POSITION OF THE MANAGEMENT BOARD OF ENERGA SPÓŁKA AKCYJNA OF 28 JANUARY 2020

Re.: Call to subscribe to the sale of Energa Spółka Akcyjna shares announced on 5 December 2019 by POLSKI KONCERN NAFTOWY ORLEN Spółka Akcyjna

The Management Board of Energa Spółka Akcyjna with its registered office in Gdańsk (the "**Company**"), pursuant to Article 80 of the Act of 29 July 2005 on Public Offering and the Terms of Introduction of Financial Instruments into an Organized Trading System and on Listed Companies (Journal of Laws of 2019, item 623, as amended) (the "**Act**"), hereby presents the Management Board's position with respect to the call announced on 5 December 2019 by POLSKI KONCERN NAFTOWY ORLEN Spółka Akcyjna with its registered office in Płock (the "**Caller**", **"PKN ORLEN"**) to subscribe to the sale of shares in the Company, entitling the holder to exercise a total of 558,995,114 (five hundred and fifty-eight million nine hundred and ninety-five thousand one hundred and fourteen) votes at the General Meeting of the Company ("**GM**"), accounting for 100% (one hundred per cent) of the total number of votes at GM and representing 100% (one hundred per cent) of the Company's share capital (the "**Call**").

I. Call

As per the Call:

- The Caller intends to acquire:
  - 269,139,114 common bearer shares of AA series, where 1 AA series share confers the right to 1 vote at GM, entitling the holder in total to 269,139,114 votes at GM, admitted and introduced into trading on a regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) and dematerialized and marked by Krajowy Depozyt Papierów Wartościowych S.A. (National Depository for Securities) with PLENERG00022 code (the "**Dematerialized Shares**"), and
  - 144,928,000 non-dematerialized registered shares of BB series, preferred as to the voting right at GM, where one BB series share confers the right to 2 votes at GM, entitling the holder in total to 289,856,000 votes at GM, which, in total, entitle the holder to exercise 558,995,114 (five hundred fifty-eight million nine hundred ninety-five thousand one hundred and fourteen) votes at GM, accounting for 100% (one hundred per cent) of the total number of votes at GM and representing 100% (one hundred per cent) of the Company's share capital.
- As at the date of the Call, neither the Caller nor the subsidiaries of the Caller hold any shares in the Company. There are no entities dominant in relation to the Caller.

- The Caller is not a party to the agreement referred to in Article 87(1)(5) of the Act.

- The Call is subject to fulfilment of the legal conditions for the Caller (being concurrently the entity acquiring the shares) to obtain an unconditional decision of the European Commission (or another competent anti-trust authority) concerning the consent to a concentration consisting in taking control over the Company. To the best of the Caller's knowledge, the Caller expects this condition to be met by the last day of subscription, i.e. 9 April 2020. That deadline may be extended once or multiple times by the time necessary to satisfy the legal condition for the purchase of shares in the Call or to receive the required notice of no objections to the purchase of shares or the decision of a competent body to grant consent for the purchase of shares or the decision to grant consent for a concentration of entrepreneurs, however no more than 120 (one hundred and twenty) days unless the above condition is met within the originally envisaged deadline. The deadline for accepting subscriptions may also be extended up to 120 (one hundred and twenty) days if, following the announcement of the Call, reasonable circumstances arise indicating that it may not be possible to achieve the purpose of the Call, and the shares covered by subscriptions filed within the initial 70 (seventy) days of the subscription are acquired no later than within 10 (ten) business days following the lapse of the initial 70 (seventy) days.

- In addition to the legal conditions set out above, the Call is subject to the following conditions:

  - The Caller, as the entity acquiring the Company's shares, undertakes to purchase the shares subject to the subscription provided that the number of shares in the Company entitling to the exercise of at least 66% of the total number of votes is covered by subscription in the Call. The Caller, as the entity purchasing the shares, reserves the right to decide on the purchase of the shares subject to subscription as part of the Call despite the failure to meet the above condition,

  - passing by the Company’s GM of a resolution amending the Company's Articles of Association (the “**Articles of Association**”) in order to remove the statutory restrictions on voting rights referred to in § 27(1) to (7) of the Articles of Association,

  - passing by the Company’s Supervisory Board of a resolution on the determination of the consolidated text of the Articles of Association in accordance with § 17(1)(15) of the Articles of Association (including the amendments indicated above),

  - subscription, as part of the Call, to the sale, on aggregate, of at least the number of shares referred to in point 6 of the Call,

  - conclusion by the Company with the Caller of an agreement for the conduct of the Company's due diligence audit.

The Caller, being also the only entity purchasing the Company's shares, reserves the right to decide on acquisition of such shares despite failure to meet one or more of the conditions set out above.

- There is no other entity purchasing the Company's shares as part of the Call.

II. Disclaimers

The Management Board analyzed the following documents to formulate this position:

- The Call;
- The information made public by the Caller about the Call, as indicated herein;
- Expert opinion – Deloitte Advisory Spółka z ograniczoną odpowiedzialnością spółka komandytowa ("**Deloitte**"), requested by the Management Board, regarding the Price in the Call (as defined below) referred to in Article 80 (3) of the Act. Deloitte's opinion was issued on 28 January 2020 (hereinafter the "**Opinion**"). Deloitte's remuneration was not dependent on the content of the Opinion or the results of the Call.

Except for the above mentioned documents and information from the Company, the Company's Management Board did not collect, analyze or commission the collection or analysis of any further information, acting in confidence in Deloitte's knowledge, expertise and experience.

The Management Board also stipulates that the position of the Management Board does not constitute an investment recommendation or information recommending or suggesting an investment strategy within the meaning of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) 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.

The Management Board also reminds that the investor making the investment decision regarding the Company's shares or the Call should make his own assessment of the investment risk related to such investment decision, taking into account all risk factors as well as legal and tax consequences of the investment decision.

III. Impact of the Call on the Company's interests

On 10 December 2019, following the Call, Fitch Ratings announced placement of the Company on the watch list with a negative outlook. Fitch Ratings justifies placement of the Company on the said list, among other things, by the risk of the Company being closely connected to a capital group with a lower rating (BBB- compared to the Company's rating of BBB) following the takeover of the Company's shares by the Caller and the risk of breach of the change of control clauses in the Company's financing agreements. The implementation of the Call may mean for the Company a rating downgrade by 1 notch from BBB to BBB-.

At the same time, we would like to point out that in the event of a downgrade of the Energa Group rating to the PKN ORLEN rating level, it will remain an investment grade rating, in the opinion of the Management Board, acceptable to commercial banks and international financial institutions financing the Energa Group, most of which also finance PKN ORLEN.

Energa Group has concluded financing agreements with a number of domestic and international banks, including EIB and EBRD, it also raised funds through the issuance of two series of Eurobonds. The financing documentation includes clauses related to the situation of change of control and lowering of the current rating level. Change of control clauses will be violated in a situation in which the State Treasury loses control over the assets of the Energa Group, which may occur as a result of the implementation of the Call. The second group of clauses, i.e. lowering the current rating level, refers to the situation in which the current rating of the Company (according to the methodology of the Fitch Ratings Agency) is reduced by 1 notch to the BBB - level or to the situation where the rating falls to the speculative level, i.e. is reduced by 2 notches.

The Company has taken actions to obtain the consent of financing institutions for departures from the current financing conditions regarding possible breach of change of control clauses or downgrade of current rating level clauses. The process of obtaining formal consents is ongoing. At the moment, none of the institutions with which the arrangements are conducted has taken a negative position as to granting consent to the derogations proposed by the Company.

We would like to point out that if the Energa Group rating is downgraded to the PKN ORLEN rating level, it will remain an investment grade rating, in our opinion acceptable to commercial banks and MFIs financing the Energa Group, most of which also finance PKN ORLEN.

According to the Caller's opinion, expressed in a press release of 5 December 2019 published on the Callers website **("Press Release")**, the transaction will allow, among other things, effective balancing of conventional capacities with planned renewable energy sources, as well as the Company's use of PKN ORLEN's current production surpluses. This shall allow for reduction of operational costs of energy trading on the Polish Power Exchange. On the other hand, combination of the customer base of both groups shall generate the potential to sell additional products and services, especially in the mass clients segment.

IV. Impact of the Call on employment in the Company

In the Call, the Caller did not include any information on the impact of the Call on employment in the Company. According to the Press Release, the Caller believes that acquisition of the Company shall bring measurable benefits to the Company's employees and local communities. The energy sector employees employed at the Company, whose deficit is severely felt in the market, shall complement the team of specialists working in the ORLEN Group. Their growth opportunities shall also be strengthened thanks to their employment in a strong and diversified international group.

V. Impact of the Call on the location of the Company's business

The Caller did not include in the Call any information on the impact of the Call on the Company's place of business in the future.

According to the Press Release, from a tax point of view, the Company will remain fully separate, which means further inflows to the regional budget.

VI. Position of the Management Board on the Caller's strategic plans towards the Company

According to the Call, the Caller (as the only entity acquiring shares in the Call) intends to acquire all shares in the Company and, as stated in the Call, shall strive to achieve a share in the share capital of the Company and the number of votes at GM that will ensure control of the Company. The Caller treats this transaction as a strategic and long-term investment. According to the Call, the intention of the Caller is to create an integrated *multi-utility* group as a result of the merger of the Caller's and the Company's businesses, capable of operating more effectively in an increasingly competitive fuel and energy market while increasing, at the same time, resilience of the merged business to market risks and fluctuations.

The Caller is planning to carry out strategic development investments, such as the development of renewable energy sources or digitization of production, to further increase the companies' innovativeness and profitability.

In view of the above, the Management Board considers that the Caller intends to develop the current operations of the Company in accordance with the Company's current profile of activity.

VII. Position of the Management Board as to whether, in the opinion of the Management Board, the price proposed in the Call corresponds to the fair value of the Company

The price of the shares in the Call is PLN 7.00 (seven zlotys) per one share of the Company (the "**Price in the Call**").

The Price in the Call is not lower than the minimum price determined in accordance with the provisions of law and meets the criteria indicated in Article 79 of the Act as:

- The Price in the Call is not lower than the market price, determined as the arithmetic mean of the average daily volume-weighted prices, over a period of 6 (six) months preceding the day of announcement of the Call during which the Dematerialized Shares were traded in the primary market of WSE, which is PLN 6.93 (in words: six zlotys and ninety-three grosz) per one Dematerialized Share.

- The Price in the Call is not lower than the market price, determined as the arithmetic mean of the average daily volume-weighted prices, over a period of 3 (three) months preceding the day of announcement of the Call, during which the Dematerialized Shares were traded in the primary market of WSE, which is PLN 6.52 (in words: six zlotys and fifty-two groszy) per one Dematerialized Share.

According to the Fairness Opinion, the Price in the Calll falls within the estimated fair value of the Company's share. The opinion constitutes an attachment to this position.

Based on the above, the Management Board states that the share price proposed in the Call corresponds to the fair value of the Company's share.