

TAURON POLSKA ENERGIA S.A.

REPORT ON REPRESENTATION EXPENSES, EXPENDITURE ON LEGAL SERVICES, MARKETING SERVICES, PUBLIC RELATIONS AND SOCIAL COMMUNICATION SERVICES AS WELL AS ADVISORY SERVICES RELATED TO MANAGEMENT INCURRED IN 2018

TAURON Polska Energia S.A.

Report on representation expenses, expenditure on legal services, marketing services, public relations and social communication services as well as on advisory services related to management incurred in 2018

(in PLN thousand)

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I. Introduction

The Report has been drawn up pursuant to § 15(2) of the Articles of Association of TAURON Polska Energia S.A. (the "Company").

This report has been drawn up in Polish zloty ("PLN") and all values are provided in PLN thousand. In the report, the level of input tax related to the purchase of goods, materials and services associated with the said expenditure has not been recognised.

II. Expenditure on marketing services, public relations and social communication services

	Year ended on 31 December 2018 [PLN thousand]	Share in consolidated revenue on sales
EXPENDITURE ON MARKETING SERVICES, PUBLIC RELATIONS AND SOCIAL COMMUNICATION SERVICES	29,329	0.16%

The activities implemented in the scope of marketing services were aimed at promoting the TAURON brand as well as building and maintaining the high level of its market recognition. Strengthening of TAURON brand image, i.e. its perception and positive assessment by the environment plays an important role in achieving business objectives of TAURON Group (among others, maintaining the leading market position and sale growth). The expenditure on brand promotion is centralised and incurred by the Company whereas companies of the Group are granted licenses for the use of TAURON brand against remuneration. The Company does not incur any expenses for marketing purposes related to the direct acquisition of a Client or the organisation of sales campaigns.

In 2018, in connection with the celebration of the anniversary of regaining independence, projects building awareness and knowledge about the most important events in the history of Poland played an important role. Among others, sponsorship and promotional projects were carried out as well as educational and cultural events were held related to the subject of the 100th anniversary of regaining independence.

The Alchemy of Light, an original and unique multimedia show organised for several years, which took place in Kraków at Wawel Castle this year as well as the multimedia show on the building of the Silesian Provincial Government Office, were implemented within the framework of a nationwide project entitled "Independent for the 100th Anniversary of Independence." Sponsoring events connected with the anniversary of regaining independence by Poland celebrated in 2018 included, among others, the Independence Cruise (a cruise around the world organised on board the ship "Dar Młodzieży"), the project called Independence Stop - Polish Energy (promoting Polish history, bringing closer the profiles of national heroes, enhancing the knowledge of Poles about historical events in the country and worldwide), or the project called The Marshall's Birthday (educational theatre performance for young people presenting the personality of Marshall Józef Piłsudski) held at the Akcja Theatre as well as promotional events, such as the Flag Race in Katowice.

Marketing expenses included primarily promotional services for the TAURON brand, advertising services in the area of creation, design and printing, advertising materials with logos, production and operation of promotional media, purchase of media and cooperation with entities representing organisers of professional sports, culture and art events with whom the Company concluded agreements for the provision of sponsoring services.

The expenditure related to the implementation of individual sponsoring projects is supervised on an on-going basis by the Company Supervisory Board which, in accordance with the provisions of the Articles of Association, issues opinions on both the plan and the principles of pursuing the sponsoring activity in TAURON Group and submits the assessment of the policy in the scope of sponsoring activity conducted by the Company to the General Meeting at least once a year. Moreover, the Supervisory Board approves concluding of agreement in the scope of sponsoring where the value of the remuneration exceeds PLN 500 thousand net in annual terms.

Activities implemented in the scope of public relations and social communication developed a positive image of TAURON Group among individual stakeholder groups.

In the area of external communication, expenses were related to communication activities to particular groups of stakeholders: customers, administration, media, business area or investors and included, among others, media monitoring, participation in conferences and business events, as well as servicing the electronic press office.

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(in PLN thousand)*

In the area of internal communication, the expenditure was mainly associated with building and maintaining relations with employees and referred, among others, to organisation of activities addressed to employees of the Company and their families, editing, printing and typesetting of periodicals describing events in TAURON Group as well as other tools used for internal communication (including, among others, the intranet).

Some of the activities (Internet and Intranet services) were performed by the subsidiary TAURON Obsługa Klienta under the Service Level Agreement (SLA).

The expenditures on marketing services, public relations and social communication services presented in the table do not include expenditures on corporate social responsibility (CSR) activities.

III. Expenditure on advisory services related to management

	Year ended on 31 December 2018 [PLN thousand]	Share in consolidated revenue on sales
EXPENDITURE ON ADVISORY SERVICES RELATED TO MANAGEMENT	5,775	0.03%

Expenditure on advisory services related to management comprise advisory services for the Company, including consulting services in the scope of performing business, financial and other similar activities, business consultancy, cost control and other financial issues, consultancy in the scope of IT, accounting and taxes as well as advice in the scope of projects implemented in TAURON Group.

IV. Expenditure on legal services

	Year ended on 31 December 2018 [PLN thousand]	Share in consolidated revenue on sales
EXPENDITURE ON LEGAL SERVICES	4,416	0.02%

Expenditure incurred on legal services was associated with the provision of legal service, assistance and advice comprising, in particular, current legal service, preparing information, analyses, expertise and legal opinion, consultancy on issues associated with the development and adjustment of legal regulations, representation in arbitration proceedings, court disputes as well as in administrative cases and administrative court proceedings as well as complex legal service of investment projects implemented in TAURON Group.

Expenses on legal services in 2018 additionally comprised legal support in the projects implemented by the TAURON Group and the need to adapt the activities of the TAURON Group to new legal regulations, including GDPR, REMIT and EMIR.

V. Representation expenses

	Year ended on 31 December 2018 [PLN thousand]	Share in consolidated revenue on sales
REPRESENTATION EXPENSES	232	0.00%

In 2018, the Company allocated the amount of PLN 232 thousand for representation expenses. Such expenses are aimed at building positive relations with the company environment including, among others, relationships with customers.

VI. Summary

The table below contains the summary of expenditure presented in the report:

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(in PLN thousand)*

	Year ended on 31 December 2018 [PLN thousand]	Share in consolidated revenue on sales
EXPENDITURE ON MARKETING SERVICES, PUBLIC RELATIONS AND SOCIAL COMMUNICATION SERVICES	29,329	0.16%
EXPENDITURE ON ADVISORY SERVICES RELATED TO MANAGEMENT	5,775	0.03%
EXPENDITURE ON LEGAL SERVICES	4,416	0.02%
REPRESENTATION EXPENSES	232	0.00%
TOTAL:	39,752	0.22%

This report drawn up for the year ended on 31 December 2018 consists of 7 pages.

Katowice, 19 March 2019

Filip Grzegorzczak - President of the Management Board

Jarosław Broda - Vice-President of the Management Board

Kamil Kamiński - Vice-President of the Management Board

Marek Wadowski - Vice President of the Management Board