



ORLEN

Polski Koncern Naftowy ORLEN
Spółka Akcyjna

PKN ORLEN S.A.

**REPORT ON ENTERTAINMENT EXPENSES, LEGAL EXPENSES,
MARKETING EXPENSES, PUBLIC RELATIONS AND SOCIAL
COMMUNICATION EXPENSES, AND MANAGEMENT
CONSULTANCY FEES IN 2018**

2018

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A. INTRODUCTION

This report on entertainment expenses, legal expenses, marketing expenses, public relations and social communication expenses, and management consultancy fees (the "report on expenses") has been prepared pursuant to Resolution No. 37 of the Annual General Meeting of PKN ORLEN of June 30th 2017 in conjunction with Art. 17.6 of the Act on State Property Management of December 16th 2016 (Dz. U. of 2016, item 2259, as amended).

This report on expenses has been prepared on an accrual basis, with amounts given net of VAT. All amounts are stated in thousands of zloty (PLN '000).

B. MARKETING EXPENSES

	2018	Share in revenue
Marketing expenses	204,852	0.235%

Marketing services were used to support the sales staff in meeting their annual operational targets and maintaining the Company's leading market position. The objective of using the services was to build and maintain strong brand recognition and promote the desired attributes of the ORLEN brand as well as the leading product brands. They were a tool used to build the image of PKN ORLEN as a socially responsible company of national interest. Marketing expenses included primarily costs of promotional services, communication (creation, media buying, production of promotional and advertising media), sports, local and social sponsorship, culture, art and education sponsorship, event expenditure, the VITAY loyalty scheme for customers, and CSR activities. They did not include donations, which are presented in Note 8.1.10 of the separate financial statements of PKN ORLEN for 2018.

C. PUBLIC RELATIONS AND SOCIAL COMMUNICATION EXPENSES

	2018	Share in revenue
Public relations and social communication expenses	10,076	0.012%

PR expenses comprised spending on internal and external communication activities.

In the case of external communication, the expenditure included cooperation with the media on placing themes of importance for the Company, including those highlighting PKN ORLEN's role in the Polish economy, maintenance of the www.orlen.pl website and other communication channels, especially social media. PR expenses were also made on sponsoring the conferences attended by the Company's representatives and on production of multimedia materials (videos and animations) about PKN ORLEN's activities, including materials for publication in social media. Other PR expenses related to social initiatives undertaken for the residents of Plock and other regions of Poland.

With respect to internal communication, the funds were spent on maintenance and development of internal communication channels, such as the in-house television, printed magazine and intranet, as well as on team-building and social projects for PKN ORLEN employees.

D. MANAGEMENT CONSULTANCY FEES

	2018	Share in revenue
Management consultancy fees	13,808	0.016%

Management consultancy fees related mainly to consultancy on M&A projects, corporate communication, financial and accounting matters, as well as pre-project costs throughout PKN ORLEN's value chain.

E. LEGAL EXPENSES

	2018	Share in revenue
Legal expenses	25,217	0.029%

The expenditure covered the cost of legal advice provided on an ongoing basis to PKN ORLEN and the costs of conducting proceedings before courts and other authorities. Services of legal advisers were used specifically in the preparation and negotiation of major contracts, for legal and regulatory matters, and in cases where knowledge of foreign legal systems was required. A significant part of these expenses related to legal support for new strategic projects, including preparation and execution of projects commenced in 2018.

F. ENTERTAINMENT EXPENSES

	2018	Share in revenue
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Entertainment expenses 1,026 0.001%

Entertainment expenses related primarily to business meetings, including meetings with the Company's key stakeholders organised at sports facilities in order to foster the existing and build new business relationships.

G. SUMMARY

The following table summarises the expenses presented in this report:

	2018	Share in revenue
Marketing expenses	204,852	0.235%
Public relations and social communication expenses	10,076	0.012%
Management consultancy fees	13,808	0.016%
Legal expenses	25,217	0.029%
Entertainment expenses	1,026	0.001%
TOTAL	254,979	0.293%

This report was signed by the Management Board of PKN ORLEN S.A. on May 9th 2019.

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Daniel Obajtek
President of the Management
Board

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Armen Artwich
Member of the Management
Board

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Patrycja Klarecka
Member of the Management
Board

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Zbigniew Leszczyński
Member of the Management
Board

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Wiesław Protasewicz
Member of the Management
Board

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Michał Róg
Member of the Management
Board

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Józef Węgrecki
Member of the Management
Board