



PKN ORLEN S.A.

**REPORT ON ENTERTAINMENT EXPENSES, LEGAL EXPENSES,
MARKETING EXPENSES, PUBLIC RELATIONS AND SOCIAL
COMMUNICATION EXPENSES, AND MANAGEMENT
CONSULTANCY FEES IN 2020**

2020

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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

| | 2020 | 2019 | Share in revenue | |
|---------------------------|----------------|----------------|------------------|---------------|
| | | | 2020 | 2019 |
| Marketing expenses | 307,487 | 338,803 | 0.523% | 0.381% |

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. The marketing message was also focused on highlighting key measures taken by PKN ORLEN to ensure its service stations were COVID-secure and supported the Company's fight against the pandemic. Various marketing campaigns 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, including implementation of the CSR Strategy, aimed at building engagement through the promotion of employee volunteering projects (across PKN ORLEN S.A. and other ORLEN Group companies), creating the image of a business that cares for its environment, managing the relationship with local communities, carrying out programmes for security enhancement and for health and environmental protection. They did not include donations, which are presented in Note 11.10 of the separate financial statements of PKN ORLEN S.A. for 2020.

C. PUBLIC RELATIONS AND SOCIAL COMMUNICATION EXPENSES

| | 2020 | 2019 | Share in revenue | |
|---|---------------|---------------|------------------|---------------|
| | | | 2020 | 2019 |
| Public relations and social communication expenses | 21,426 | 18,916 | 0.036% | 0.021% |

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 business themes of importance for the Company as well as development and creation of various materials (infographics, animations, videos) for social media. Expenses were also incurred to hold press conferences and organise on-site tours and visits for journalists, attended by representatives of the PKN ORLEN Management Board. In 2020, PKN ORLEN allocated considerable funds for communicating the Company's efforts to fight the COVID-19 pandemic. A key element of external communication was conveying the practical dimension of PKN ORLEN's CSR activities. At the same, the Company's support for local communities, including Plock, was widely communicated.

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, on creation of photographic images and videos, as well as on team-building and social projects for PKN ORLEN employees.

D. MANAGEMENT CONSULTANCY FEES

| | 2020 | 2019 | Share in revenue | |
|------------------------------------|---------------|---------------|------------------|---------------|
| | | | 2020 | 2019 |
| Management consultancy fees | 47,773 | 24,295 | 0.081% | 0.027% |

Management consultancy fees related mainly to consultancy on strategic projects, including M&As, corporate communication, as well as pre-project costs throughout PKN ORLEN's value chain.

E. LEGAL EXPENSES

| | 2020 | 2019 | Share in revenue | |
|-----------------------|---------------|---------------|------------------|---------------|
| | | | 2020 | 2019 |
| Legal expenses | 42,680 | 37,793 | 0.073% | 0.042% |

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 investment projects being developed or in progress.

F. ENTERTAINMENT EXPENSES

| | 2020 | 2019 | Share in revenue | |
|-------------------------------|--------------|--------------|------------------|---------------|
| | | | 2020 | 2019 |
| Entertainment expenses | 1,578 | 3,132 | 0.003% | 0.004% |

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

| | 2020 | 2019 | Share in revenue | |
|--|----------------|----------------|------------------|---------------|
| | | | 2020 | 2019 |
| Marketing expenses | 307,487 | 338,803 | 0.523% | 0.381% |
| Public relations and social communication expenses | 21,426 | 18,916 | 0.036% | 0.021% |
| Management consultancy fees | 47,773 | 24,295 | 0.081% | 0.027% |
| Legal expenses | 42,680 | 37,793 | 0.073% | 0.042% |
| Entertainment expenses | 1,578 | 3,132 | 0.003% | 0.004% |
| TOTAL | 420,944 | 422,939 | 0.716% | 0.475% |

The following table summarises the expenses presented in this report:

This report on expenses was signed by the Management Board of PKN ORLEN S.A. on April 14th 2021.

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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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Adam Burak
Member of the Management
Board

.....
Patrycja Klarecka
Member of the Management
Board

.....
Zbigniew Leszczyński
Member of the Management
Board

.....
Michał Róg
Member of the Management Board

.....
Jan Szewczak
Member of the Management Board

.....
Józef Węgrecki
Member of the Management Board