



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 2018

Legal basis

The Management Board of Polska Grupa Energetyczna S.A. (PGE S.A., Company), pursuant to par. 42 point 9 of the Company's Articles of Association, 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.

This report covers the year 2018. The information is prepared in accordance with the accruals principle.

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| 1 | Marketing services | PLN 57 921.5 thousand |
| 2 | Management advisory services and legal services | PLN 5 812.6 thousand |
| 2 | Public relations and social communication services | PLN 1 015.1 thousand |
| 4 | Representation costs | PLN 102.0 thousand |

1. 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 2018, the Company spent PLN 57.9 million on marketing services.

Sports and culture sponsoring

The sponsoring activities of PGE S.A. focuses on two areas: culture sponsoring and sports sponsoring (professional and amateur). 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, including customers, business partners and local communities. They also help in building PGE S.A.'s reputation and garnering public 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. It works with professional teams in various sports that are fans' favourites, including volleyball, basketball, football and handball. In 2018, PGE S.A. sponsored the following clubs: PGE Skra Bełchatów (Poland's champions in men's volleyball), PGE Viva Kielce (Poland's champions in men's handball), PGE FKS Stal Mielec (football, first division), PGE GKS Bełchatów (football, second division), PGE MKK Siedlce (women's basketball). PGE S.A. also continued working with individual sports-people, including Zofia Noceti-Klepacka (windsurfing). In September 2018, PGE S.A. signed sponsoring contracts with five talented sports-people: Alicja Tchórz (swimming), Klaudia Siciarz (athletics), Damian Czykier (athletics), Konrad Czerniak (swimming) and Artur Nogal (speed skating). These sports-people were recommended by the Ministry of Sport and Tourism.

From 2015, PGE S.A. is the title sponsor of speedway world league - PGE Ekstraliga. We also have a sponsorship agreement with PL.2012+, pursuant to which PGE is the title sponsor of the most popular and most modern multi-functional arena in Poland, i.e. PGE Narodowy.

PGE S.A. also supports local initiatives related to promoting amateur sports, especially by promoting sports amongst children and youth. In June 2017, we launched an amateur sponsorship initiative for the most interesting projects. As part of this, in 2018 we supported football academies including PGE FKS Stal Mielec, Widzew Łódź, Stal Stalowa Wola, Avia Świdnik and FC Lesznowola.

Sports sponsoring in 2018 also took into account initiatives related to celebrations for the 100th anniversary of Poland's independence. *Some of them, e.g. 100 tournaments for 100th anniversary of Poland's independence or the "Strength of Independent Poland" Olympics, were nationwide in reach.*

Sponsoring culture allows PGE S.A. to actively participate in the mission of developing and protecting culture and to build its own image as entity investing in culture and deriving benefits from its development.

PGE S.A. has for many years received the title of Patron of the Year of the Warsaw Philharmonic. This award is given to the Company not just for supporting musical concerts but also for contribution to the musical education of kids and youth by supporting the Warsaw Philharmonic's project *Mornings and Afternoons for Small Music Lovers*.

Other musical projects that have been supported by PGE S.A. for many years are: Musical Festival in Łańcut, Crazy Music Days and the Mozart Festival.

Caring for Polish national heritage, PGE S.A. supports the Warsaw Uprising Museum.

The Company also sponsored projects such as: *Poetic Evening with Zbigniew Herbert* or the concert *Poland for Heroes*, which is organised by Foundation Cultura Memoriae. PGE S.A. also became main sponsor for the feature movie *Courier*, the dramatic and adventurous history of Jan Nowak Jeziorański, directed by Władysław Pasikowski. The film's premiere took place in 2019.

In 2018, PGE's activities focused on supporting initiatives related to the 100th anniversary of Poland regaining its independence. These projects had very far reach and thematic range. One such event was the official premiere of the movie *Independence*, which took place at Teatr Wielki in November 2018. This movie uses previously unknown archive material from 1914-1923 from Poland, Germany, France, US and Russia. PGE also sponsored the "Concert for Independent Poland" as part of the government programme "Independent Poland," held at the PGE Narodowy stadium. During the concert artists recalled the most important songs over the past 100 years.

Advertising and related activities

Continuing the PGE brand's integrated communications from 2017, the marketing strategy in 2018 was based on the key and still up-to-date values: responsibility, safety, knowledge, experience and Polish identity.

In the second quarter of 2018, PGE S.A. planned and implemented with PGE Obrót S.A. an image and product campaign. The campaign promoted PGE S.A. as a modern partner offering a wide array of solutions. The media plan included active communications in the media: TV, online, cinema, outdoor and print.

The campaign slogan was "We are with you," referring to responsibility and safety, combining experience with innovation in order to ensure optimal solutions to PGE Group's customers. Every day, at home, at work, on the street - energy is "with you." The slogan of the image campaign was "Stay warm, we are in touch." To deliver the key message about energy present in everyone's lives, TV ads showed every-day situations where daily-use devices and equipment are shown in a cross-section. The machines "reveal their insides" and PGE's energy, which drives them.

According to Ipsos Connect survey results, the campaign built brand familiarity. The ads generated positive emotions such as calmness and enthusiasm. The key message in the context of the entire category was received in accordance with the current brand image, emphasising elements indicating strength, safety and care. PGE S.A. was seen as a company providing constant access to energy everywhere in every-day life. The display form - cross-sections - was a characteristic element, drawing viewers' attention and building the image of a modern, technologically advanced company.

Another image and product campaign was planned and executed in the fourth quarter of 2018. The new campaign was intentionally visually in line with cross-sections. By consistently using the theme of cross-sections, these elements are becoming more affixed to the brand and emphasise its image. The brand and its logo were strongly present in the ads. PGE colours were used in filming: blue, red and orange elements and a unique jingle, the consistent use of which systemically built association with the brand.

The campaign aimed to continue PGE's brand communication as innovative, modern and offering customers additional benefits from purchasing electricity. The media plan included active communications in the media: TV, online, cinema, radio, outdoor and print.

2. Management advisory services and legal services

The costs of advisory services included consulting, legal and tax services in connection with projects supporting PGE Group's strategy and in connection with activities supporting the Company's organs in matters related to the management of the Company and PGE Group. These costs amounted to PLN 5.8 million in 2018.

Advisory services concerned, among other things, mergers and acquisitions, mainly including the following projects in 2018:

- support in a process to find an industry partner for the Offshore Project,
- sale of PGE's stake in PGE EJ1 sp. z o.o.,
- announcement of tender offer for Polenergia S.A. shares.

The costs of advisory services also concerned support for the Company's operating activities. These services mainly concerned:

- on-going legal services, especially as regards commercial agreements and activities in the research and development area,
- legal consultations regarding compliance with the requirements of Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (GDPR) and its organisation and implementation at PGE Group companies,
- tax services, especially as regards the restructuring of EDF Polska S.A. assets (currently PGE Energia Ciepła S.A.), preparations to launch settlements on the capacity market and review of tax settlements for 2015-2017,
- support for activities in human capital management in connection with implementation of competence evaluation model, implementation of social dialogue at PGE Group and recruitment advisory.

3. Public relations and social communication services

In 2018, the Company spent PLN 1.0 million on 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 acknowledgement and sympathy.

4. Representation costs

Expenses related to representation concerned the Company's representation, building its prestige and shaping a positive image for the PGE brand and the Company's management team. In 2018, the Company spent PLN 102.0 thousand on this.

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 S.A. on April 9, 2019.

Warsaw, April 9, 2019

Signatures of members of the Management Board of PGE S.A.

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| 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 |
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| Vice-President of the Management Board | Ryszard Wasilek |
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| Vice-President of the Management Board | Emil Wojtowicz |
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