

Dear Sirs, Shareholders and Stakeholders,

While fulfilling the duties of the President of the Management Board of ZE PAK SA, I have the opportunity to present to you the annual report of the Company and the Capital Group, where you will certainly find all the data regarding our activities in the past year as well as references to the conditions that will shape our future situation.

To say about the current situation in the energy sector that is demanding is like saying nothing. Frequent and significant changes in the regulations governing our activities, both at European and national level, are something to which, unfortunately, but we probably have to get used to. Additionally, there are technological changes and a dynamic situation with regard to market energy prices and CO2 emission rights. To sum up in one word, the past year is certainly a difficult one for the functioning of the Company. However, we must remember that last year there was a significant reduction in the scale of operations of ZE PAK SA due to the lack of production at Adamów power plant and limitation of mining at PAK KWB Adamów SA. Of course, all the factors that shape our business have been reflected in the financial results.

Last year's sales revenues exceeded PLN 2.3 billion. ZE PAK SA Group produced over 6 TWh of electricity, while sales amounted to over 9.3 TWh. The Group generated nearly PLN 90 million EBITDA. The consolidated net loss was just over PLN 463 million. It should be remembered that the net result in 2018 was significantly influenced by one-off events, the sum of which reduced the level of the consolidated net result by approximately PLN 347 million. Of course, this is only selected data on our operating and financial results. I encourage you to analyze the financial statement in more detail to assess the current financial situation. I would like to mention that last year the Company paid a dividend in the total amount of nearly PLN 61 million, and over the past 12 months it was able to reduce its debt by approximately PLN 230 million.

The year 2018 is behind us, the financial results are also historical. Ladies and Gentlemen, I joined the Company's Management Board only a dozen or so days ago – what matters to me and other members of the Management Board, is what the future holds. What can we do to improve these results? We will not change the environment, including the legislative and legal environment. We can adapt to it to the extent that our flexibility allows. As part of our previous activities related to mining and conventional energy, we will focus on business optimization. We simplify the structure of the Capital Group, we try to reduce the costs of its operations. At the same time, we intend to diversify our production mix, supplementing it with a growing share of renewable technologies in the future. Last year, we informed about several projects in this area, others are in preparation. I hope that I will be able to successively inform you about the progress in their implementation. However, for these plans to come true and bring measurable benefits to the Company and its shareholders, a favorable environment must be created.

Companies from the energy sector in Poland are experiencing a difficult period for a number of reasons, but I believe that those that will rationally adapt to changing conditions will in the future benefit their shareholders, employees and other stakeholders.

I would like to thank our existing shareholders for their trust and employees for their contribution to our business.

Henryk Sobierajski - Member of the Supervisory Board of ZE PAK SA delegated to temporarily perform the duties of the President of the Management Board