

**RESOLUTION NO. 73/X/2018  
OF THE SUPERVISORY BOARD OF GRUPA LOTOS S.A.  
dated May 29th 2018**

concerning: opinion on the 2017 report of the Management Board of Grupa LOTOS S.A. on entertainment expenses, legal expenses, marketing costs, public relations and social communication expenses, and management consultancy fees.

Acting pursuant to Art. 13.2.12 of the Company's Articles of Association, the Supervisory Board of Grupa LOTOS S.A., having considered Grupa LOTOS S.A.'s 2017 report on entertainment expenses, legal expenses, marketing costs, public relations and social communication expenses, and management consultancy fees, approved by the Management Board Resolution No. 8/X/2018 of May 25th 2018, resolves as follows:

Section 1.

The Supervisory Board issues a positive opinion on the 2017 report of the Management Board of Grupa LOTOS S.A. on entertainment expenses, legal expenses, marketing costs, public relations and social communication expenses, and management consultancy fees, presented in the Management Board Resolution No. 8/X/2018 of May 25th 2018.

Section 2.

This Resolution shall become effective as of its date.

1. Votes in favour: \_\_\_\_\_6\_\_\_\_\_ Members of the Supervisory Board voted in favour of the resolution
2. Votes against: \_\_\_\_\_0\_\_\_\_\_ Members of the Supervisory Board voted against the resolution
3. Abstaining votes: \_\_\_\_\_0\_\_\_\_\_ Members of the Supervisory Board abstained from voting on the resolution

This Resolution has been passed by open ballot.

Supervisory Board

- |                                 |        |
|---------------------------------|--------|
| 1. Beata Kozłowska-Chyła        | _____  |
| 2. Piotr Ciach                  | _____  |
| 3. Katarzyna Lewandowska        | _____  |
| 4. Dariusz Figura               | _____  |
| 5. Mariusz Golecki              | absent |
| 6. Adam Lewandowski             | _____  |
| 7. Agnieszka Szklarczyk-Mierzwa | _____  |

Extract from Minutes No. 2/X/2018  
of the meeting of the Management Board  
of Grupa LOTOS S.A.  
dated May 25th 2018

**“Resolution No. 8/X/2018  
of the Management Board of Grupa LOTOS S.A.  
dated May 25th 2018**

**concerning: approval of the 2017 report of the Management Board of Grupa LOTOS S.A. on entertainment expenses, legal costs, marketing costs, public relations and social communication expenses, and management consultancy fees**

Acting in accordance with Art. 16.6.3 of the Company's Articles of Association and Section 11.1 of the Rules of Procedure for the Management Board of Grupa LOTOS S.A., the Management Board of Grupa LOTOS S.A. resolves as follows:

Section 1.

The Management Board of Grupa LOTOS S.A. approves the 2017 report of the Management Board of Grupa LOTOS S.A. on entertainment expenses, legal costs, marketing costs, public relations and social communication expenses, and management consultancy fees, attached as an appendix hereto and prepared by the Management Board.

Section 2.

Acting pursuant to Art. 13.2.12 of the Company's Articles of Association, the Management Board of Grupa LOTOS S.A. requests the Supervisory Board to issue an opinion on the report referred to in Section 1 hereof.

Section 3.

This Resolution shall become effective as of its date.”

- |                                       |             |                                 |
|---------------------------------------|-------------|---------------------------------|
| 1. Votes in favour of the resolution: | _____3_____ | Members of the Management Board |
| 2. Votes against the resolution:      | _____0_____ | Members of the Management Board |
| 3. Abstaining votes:                  | _____0_____ | Members of the Management Board |

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Patryk Demski  
Vice President of the  
Management Board

.....  
Jarosław Kawula  
Vice President of the  
Management Board

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Mateusz A. Bonca  
President of the  
Management Board



Appendix to Resolution No.8./X/2018  
of the Management Board of Grupa LOTOS S.A.  
dated May 25th 2018

**REPORT OF THE MANAGEMENT BOARD OF GRUPA LOTOS S.A.  
ON ENTERTAINMENT EXPENSES, LEGAL EXPENSES, MARKETING COSTS, PUBLIC  
RELATIONS AND SOCIAL COMMUNICATION EXPENSES, AND MANAGEMENT  
CONSULTANCY FEES  
FOR 2017**

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Patryk Demski  
Vice President of the  
Management Board

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Jarosław Kawula  
Vice President of the  
Management Board

.....  
Mateusz A. Bonca  
President of the  
Management Board

Acting pursuant to Art. 16.6.3 of the Company's Articles of Association, the Management Board of Grupa LOTOS S.A. presents information on the entertainment expenses, legal expenses, marketing costs, public relations and social communication expenses, and management consultancy fees in 2017.

## **I. ENTERTAINMENT EXPENSES, MARKETING COSTS, AND PUBLIC RELATIONS AND SOCIAL COMMUNICATION EXPENSES**

In 2017, the Company's spending on entertainment and advertising was PLN **70,025 thousand**, including:

- sponsorship expenses: **PLN 35,447 thousand**,
- marketing costs: **PLN 28,821 thousand**,
- public relations and social communication expenses: **PLN 2,402 thousand**,
- entertainment and other advertising expenses: **PLN 3,355 thousand**.

### **Sponsorship expenses**

The LOTOS Group's sponsorship activities are carried out in line with the strategy for the LOTOS brand, outlined in the business strategy adopted for 2017–2022. The LOTOS Group's sponsorship activities support its business objectives and are among the tools used to support sales of products and build the Group's competitive advantage. In 2017, sponsorship activities covered numerous areas, including:

- football,
- car rallies,
- ski jumping and cross-country skiing,
- volleyball,
- tennis,
- cycling.

### **Marketing costs**

In 2017, the Company used its marketing budget to carry out numerous advertising and promotional projects in cooperation with media partners with large target audiences. A new marketing communication platform was launched, based on the "THE BEST doesn't come from nowhere" concept. Three TV campaigns and a number of radio, internet and press initiatives were carried out.

Advertising activities supported the building of the LOTOS brand image, and in the case of product campaigns – the implementation of sales targets.

### **Key marketing activities in 2017:**

1. Image-building advertising activities:
  - a. Image-building campaign – THE BEST doesn't come from nowhere, edition 1 (June–August)
  - b. Promotion of products, social and sponsorship projects (July–September)
  - c. Find the Eagle – partnership in an exploration expedition (May–June)
  - d. Image-building campaign – THE BEST doesn't come from nowhere, edition 2 (September–October)
  - e. Product/subject placement in the Sonda TV show (September–November)

2. Advertising through sports sponsorship:
  - a. Sponsoring the broadcasting of ski jumping competitions (January–March and November–December)
  - b. Matches of the Polish National Football Team (March–October)
  - c. Kajetan Kajetanowicz (June–October)
  - d. Agnieszka Radwańska (April–December)
  - e. Tour de Pologne (July)
3. Advertising campaigns supporting sales at service stations:
  - a. Football promotion (March)
  - b. Sales promotion – glasses with the images of footballers (June–August)
  - c. Launch of the Navigator programme at Optima service stations (August)
  - d. Promotion of the Dynamic energy drink (August–September)
  - e. Service stations friendly to travelling animals – dog bowls at service stations (July–August)
  - f. Coffee Day (September)
  - g. Football promotion (March and October)
  - h. Sales promotion – Double Refuelling (November–December)
  - i. Winter fuels promotional campaign – THE BEST doesn't come from nowhere, edition 3 (December)

### **Public relations and social communication expenses**

Internal and external communication requires dedicated and consistent activities with the support of specialised service providers.

In 2017, services supporting the implementation of the LOTOS Group's strategy for communication served various purposes, including:

- the need and ambition to strengthen Grupa LOTOS's position in the Polish and international markets, in line with the Company's Strategy for 2017–2022,
- support of Grupa LOTOS's operations in the markets of Norway, United Kingdom, and the Baltic Sea states,
- the need to coordinate activities and distribute information in case of emergency

### **Entertainment and other advertising expenses**

Grupa LOTOS organises business meetings and events to build an appropriate image of the Company among its stakeholders and foster the maintenance and development of good relations with its trading partners and potential customers of the LOTOS Group. To this end, the Company in particular sponsors sports events.

All these activities complement other forms of marketing communication, such as promotional campaigns, advertising in the media and sponsorship. They also serve the purpose of sharing such knowledge and information which favourably affect the Company's growth.

## **II. LEGAL EXPENSES AND MANAGEMENT CONSULTANCY FEES**

With respect to legal advisory and management consultancy services, in 2017 the Management Board continued the initiatives undertaken in this area in 2016, including centralisation of such services. The adopted policy providing for cooperation with law firms whose fees are based on hourly rates allows the Company to monitor, on an ongoing basis, assignments given to those firms and pay remuneration for the work actually performed. In 2017, the related expenses amounted to **PLN 11,890 thousand**.

The data presented in this report shows the actual costs and expenses incurred in connection with the advisory services purchased, including the costs of travel and accommodation, as well as the costs of representation in legal proceedings.