



**POSITION OF THE MANAGEMENT BOARD
OF ZESPÓŁ ELEKTROWNI PAŃNÓW – ADAMÓW – KONIN SPÓŁKA AKCYJNA
WITH HEADQUARTERS IN KONIN OF 7 AUGUST 2019**

**REGARDING TENDER OFFER FOR SALE OF SHARES OF ZESPÓŁ ELEKTROWNI
PAŃNÓW – ADAMÓW – KONIN SPÓŁKA AKCYJNA ANNOUNCED ON 30 JULY 2019
BY ARGUMENOL INVESTMENT COMPANY LIMITED**



The Management Board of Zespół Elektrowni Pątnów-Adamów-Konin SA with the headquarters in Konin („**Management Board**” and „**Company**”), acting pursuant to art. 80 items 1 and 2 of the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies (“**Act**”), hereby presents its position regarding the tender offer of ZE PAK SA shares, announced on 30 July 2019 (“**Tender Offer**”) by Argumenol Investment Company Limited seated in Limassol, Cyprus (“**Offeror**”), on the basis of art. 74 item 1 of the Act.

Pursuant to the content of the Tender Offer, the purchaser is the Offeror. As a result of the Tender Offer, the Offeror intends to purchase 34 823 241 ordinary shares of the Company, bearer, with a nominal value of PLN 2.00 each, issued by Zespół Elektrowni Pątnów-Adamów-Konin Spółka Akcyjna with its registered office in Konin (“**Shares**”). The shares jointly represent approx. 68.52% of the share capital of the Company and entitle to 34 823 241 votes at the General Meeting of the Company, which corresponds to approx. 68.52% of votes at the General Meeting of the Company.

The shares are dematerialized and marked in Krajowy Depozyt Papierów Wartościowych. (“**KDPW**”) with the ISIN code: PLZEPAK00012. The shares were admitted to trading on the main market operated by the Warsaw Stock Exchange. (“**WSE**”).

As a result of the Tender Offer, the Offeror, as the entity purchasing the Shares, intends to obtain 100% of the total number of Shares and votes at the General Meeting of the Company, i.e. 50.823.547 Shares entitling to 50.823.547 votes at the General Meeting of the Company. The Offeror has not specified the minimum number of shares covered by subscriptions, after reaching which the Offeror will be required to purchase these shares. Enrolment will start on August 20 and end on September 19, 2019. The expected date of the share purchase transaction is September 24, and the transaction will be settled on September 27.

The shares covered by the Tender Offer will be purchased at the price of PLN 7.47 for each of the shares.

In connection with the Tender Offer, no decisions of the competent authorities regarding the consent to purchase Shares in the Tender Offer are required. No notifications of any objections to the purchase of Shares in the Tender Offer are also required. The Tender Offer is unconditional, which means that it is not announced under any legal condition or any other condition.

In connection with the announcement of the Tender Offer, pursuant to art. 80 of the Act, the Management Board of the Company is obliged to forward to the Polish Financial Supervision Authority and publicly its position regarding the announced Tender Offer, containing in particular the opinion on the impact of the Tender Offer on the Company's interest, including employment in the Company, the strategic plans of the Offeror towards the Company and their likely impact on employment and the location of its business. The position should also include a statement whether, in the opinion of the Company's Management Board, the price proposed in the Tender Offer corresponds to the fair value of the Company, while the current quotations on the regulated market cannot be the only measure of this value.



1. Basics of the position of the Company's Management Board

For the purpose of preparing this position, the Management Board has analysed the following available sources of information and data:

- The Tender Offer document;
- market prices of the Company's shares for the 6 and 3 months preceding the announcement of the Tender Offer;
- publicly available information on current valuations of the Company and other industry companies;
- publicly available financial and operational information about the Company and its Capital Group, including in particular the data contained in the consolidated and separate financial statements.

When preparing this position, the Management Board of the Company was also guided by its knowledge of the industry, the development prospects and major challenges currently facing companies operating in the lignite electricity generation sector.

2. Reservations

This position expresses the view only of the Company's Management Board. For the purposes of preparing this position, no work was outsourced to prepare or provide any data, studies or independent opinions. The Company's Management Board is not responsible for the accuracy, reliability, completeness and adequacy of information on the basis of which this position has been prepared, except for information from the Company.

The position of the Management Board presented in this document does not constitute an investment recommendation regarding the purchase or sale of the Company's shares, or any other investment strategy in connection with the Tender Offer within the meaning of Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse and repealing Directive 2003/6 / EC of the European Parliament and of the Council and Commission Directives 2003/124 / EC, 2003/125 / EC and 2004/72 / EC or in Commission Delegated Regulation (EU) 2016/958 supplementing the Regulation of the European Parliament and of the Council (EU) No. 596/2014 regarding regulatory technical standards regarding technical measures for the objective presentation of investment recommendations or other information recommending or suggesting an investment strategy, and disclosing particular interests or indications of conflicts of interest.

No investor making an investment decision in connection with the Tender Offer is obliged to follow the position of the Company's Management Board in their activities. Each investor should make its own assessment of the terms of the Tender Offer and the investment risk associated with the sale or purchase of the Company's shares based on all available information, also considering the possibility of obtaining individual licensed recommendations from licensed professional advisers to the extent necessary to make an investment decision. The decision regarding the sale of shares in response to the Tender Offer should be an independent decision of each shareholder and should take into account all possible implications of such sale, including legal and taxation.



3. Impact of the Tender Offer on the Company's interest

In the content of the Tender Offer, the Offeror did not include information regarding the impact of the Tender Offer on the Company's interest. The Management Board of the Company expresses the view that, in principle, increasing the involvement of a strategic investor in the Company's shareholding can positively affect its interest by willingness to contribute to its development.

4. Strategic plans of the Offeror

According to the content of the Tender Offer:

- the Offeror intends to obtain 100% of the total number of Shares and votes at the Company's general meeting,
- the Offeror treats the Company as a long-term strategic investment,
- the Offeror does not intend to reduce the share in the total number of votes at the Company's general meeting,
- the Offeror does not rule out further increase of his share in the total number of votes at the general meeting.

Considering the above provisions, the Management Board of the Company is not able to precisely define the strategic plans of the Offeror. However, the mere fact of wanting to increase involvement in a Company that operates in an industry that is currently experiencing multidimensional changes and facing many challenges suggests that the Offeror has such plans. Companies from the electricity generation sector, especially those previously based on conventional sources, are often forced to look for new development directions. On the other hand, investment processes are extremely capital intensive and extended over time. The Tender Offer in such a situation may give investors the comfort of choosing between exiting the investment on the conditions specified in the Tender Offer (without the risk associated with e.g. liquidity of shares on the market) or the opportunity to participate in the potential strategic plans of the Offeror and the Company and to benefit from them in the long term perspective, but only after the end of their implementation period and obtaining positive financial flows and positive rates of return.

5. Location of the business

In the Tender Offer, the Offeror did not include information on the impact of the Tender Offer on the place of business of the Company in the future. Therefore, the Company's Management Board is not able to assess the impact of the Tender Offer on the location of the Company's operations in the future. Currently, the Company's activity is concentrated in Eastern Greater Poland.

6. Employment in the Company

In the content of the Tender Offer, the Offeror did not include information on the impact of the Tender Offer on the employment status of the Company. Therefore, the Company's Management Board is not able to assess the impact of the Tender Offer on employment. Notwithstanding the above, the employment level in both the Company and the entire Capital Group has been gradually decreasing for several years. Undoubtedly, the Offeror's strategic plans regarding future directions and scale of future activity may have an impact on the employment status.



7. The position of the Management Board regarding the price offered in the Tender Offer

In accordance with art. 79 of the Act, the price of shares proposed in the Tender Offer may not be lower than:

- average market price from the period of 6 months preceding the announcement of the Tender Offer, during which these shares were traded on the main market,
- average market price from a period of 3 months of trading in these shares on a regulated market preceding the announcement of a Tender Offer,
- the highest price for which the subject of the Tender Offer the entity obliged to announce it, its subsidiaries or dominant to it, or entities that are parties to the agreement concluded with it, referred to in art. 87 par. 1 point 5 of the Act, they paid within 12 months before the announcement of the Tender Offer,
- the highest value of things or rights that the entity obliged to announce the Tender Offer or its subsidiaries or dominant entities, or entities that are parties to the agreement concluded with it, referred to in art. 87 par. 1 point 5 of the Act, issued in exchange for the shares subject to the Tender Offer, within 12 months before the Tender Offer was announced.

According to the content of the Tender Offer:

- the arithmetic average of the daily volume-weighted average prices for the six months preceding the day of announcement of the Tender Offer during which the Shares were traded on the WSE main market is PLN 7.4681;
- the arithmetic average of the daily volume-weighted average prices for the period of 3 months preceding the day of announcement of the Tender Offer during which the Shares were traded on the WSE main market is PLN 7,0307;
- during the 12 months prior to the announcement of the Tender Offer, neither the Offeror, its parent entity nor its subsidiaries acquired the Shares;
- The Offeror is neither now nor in the period of 12 months before the date of announcement of the Tender Offer a party to the agreements referred to in art. 87 par. 1 point 5 of the Act;
- all Shares are the same type and with the same rights (each Share entitles to one vote at the General Meeting of the Company).

The price offered in the Tender Offer is PLN 7.47 per Share, and therefore is higher than the minimum price specified in art. 79 of the Act.

The last available analytical report issued for the Company by PKO BP Securities of 26 July 2019 set the target price for the Company's shares at PLN 7.50. The target price for the Company's shares set by analysts of the Santander Brokerage House on May 31, 2019 was set at PLN 7.70.

The last closing price of the Company's shares prior to the announcement of the Tender Offer on July 30, 2019 was PLN 6.98.

Considering the above, as well as being aware of the current financial and operational situation of the Company, pursuant to the requirements of art. 80 item 2 of the Act, the Management Board states that in its opinion the price proposed in the Tender Offer falls within the estimated range of the fair value of the Company's shares.