

**Report on representation expenses, expenses on legal services,  
marketing services, public relations and social communication  
services, and consulting services related to the management  
of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A.**

**2018**

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## 1. Legal basis

Pursuant to § 12(4)(4) of the Company's Articles of Association, the Company's Management Board is required to prepare and submit to the Company's General Meeting, together with the Supervisory Board's opinion, a Report on representation expenses, expenses on legal services, marketing services, public relations and social communication services, and consulting services related to the management.

## 2. Information on the expenses

The report covers the year 2018. The information is prepared on an accrual basis.

| <b>2018</b>               |                                       |              |
|---------------------------|---------------------------------------|--------------|
| <b>Operating expenses</b> |                                       | <b>kPLN</b>  |
| <b>2.1</b>                | <b>Representation expenses</b>        | <b>177</b>   |
| <b>2.2</b>                | <b>Marketing services</b>             | <b>335</b>   |
| 2.2.1.                    | Sponsorship of sport and culture      | 15           |
| 2.2.2.                    | Advertising activities                | 274          |
| 2.2.3.                    | Public Relations activities           | -            |
| 2.2.4.                    | Social communication activities (CSR) | 46           |
| <b>2.3</b>                | <b>Advisory services</b>              | <b>1,697</b> |
| 2.3.1.                    | Legal services                        | 607          |
| 2.3.2.                    | Management consulting services        | 1,090        |
|                           | <b>Total</b>                          | <b>2,209</b> |
| <b>2.4</b>                | <b>Donations</b>                      | <b>495</b>   |

### 2.1. Representation costs

The costs associated with the representation were aimed at representing, building prestige and creating a positive image of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. In 2018, the Company incurred costs for this purpose in the amount of PLN 177 thousand.

### 2.2. Marketing services

As part of its marketing activities, KOGENERACJA S.A. incurred expenditure on sports sponsorship, advertising activities, including image and sales advertising campaigns and other forms of brand promotion. In 2018, the Company spent PLN 335 thousand on marketing services.

#### 2.2.1. Sponsorship of sport and culture

The sponsorship activity of KOGENERACJA S.A. covers the following areas: sport sponsorship and culture sponsorship. The Company supports recognised sports and cultural initiatives at the local level.

Through sponsoring activities, KOGENERACJA S.A. brand and its product, network heat, are promoted, their level of knowledge, recognition and range of impact is increased.

In the area of sports marketing, the Company undertakes sponsorship activities for amateur sports and supports local youth sports clubs.

### **2.2.2. Advertising activities**

The objective of advertising activities is to build a positive perception of the network heat, retain existing customers (loyalty measures), acquire new customers and build positive relationships with a network heat distributor. It is also important to acquire customers for energy services. The value of costs incurred for advertising activities in 2018 amounted to PLN 274 thousand.

The advertising activity of KOGENERACJA S.A. in 2018 focused on the development of the heat market in Wrocław, where the Company is the only producer of network heat, and in Siechnice and Święta Katarzyna. In addition, the Company has its own district heating network and is a distributor of heat in these communes. The main objectives pursued by the Company in the area of advertising were to attract new heat network customers and energy service customers.

As regards the development of the primary heat market, a seminar was organised for developers, designers and contractors to promote the district heating technology.

As far as the secondary market is concerned, training courses, housing estate festivals and a seminar for managers of multi-family residential buildings were held. The seminars were also attended by representatives of local authorities and communal property managers.

There were also activities aimed at promoting heating networks and loyalty measures among its customers. In connection with the implementation of the Integrated Territorial Investments project, the promotion was extended to the areas of the Zakrzów estate, where the development of a district heating network is planned.

### **2.2.3. Social communication activities (CSR)**

In 2018, the Company spent PLN 46 thousand on social communication activities.

In 2018, KOGENERACJA S.A. provided environmental education in the field of environmental protection and the advantages of network heat among students of schools in Wrocław as well as an inter-school environmental contest in Wrocław. In cooperation with PGE Energia Ciepła S.A., an educational project aimed at younger children, "Wrocław – connected by heat," was also carried out, showing the advantages of using network heat as a way of eliminating low-stack emission.

In order to promote network heat and integrate with the local community, KOGENERACJA S.A. participated in events organised by Siechnice and Długołęka communes.

## **2.3. Advisory services**

Consultancy services include costs of legal services, costs of management services, including consulting services, performed for the benefit of activities supporting corporate bodies of the Company in matters related to the management of the Company and activities serving the implementation of key projects within the strategic objectives. The value of costs incurred in 2018 amounted to PLN 1,697 thousand.

### **2.3.1. Activities in the area of legal services**

As part of the activity supporting the current operational activity of the Company, costs were incurred for legal services related to the service of corporate bodies of the Company and activities related to the production of electricity, heat and related products. In 2018, legal costs incurred in this area amounted to PLN 607 thousand.

### **2.3.2. Activities in the area of management services**

In 2018, the advisory costs incurred for the provision of management services amounted to PLN 1,090 thousand. Services related to the audit of financial statements in 2018 conducted by Ernst & Young Spółka z ograniczoną odpowiedzialnością Sp. k. amounted to PLN 321 thousand.

Other supporting services were related to consulting services, including: personal data protection consulting, opinion of KPMG Advisory Spółka z ograniczoną odpowiedzialnością Sp. k. for the purposes of the tender offer announced by PGE S.A. for the purchase of shares in KOGENERACJA S.A., consulting services related to state aid, OHS and expert opinions, i.e. services related to laboratory accreditation and environmental and geodetic analyses.

## **2.4. Donations**

In 2018, the Company made donations in the amount of PLN 495 thousand. The beneficiaries were most of all public benefit entities from the Lower Silesia region, mainly from Wrocław and nearby communes, which:

- support the education of the talented youth in a difficult economic or life situation;
- promote a healthy and active lifestyle;
- work toward activation of persons with disabilities;
- support socially vulnerable customers.

### **3. Approval of the Report on expenditure**

This Report on representation expenses, expenses on legal services, marketing services, public relations and social communication services, services related to the management of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. for 2018 was approved by the Management Board of KOGENERACJA S.A. on 29 April 2019.

Wrocław, 29 April 2019

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Paweł Szczeszek  
*President of the Management Board*

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Paweł Strączyński  
*Vice President of the Management Board*