

***Report on PGE Polska Grupa Energetyczna S.A.'s expenses
concerning representation, legal services, marketing
services, public relations and social communication
services and management advisory services***

for 2017

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1. Legal basis

The Management Board of Polska Grupa Energetyczna S.A. (PGE S.A., the Company), pursuant to par. 42 point 9 of the Company's Statutes, is required to draft a report on expenses concerning representation, legal services, marketing services, public relations and social communication services and management advisory services, and to present this report to the Company's General Meeting for approval, together with an opinion by the Supervisory Board.

2. Information on expenses

The report covers the year 2017. The information is prepared in accordance with the accruals principle.

PLN 000s	2017
Representation costs	87,7
Marketing services	49 830,6
Public relations and social communication services	2 459,1
Management advisory services (legal, consulting, tax)	8 610,0
Total	60 987,4

2.1. Representation costs

Expenses related to representation concerned representation of the Company, building its prestige and shaping a positive brand image for PGE Polska Grupa Energetyczna S.A. and the Company's management. In 2017, the Company spent PLN 87.7 thousand on this.

2.2. Marketing services

In its marketing activities, PGE S.A. incurred expenses on sports and culture sponsoring, advertising activities, including image and sales campaigns, and other forms of brand promotion. In 2017, the Company spent PLN 49.8 million on marketing services.

2.2.1. Sports and culture sponsoring

The sponsoring activities of PGE Polska Grupa Energetyczna S.A. focuses on two areas: sports sponsoring and culture sponsoring. The Company supports acclaimed sporting and cultural initiatives in Poland, keeping in mind events that are important to local communities as well.

Sponsoring activities promote the PGE brand, increase its familiarity, recognisability and reach. Sponsoring activities helps PGE Group companies in reaching the key stakeholders with their messages as well as generating public opinion recognition and sympathy.

Sponsoring activities are conducted on the basis of the General Procedure – Rules for conducting sponsoring activities at PGE Polska Grupa Energetyczna S.A. and at other PGE Group companies, as approved by the Supervisory Board of PGE S.A.

In the sports marketing area, the Company sponsors professional and amateur sports.

- PGE Ekstraliga

Since 2015, PGE has been the name sponsor of the best speedway league in the world – PGE Ekstraliga. PGE Ekstraliga is the highest level of club speedway leagues in our country. Every year, the best Polish and foreign competitors participate. On average, over ten thousand fans attended each race in the 2017 season. The races are held in eight cities in Poland and are broadcast on TV, which means highly effective promotion for the PGE brand. This project's effectiveness in 2017 reached 750%.

- PGE Skra Bełchatów

One of the most successful volleyball teams in Poland in the 21st century. Eight-time champion of Poland, winner of seven Polish Cups and three Polish Supercups. Regularly represents Polish volleyball in international competitions – medal winner in the Champions League and Club World Cup. The popularity and the huge number of fans mean that PGE Skra plays some of its home games not only at the Hala Energii venue in Bełchatów but instead in Łódź, where the venue is large enough for twelve thousand fans. Thanks to strong sports performance, PGE Skra's games are characterised by strong attendance and are often broadcast. In 2017, by sponsoring PGE Skra, the PGE brand appeared in more than two thousand radio and TV broadcasts, nearly three thousand press publications and almost fifteen thousand posts on the internet. This project's effectiveness in 2017 was 175%.

- PGE Narodowy

PGE Narodowy is considered the most prestigious and most recognised multi-functional venue in Poland. In 2017, PGE Narodowy had more than two million visitors. The stadium hosted the most important sporting events – the Polish football team's games in World Cup qualifications, the opening game of Eurovolley 2017, Speedway Grand Prix of Poland and a number of cultural and entertainment events – Depeche Mode, Coldplay concerts. These events brought tens of thousands of fans to the stadium.

In 2017, by sponsoring PGE Narodowy, the PGE brand appeared in nearly two hundred twenty nine thousand broadcasts and publications, including sixty two thousand TV broadcasts and over fifty seven thousand online publications. This project's effectiveness in 2017 reached 335%.

- PGE all sportspeople

PGE Polska Grupa Energetyczna S.A. supports local initiatives aiming to promote amateur sports. In June 2017, an amateur sports sponsorship project was launch in the form of a competition for the most interesting projects. The sponsored entities can use this support to purchase the necessary sports equipment. They will be able to support kids and youth in pursuing their sports passions. Sponsoring activities in the area of amateur sports are also supportive of the Company's tasks that it performs as a socially responsible business.

PGE Polska Grupa Energetyczna S.A. shares the positive energy flowing from culture and arts by sponsoring valuable cultural undertakings, both national and local. It supports the Polish culture and history, cares for national heritage and historical memory.

The sponsoring of culture allows PGE S.A. to actively participate in the mission of developing and protecting culture and to build its own image as that of an entity which invests in culture and derives benefits from its development.

PGE Polska Grupa Energetyczna S.A. has for many years been receiving the title of Patron of the Year from the National Philharmonic in Warsaw. This accolade is awarded not just for supporting music concerts but also for contribution to the musical education of kids and youth. Other musical projects that have been supported by PGE S.A. for many years are the Musical Festival in Łańcut, which has

become a world-renowned event, and the Crazy Music Days – an international festival intended to break down the prejudices against classical music by encouraging and facilitating participation in concerts, while at the same time ensuring that the presented music is of the highest level. The Mozart Festival is a new classical music project, taking place in Warsaw at the Royal Castle, Łazienki Park, Seminar Church and Warsaw Chamber Opera Theatre. An extensive arts programme directed at both children and adults as well as the high level of arts bring more and more participants every year.

Taking care of Polish national heritage, PGE supports the Warsaw Uprising Museum, especially its in-house educational projects for kids and youth.

This year, the Company became a patron of the Youth for History project as part of the Film Festival Niepokorni Niezłomni Wyklęci. Its idea is to remember the difficult Polish road to freedom and make the younger generation interested in history. By implementing their own initiatives, young people are becoming involved in the process of discovering and remembering the heroes of 1939-1989.

PGE S.A. became a patron of a ceremony to award the designations of Antonina and Jan Żabiński for Poles who saved Jews during World War 2. These designations are awarded by the organisation From The Depths to those who, for formal reasons, did not receive a designation from the Yad Vashem Institute.

PGE S.A. is involved in culture that is intended for various groups, which is why it also supports the National Polish Song Festival in Opole as well as a concert and New Year's party organised by the Polish state broadcaster in Zakopane. This event recorded the highest viewership figures amongst New Year's parties broadcast by TV channels in 2017. The Company also became a patron of the latest record and concert tour of Leszek Możdżer and Holland Baroque – an excellent combination of classical music and jazz.

2.2.2. Advertising and related activities

The PGE brand is based on five key values: responsibility, safety, knowledge, experience and Polish identity. The brand promise "We power Poland" was supplemented with the slogan "We provide energy," which is successfully being used in marketing communications. The PGE brand provides energy that powers all spheres of life in our country.

The objective of the Brand Strategy is to support PGE Group's Strategy. The Brand Strategy is effectively contributing to the Group's business objectives by harmonising the way in which the PGE brand is presented in communication, marketing and sponsoring activities and in direct relations with PGE's clients.

Advertising activities are mainly as follows:

- Communicating the brand's values, informing consumers about PGE being a company that puts their needs first, guarantees reliability and safety, is constantly developing and combines experience with innovation.
- Presenting to the consumers the benefits of a wide range of offerings adapted to their needs.
- Inspiring potential clients' positive emotions associated with the PGE brand and the consumer offering.
- Differentiating PGE from the other electricity suppliers on the market.

In the fourth quarter of 2017, PGE S.A. together with PGE Obrót ran an extensive image and sales campaign entitled "Electricity is better with add-ons." The campaign started at the beginning of

October 2017. It had a nationwide reach, with emphasis on the historic market area. PGE S.A. implemented the campaign by commissioning TV ads – the most important medium for image and sales campaigns, generating the highest sales volumes because of its mass reach. The campaign's TV portion was implemented in two parts: Christmas part, shown by TVP and Polsat from 13 November to 20 December 2017, and general part, shown between 12 January and 18 February 2018.

2.3. Public relations and social communication services

PR activities at PGE Polska Grupa Energetyczna S.A. contribute to developing a positive image for the entire PGE Group outside the organisation and its perception by the external environment as key influencer in the area of systemic solutions for the Polish power market and a participation in debates as business expert. These activities popularise and strengthen the PGE brand by increasing familiarity with it and reach on the market. PR at PGE S.A. also has an impact on image and sales activities, creation of the PGE brand's reputation and eliciting public opinion acknowledgment and sympathy.

PR activities at PGE S.A. focus on:

- PGE representatives' participation in industry conferences and congresses
- Cooperation with the mass media

Representatives of PGE Polska Grupa Energetyczna S.A. actively participate in industry events as experts in numerous debates taking place locally and at prestigious international congresses and conferences. They bring an important voice to the discussion about the way in which the electricity market functions. They expertly shape the image of the largest power-sector enterprise in Poland.

Amongst the most important such events is the Economic Forum in Krynica-Zdrój – one of the largest economic conferences in Central and Eastern Europe, gathering participants from over 60 countries. During the most recent edition of the Forum, PGE representatives presented their point of view on the issue of innovativeness in the energy sector and electromobility. The European Economic Congress in Katowice, with PGE's participation, is also one of the most important economic events in Central Europe. During last year's Congress, members of PGE S.A.'s management board contributed an important voice to a debate on the directions of development for the energy sector in Poland and in Europe. The industry's challenges were also discussed during the largest Polish economic event – Kongres 590.

PGE S.A. also was part of the elite group of the largest Polish businesses, including state-controlled enterprises, during the Hannover Messe. The CEO of PGE S.A., as representative of the strategic partner of "Innovative Poland at Hannover Messe 2017," participated in a governmental delegation headed by the Prime Minister.

Cooperation with the publishers of the largest nationwide newspapers – dailies and weeklies – as well as online publications focused on the energy industry constitutes an important element of PGE S.A.'s PR activities. In cooperation with Fratria Sp. z o.o. – the publisher of the weekly "Sieci," as a partner of an educational and information series about innovations in the energy industry, published 5 commentaries from the CEO of PGE S.A. in articles prepared by the publisher's editorial office with subject-matter input from PGE S.A. This project was an excellent fit with PGE Group's updated strategy, which emphasises innovativeness and the development of new business models and segments.

PGE has been cooperating with Infor Biznes Sp. z o.o. since 2015. Expert commentaries from the CEO of PGE S.A. regarding the key events in the energy industry are published in the Dziennik Gazeta Prawna daily and the websites Forsal.pl, Dziennik.pl and Gazetaprawna.pl as part of this cooperation. The publication of consumer guides in the media is being initiated in response to client expectations. On 6 November 2017, the Super Express daily published a supplement entitled "Electricity and gas for you and your business," the content of which was prepared by PGE experts. Readers were able to learn about PGE's offering for businesses, ways to change electricity suppliers and practices employed by unfair sellers of energy.

Since several years, PGE S.A. has been a partner of the largest Polish web portals dealing with energy issues. Image (in the form of PGE's logotype) and substantive (publishing content related to the company's activities) presence on the following websites: Cire.pl, Wysokienapiecie.pl and Biznesalert.pl, not only shapes the company's expert image but has an educational dimension, contributing to the promotion of knowledge about the Polish and foreign electricity markets.

2.4. Advisory services

These expenses concern consulting, legal and other services related to the implementation of projects supporting PGE Group's strategy and in connection with activities supporting the Company's corporate organs in matters related to the management of the Company and PGE Group. These costs amounted to PLN 8.6 million in 2017.

2.4.1. M&A activities

Expenses related to legal and consulting services were incurred in the area of activities concerning mergers and acquisitions.

The following projects ended with a transaction:

- increase of Polimex's share capital and acquisition of shares from SPV Operator Polimex-Mostostal S.A. ("Polimex"),
- acquisition of EDF's assets in Poland.

M&A activities also included divestment projects, which include the sale of 100% of shares in Exatel S.A. to the State Treasury, represented by the Minister of National Defence.

2.4.2. Activities supporting the Company's strategy: activities related to the new energy market model, innovative solutions, development of new business models and segments

Advisory costs in 2017 were related to activities supporting the implementation of strategy, including activities concerning regulations in the Company's business segments.

The Company carried out work on introducing a new energy market model in Poland, with a mechanism that will have a positive impact on the economic effectiveness of generation units, thus increasing the energy security of the country. This work mainly involved analysing the financial effects of introducing a capacity market in Poland and different forms of payment on the energy market. As regards different forms of payment on the energy market, the advice focused on preparing a concept for an alternative solution to the capacity market mechanism if the European Commission failed to approve the introduction of a capacity market mechanism in Poland.

In connection with the launch of new operating segments and planned larger presence in the diffuse source segment, the Company became involved in work intended to prepare a feasibility study and a business model for an undertaking tasked with creating a micro-network in Poland and an undertaking tasked with the expansion or replacement of district heating sources with cogeneration and trigeneration sources.

The Company continues to search for innovative solutions that will give the entire Group a competitive edge. New technological solutions analysed of interest to the Company in the analysed period include: electromobility, including car sharing, construction of charging points, intelligent integrated solutions such as smart home, construction of coal gasification installations. Involvement in the development and commercialisation of new technologies will let the Company and PGE Group introduce a modern and comprehensive client offering to the market, covering photovoltaics, electromobility, intelligent home solutions, natural gas and demand management.

2.4.3. Activities supporting the Company's on-going operations and the work of corporate bodies

As regards activities supporting the Company's day-to-day operations, costs on legal and tax services were incurred.

As for legal services, costs were related to on-going services for the Company's corporate bodies and to trade in energy and related products. Services supporting the Company's on-going operations also concerned activities being undertaken in the human capital management area in connection with social dialogue at PGE Group and recruitment advisory. Expenses related to tax advisory concerned mainly tax disputes and support in the area of creating procedures and documents concerning transfer pricing.

3. Report approval

This report on expenses on representation, legal services, marketing services, public relations and social communications services and management services was approved by the Management Board of PGE Polska Grupa Energetyczna S.A. on ... 2018.

Warsaw, ... 2018

Signatures of members of the Management Board of PGE Polska Grupa Energetyczna S.A.

President of the Management Board	Henryk Baranowski
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Vice-President of the Management Board	Wojciech Kowalczyk
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Vice-President of the Management Board	Marek Pastuszko
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Vice-President of the Management Board Paweł Śliwa

Vice-President of the Management Board Ryszard Wasilek

Vice-President of the Management Board Emil Wojtowicz
