGA SA and many other activities that were considered good practices and key changes within the internal control system in 2018.

### 4. Information and communication

Information and communication is an element that supports all the other components of the internal control, risk management and compliance system. There was an increase in the evaluation of that areas versus last year. This was due, among other things, to a high level of external communication, including the communication relating to the stock exchange reporting and the focus on the topics relating to the handling of customer cases sent to ENERGA SA. There are also many communication channels addressed to the employees of ENERGA SA and ENERGA Group. It is recommended that those channels be strengthened, especially in terms of receiving feedback from the employees (e.g. by way of employee satisfaction surveys and exit interviews).

### 5. Monitoring activities

Monitoring activities are taken to reduce the risk level, monitor incidents, communicate irregularities within the internal control system but also to ensure the quality functions performing the tasks relating to internal control. The evaluation in the monitoring activities area increased in comparison to 2017. The factors that contributed thereto included the following, among other things: strengthening the role of internal audit and control by centralising the internal audit function at ENERGA Group and building internal control competences in the Group companies, as well as increased coordination of the activities taken by units that are in charge of audit and control activities at ENERGA SA or an active monitoring of the regulatory environment of ENERGA Group in 2018.

The results of the internal control, risk management and compliance evaluation for 2018 show that the majority of the individual system components have been designed, implemented and documented in line with the best market practices in that area and that they mitigate the risk in an optimal manner. It applies to both system elements that are related to the activities undertaken within ENERGA SA and system elements that are related to corporate governance and business oversight exercised by ENERGA SA over the ENERGA Group Companies. There is, however, potential to improve and further implement best market practices relating to internal control, risk management and compliance and it is partly leveraged through the related projects that are currently implemented. In view of the above, the following recommendations were given as part of the evaluation:

- 1) a review of the Company's internal documents and their ongoing revision as a result of changes in the applicable laws and based on the changes introduced to the organizational structure;
- 2) implementation of mandatory regulatory training programmes on ethics, organisational values, anti-corruption and abuse for all employees;
- 3) continuation of actions planned to implement a comprehensive compliance system;
- 4) final implementation of a system whereby managers of organisational units may exercise ongoing supervision over the execution of the training plan in their subordinate units;
- 5) defining the minimum and optimum levels of training activities for internal auditors and earmarking funds for that purpose;
- 6) implementing the provisions of the existing "Rules of Succession Planning and Succession Management at ENERGA Group" or considering updating them so that the processes and rules designed in that respect are possible to implement under the conditions in which ENERGA SA operates;
- 7) implementing the process of developing, periodic calculation and monitoring of Key Risk Indicators, or KRIs, for operational and financial risks, for which such KRIs may be defined due to their measurable nature;

- 8) defining the targets for the management staff of ENERGA SA not later than within 30 days as of the approval of the targets for the Management Board of ENERGA SA;
- 9) considering the addition to all contracts concerning the employment of management staff of an anti-corruption clause that would explicitly ban employees from behaviours that might imply active or passive corruption;
- 10) considering the definition of uniform standards regarding the design of internal normative acts (the recommendation does not apply to documents that form the UOW for which such standards have been developed);
- 11) continuation of works on the implementation of an IT strategy for ENERGA Group;
- 12) implementation of a document standardising the methodology used for the purpose of IT projects execution;
- 13) defining an additional parameter for a safety copy: RPO (Recovery Point Objective) which is the acceptable level of data loss;
- 14) considering the development of action plans should key risks for the Company and ENERGA Group materialise (as an additional element supporting the risk management system);
- 15) organising regular initiatives (training courses, communication via the Newsletter) to remind employees of external communication principles and implementing a policy on the use of the social media;
- 16) implementation of the employee opinion survey planned by the HR Policy Department;
- 17) formalising the rules for conducting exit interviews, defining positions to which such rules apply and documenting the exit interviews;
- 18) periodic (quarterly) preparation of information on the progress of implementation of the Management Board Resolutions;
- 19) creating a formalised channel for communicating HR changes in the Company;
- 20) conducting an external evaluation of the external audit function in line with the IIA Standards; a review of the scope of the annual reports of the Audit and Internal Control Unit so as to account for the requirements under the IIA Standards; considering the development of a list of indicators (KPIs) for the audit function to be monitored and reported to the Audit Committee on a regular basis.

The ongoing activities, as well as the initiatives and projects carried out by the Company are a material element that have an impact on the evaluation results and that strengthen the internal control, risk management and compliance system. Those include activities undertaken, among other things, by the units responsible for the risk management function and for building the compliance function and internal audit. It is worth noting that, when taking measures to strengthen the system, the employees of ENERGA SA not only continued the activities as part of the existing practices or recommendations but also showed their own initiatives and projects within that area that were implemented in 2018. Those activities are testament to the organisation's maturity in terms of approaching the development of controls mitigating the risks that, should they materialise, could have a negative impact on the internal control, risk management and compliance system.

A number of best practices applied by the organisational units of ENERGA SA were identified in the course of the evaluation, including without limitation the following:

- 1) developing and adopting a concept of changes within the individual areas of ENERGA Group operations to reinforce corporate governance and business oversight of ENERGA Group's operations, in the following areas (among others): finance, governance, HR, internal audit, IT, legal service, security, marketing (including sponsorship), investments, research, development and innovations;
- 2) commencing the implementation of a compliance system at ENERGA Group;
- 3) functioning of an alerting system to notify of internal irregularities at ENERGA Group;
- 4) implementation of the risk management system within ENERGA Group companies that have not yet been covered by a systemic approach to risk management and ensuring professional IT support by the IT Department to the tool that comprises documents of key importance for the risk management system, as well as taking measures to select a service provider to develop and implement a professional IT system for the audit, control and risk areas at ENERGA Group;
- 5) conducting a preliminary analysis of selected laws and internal regulations concerning a broadly defined know-how and developing guidelines for ENERGA Group companies regarding a uniform and precise method for risk description and management in the IT area;
- 6) ENERGA SA Risk Unit's participation in drafting regulations concerning personal data protection, especially in terms of risk management which was of special importance in view of the new legal requirements that came into force in 2018 (GDPR);
- 7) ENERGA SA Risk Unit's conducting an in-depth analysis of selected risks during which the assessments of individual controls were verified in detail and the correlations between the risk safeguards, factors and effects were examined. Additionally, in cooperation with the Strategic Management Department, risks were analysed in terms of their criticality for the implementation of ENERGA Group Strategy and Risk Charts

- were developed for the Strategic Programmes;
- 8) combining the long-term and annual planning systems of ENERGA Group with the system for designating, cascading and monitoring the implementation of the strategic and operational targets;
  - 9) establishing a central unit responsible for tax management at ENERGA Group (the Control and Tax Management Sub-Department);
  - 10) ENERGA SA obtaining ISO 27001:2017 certification – Information Security Management Systems in terms of power generation, distribution and trading;
  - 11) collaboration between the Security Unit and a specialised ENERGA CERT Unit to prevent and respond to ICT security and IT security incidents;
  - 12) establishment of the IT Committee (an advisory team to give opinions and recommendations concerning IT for ENERGA Group entities);
  - 13) developing a concept of internal audit centralisation at ENERGA Group – “Internal Audit Area at ENERGA Group – Directions of Changes” and its systematic implementation;
  - 14) strengthening the structures of the Audit and Internal Control Unit together with broader coordination of the audit- and control-related activities taken by the AIC at ENERGA SA and in other companies of ENERGA Group;
  - 15) approval by the Audit Committee of a single integrated plan of audits and controls to be conducted at ENERGA SA by all the competent organisational units (e.g. Control and Tax Management Sub-Department, Security Unit);
  - 16) coordinating processes within the Audit and Internal Control Unit to monitor the action plans arising from the risk assessment process which is coordinated by the Risk Unit and monitoring the implementation of recommendations following internal audits executed by internal auditors.

In 2018, the Company took intense actions in the compliance area. The Compliance Team headed by the Management Board Proxy for the Compliance System and operating within the Legal Unit of ENERGA SA took actions to define the concept of Compliance System implementation and functioning at ENERGA Group. The concept adopted by the Company Management Board in January 2019 describes the compliance management process at ENERGA Group based on: the monitoring of changes in the legal and regulatory landscape, identification of the key compliance areas and requirements arising from the applicable laws and internal regulations, and the establishment of so-called compliance representative offices in the Group entities, with ENERGA SA having a supervisory and coordinating role.

The compliance management process will be implemented as part of the inter-business line project that was initiated in January 2019 and that will be implemented in 2019 and 2020, with the involvement of the representatives of the Group companies. The Compliance Management System will be operated pursuant to the Compliance Management Policy which ultimately will form an integral part of the Cooperation Agreement at ENERGA Group, and based on the methodology, proper tools and reporting process, including the training courses for the System participants designated in the individual Group entities, depending on their roles and responsibilities.

Ultimately, the Compliance System will help us obtain a full picture of the Group's compliance with material requirements (also at the level of individual entities), and unify the approach to compliance management in the organisation to the benefit of the Group and its entities.

Bearing in mind the above, the Audit Committee is of the opinion that the internal control system and the compliance system in the Company are organised correctly. The Company employs various measures aimed to identify the risks, ensure effectiveness of the planning process and implement controls. The effectiveness of the internal control system is verified and assessed by AIC.

The Supervisory Board has a good opinion about the implemented risk management system, which draws on international experience and good practices of listed companies, and considers it to be effective.

*Report date: 28 May 2019*

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

**Signatures of Members of the Supervisory Board present:**  
CHAIRPERSON Paula Ziemecka-Księżak  
DEPUTY CHAIRPERSON Zbigniew Wtulich

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SECRETARY  
MEMBER  
MEMBER  
MEMBER

Agnieszka Terlikowska-Kulesza  
Andrzej Powałowski  
Marek Szczepaniec  
Maciej Żółtkiewicz

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**RESOLUTION No. 62/IV/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**concerning: the acceptance of the Report on Supervision of Execution of Investment Projects by the Company Management Board in 2018**

Pursuant to Section 17.1.3 of the Company's Articles of Association, the Supervisory Board decides hereby to:

Section 1

1. Accept the "Report of the Supervisory Board on the Execution of Investment Projects by the Company Management Board in 2018".
2. The report referred to in paragraph 1 is attached as an Appendix to this Resolution.

Section 2

This Resolution shall enter into force upon its adoption.

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 Supervisory Board present:*

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

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**ENERGA SPÓŁKA AKCYJNA SUPERVISORY BOARD REPORT ON SUPERVISION OF EXECUTION OF  
INVESTMENT PROJECTS BY THE COMPANY MANAGEMENT BOARD IN 2018**

***Gdańsk, May 2019***

## 1. General Information

In 2018, the Supervisory Board of ENERGA SA (hereinafter: the Company), within the framework of supervision of the Company's activity, conducted quarterly reviews of the reports submitted by the Company's Management Board on the rate of execution of the investment projects, including significant projects in the ENERGA Group (hereinafter: ENERGA Group). At the same time, the level of spending investment funds was part of the analysis of the economic and financial standing of the Company for each quarter.

Moreover, pursuant to Section 17.2.3 of the Company's Articles of Association, the Management Board presented to the Company Supervisory Board information concerning the execution in 2018 of the investment projects applicable or related to a generation unit or cogeneration unit, with a value exceeding EUR 50 million, or a distribution grid, with a value exceeding EUR 5 million.

Execution of the selected investment projects or their stages is one of the elements of evaluation of the work of the Members of the Company Management Board in 2018 that are the condition for granting to them the annual bonus.

## 2. Investment Plans of ENERGA Group

The basic document that defines the medium- and long-term investment directions of the ENERGA Group is the "Multi-annual Plan of Strategic Investments of the ENERGA Group for 2016-2025" (hereinafter: WPIS). The document valid during 2018 was accepted by Resolution No. 315/V/2016 of the Management Board of ENERGA SA of 8 November 2016, and then approved by Resolution No. 91/IV/2016 of the Supervisory Board of ENERGA SA of 15 November 2016. WPIS is correlated with the simultaneously accepted and approved "Strategy of ENERGA Group for 2016–2025". The basic assumptions of the Investment Programme were communicated to the Company's stakeholders, through Current Report No. 40/2016. WPIS defined the new development directions for ENERGA Group for the next decade.

## 3. Execution of the Key Investments in 2018

Total consolidated expenditures made by ENERGA group in 2018 amounted to PLN 1,668 million. The Investment Plan was executed in 88% due to the non-performance of the plan in the Generation Business Line. The main investment area was the Distribution Business Line.

Investments in the distribution assets reached PLN 1,368.2 million, which represented approximately 82% of all investment expenses of ENERGA Group. The principal capital expenditure flow (of PLN 662.2 million) was directed towards upgrading the distribution grid so as to improve reliability of electricity supply (approximately 48.4% of the expenditure in the Distribution Business Line), expanding the grid to enable new customers to be connected (PLN 505.8 million – approximately 37.0% of the expenditure in the Distribution Business Line), elements of smart grid implementation (PLN 40.0 million – approximately 2.9% of the expenditure in the Distribution Business Line), expanding the grid in relation to flows in the high-voltage grid and connection of new sources (PLN 31.8 million – approximately 2.3% of the expenditure in the Distribution Business Line), and implementing other investments (PLN 128.4 million – approximately 9.4% of the expenditure in the Distribution Business Line) covering expenditure made in different categories than those referred to above and expenditure in other companies of the Distribution Business Line. As a result of the investments made in 2018, almost 56.3 thousand new off-takers were connected, approximately 5.32 thousand km of high-, medium- and low-voltage lines were upgraded, and 59.2 MW of new renewable energy installations were connected to the grid.

The Construction of Ostrołęka Power Plant C with a capacity of around 1000 MWe is the key project which is indirectly effected by ENERGA Group. The Ostrołęka C project is implemented by Elektrownia Ostrołęka Sp. z o.o. (an SPV), which has two shareholders: ENERGA SA and ENEA SA that hold 50% of shares each. Total actual project budget for 2018 was PLN 264.8 million. As the SPV is not consolidated within the Group, the project implementation is not disclosed as part of the investment outlays of ENERGA Group.

For 2018, ENERGA Group allocated over PLN 238 million to other investment projects in the generation area. The most important of them include:

- 1) execution of replacement investments in Ostrołęka Power Plant B – the expenditure incurred in 2018 was approximately PLN 54.8 million (approximately 23% of total expenditure in the Generation Business Line),
- 2) continuation of the investments related to adapting the Ostrołęka Power Plant B to environmental standards, related to entry into effect, on 1 January 2016, of the provisions of the Industrial Emissions Directive (IED) setting stricter emission standards for nitrogen oxides (NOx), sulphur oxides (SOx) and dust – the total expenditure for those facilities in 2018 were approximately PLN 89.0 million (approximately 37.4% of total expenditure in the Generation Business Line),
- 3) upgrading of hydroelectric power plants – the expenditure incurred in 2018 was approximately PLN 13.2

million (approximately 5.5% of total expenditure in the Generation Business Line),

The total capital expenditure incurred in 2018 in the Sales Business Line were PLN 45 million and were primarily related to the lighting areas and to implementation of an integrated sales processing system.

#### 4. Evaluation of the Investment Projects Executed by the Management Board of ENERGA SA

The Company Supervisory Board accepts hereby the presented information and positively evaluates the rate of execution of the investment projects and the effectiveness of the expenditure incurred in 2018. The investments executed within ENERGA Group in 2018 related to the basic areas of activity, constituting the main source of revenue for the Company and ENERGA Group, and thus they have a significant effect on building the value of ENERGA Group for shareholders.

*Report date: 28 May 2019*

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

CHAIRPERSON	Paula Ziemiecka-Księżak	<i>/illegible signature/</i>
DEPUTY CHAIRPERSON	Zbigniew Wtulich	<i>/illegible signature/</i>
SECRETARY	Agnieszka Terlikowska-Kulesza	<i>/illegible signature/</i>
MEMBER	Marek Szczepaniec	<i>/illegible signature/</i>
MEMBER	Maciej Żółtkiewicz	<i>/illegible signature/</i>
MEMBER	Andrzej Powałowski	<i>/illegible signature/</i>



**RESOLUTION No. 63/V/2019 of the Supervisory Board of ENERGA Spółka Akcyjna with its registered office in Gdańsk (the Company) of 28 May 2019**

**re. opinion on the Report of the Management Board of ENERGA SA 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.**

Acting pursuant to Section 17.2.4 of the Company's Articles of Association, having considered the request of the Company Management Board of 15 May 2019, the Supervisory Board decides hereby to:

Section 1

1. Express a positive opinion on the Report of the Management Board of ENERGA SA 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.
2. The report referred to in paragraph 1 is attached as an Appendix to this Resolution.

Section 2

This Resolution shall enter into force upon its adoption.

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 Supervisory Board present:*

1. Paula Ziemiecka-Księżak	<i>/illegible signature/</i>
2. Zbigniew Wtulich	<i>/illegible signature/</i>
3. Agnieszka Terlikowska-Kulesza	<i>/illegible signature/</i>
4. Andrzej Powalowski	<i>/illegible signature/</i>
5. Marek Szczepaniec	<i>/illegible signature/</i>
6. Maciej Żółtkiewicz	<i>/illegible signature/</i>

*/logo:/* Energa

**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

<i>PLN'000</i>	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

<i>PLN'000</i>	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

<i>PLN'000</i>	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**

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**Jacek Kościelniak**

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**Grzegorz Ksepko**

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