

The Management Board's replies to the questions raised by Shareholders during the Ordinary General Meeting of Zespół Elektrowni Pątnów-Adamów-Konin S.A. on 28 June 2016.

Question:

How did the Management Board of the ZE PAK Capital Group financially secure the Company against the risk of debt collection by the consortium of banks, which granted the company a syndicated loan in the amount of PLN 1,200 million for the modernisation of units 1, 2, 3 and 4 of the Pątnów I power plant at the time, in December 2015, when the ZE PAK company decided to postpone the decision to renovate units 3 and 4?

Company's reply:

In accordance with the credit agreement, the Company's Management Board requested the Consortium of Banks ("the Consortium") to waive exercising the rights arising from the Company's failure to meet the deadline of commencement of the modernisation works on units 3 and 4. The company informed about the findings in the current report No. 33/2015 of 8 December 2015.

On 31 May 2016, the Company received the Consortium's approval for extending the period of waiver to exercise the Consortium's rights arising from the failure to comply with the schedule of commencement of the modernisation works on units 3 and 4 until 30 June 2016, i.e. the date of signing the annex to the Agreement determined with the Consortium. The company informed about the waiving period extension in the current report No. 21/2016 of 31 May 2016.

Finally, on 30 June 2016, the parties signed an annex to the credit agreement, in which it was specified that the Company's resignation from the modernisation of units 3 and 4 would not constitute a breach of the credit agreement. The company informed about signing the annex in the current report No. 30/2016 of 30 June 2016.

Question:

On the basis of what assumptions did the Management Board of the ZE PAK company conclude that the expenses for obtaining new concessions for exploitation of brown coal in 2015 would result in an increase of the company's value and profit higher than the return of financial resources, intended for obtaining a concession for the deposits of Oczkowice, Ościłowo and Dęby Szlacheckie, to the Shareholders, in the form of dividends? Please, provide a detailed description of the adopted assumptions related to the cost structure and expected profits for each of the deposits, in case of which, the Company tries to achieve separate concessions.

Company's reply:

The primary justification for the expenses incurred by the mining companies of the ZE PAK Group, connected with the exploration and exploration of new brown coal deposits, is to ensure continuity of fuel supplies to the generation assets, owned by the ZE PAK Group, or potential new investment projects. The failure of this activity would be a potential source of risk for the maintenance of the company's competitive position on the market of electricity producers by reducing its own fuel base ensuring the security of coal supplies, which in practice, could be harmful to the Company's

shareholders, its employees, and the widely understood region, and it would also negatively affect the security of energy supplies.

The company never reveals detailed assumptions related to the implementation of investment projects at the stage of their planning, because these are sensitive data, and it would involve the disclosure of business secrets of the Company and mining companies of the ZE PAK Group, especially in terms of technical and organisational secrets, which could be harmful to the Company or the mining subsidiary. Each investment is preceded by a business and economic analysis of the venture. In the planning stage, various options and solutions are taken into account in order to finally develop an optimum concept of the project.