

Current Report No. 7/2021

Date of preparation: 19 February 2021

Subject: Conclusion of an Additional Agreement and Amendments to the Long-Term Agreement with ENEA Wytwarzanie Sp. z o.o.

General legal basis: Article 17.1 MAR – Inside Information.

Content:

The Management Board of Lubelski Węgiel Bogdanka S.A. (the “Company” or the “Seller”) hereby announces that on 19 February 2021 it concluded an Additional Agreement for sale of coal No. UD/LW/01/2021 (“Additional Agreement”) with ENEA Wytwarzanie Sp. z o.o. with registered office in Świerże Górne. On the same date, the Company also concluded Amendments (“Amendments”) to Long-Term Agreement No. UW/LW/01/2012 (“Long-Term Agreement”), which was the subject of Current Report No. 31/2019 of 31 December 2019.

The Additional Agreement, implemented outside the Long-Term Agreement, sets out the terms and conditions concerning the price and volume of coal supplies to Elektrownia Koźienice during its term from the date of its conclusion to 30 April 2021. The value of supplies provided for in the Additional Agreement is estimated at PLN 324.3 million in addition to the value of supplies set out in the Long-Term Agreement.

As a result of concluding the Additional Agreement and Amendments, the volume of coal delivered during the term of the Additional Agreement will lower the volume of supplies provided for in the Long-Term Agreement for 2021 – their delivery will be transferred from 2021 to 2026.

The total volume of the Long-Term Agreement will not change as a result of concluding the Amendments, the total value of supplies to Elektrownia Koźienice will, however, increase in 2021-2026 by the value of the Additional Agreement.

Partial determination of the terms and conditions of supplies for 2021 due to conclusion of the Additional Agreement and the Amendments to the Long-Term Agreement is a result of the current situation in the sector producing electric energy from hard coal.

The Additional Agreement provides for the following liquidated damages:

- if quality parameters of supplied coal batches fail to comply with border parameters specified in the agreement, the Buyer is entitled to apply liquidated damages the amount of which shall be determined depending on the level of exceeding the parameter;
- if the amount of coal specified in the Additional Agreement is not delivered or not collected, liquidated damages shall be calculated as 20% of the net value of undelivered or uncollected amount of coal.

Due to relatively short term of the Additional Agreement, the Parties do not provide for the possibility of its termination.

Other terms and conditions of the Additional Agreement do not differ from the market conditions applied in such agreements.

The Management Board treats the above information as significant given the dominant share of the recipient in the Company’s supply portfolio.