

Current Report No. 20/2021

Date of preparation: 9 July 2021

Subject: Conclusion of an Additional Agreement and an Amendment to the Agreement on Sale of Thermal Coal with Enea Elektrownia Połaniec S.A.

General legal basis: Article 17.1 MAR – Inside Information.

Content:

The Management Board of LW Bogdanka S.A. with registered office in Bogdanka (the “Company”, the “Seller”) hereby announces that on 9 July 2021 it concluded an Additional Agreement on Sale of Coal (the “Additional Agreement”) between the Company and Enea Elektrownia Połaniec S.A. (the “Buyer”) with registered office at the address: Zawada 26, 28-230 Połaniec. On the same date, the Company also concluded an Amendment (the “Amendment”) to Agreement on Sale of Thermal Coal No. 3/W/2012 of 12 July 2012 (the “Long-Term Agreement”).

The Long-Term Agreement was referred to in current reports published from 2012 to 2021, with the most recent information concerning amendments thereto having been made public in Report No. 4/2021 published on 22 January 2021.

The Long-Term Agreement covers thermal coal supplies in 2013-2024.

The Additional Agreement is implemented outside the Long-Term Agreement and sets out the terms and conditions concerning price and volume of coal supplies to the Połaniec Power Plant during its term, i.e. from the date of its conclusion to 31 October 2021. The value of supplies provided for in the Additional Agreement is estimated at PLN 124.6 million in addition to the value of supplies set out in the Long-Term Agreement.

As a result of concluding the Additional Agreement and the Amendment, 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 2024.

Due to unused portion of additional volume options in 2021, the value of the entire Long-Term Agreement in the years 2013–2024 after the conclusion of the said Amendment will alter and amount to approximately PLN 4,185 million net and is 1.09% lower than the amount published in Report No. 4/2021 of 22 January 2021. The amount specified in the previous sentence includes additional volume options of about PLN 247 million to be used by the Parties between 2021 and 2024.

In the years 2021–2024 alone, the Agreement has a net value of PLN 1,504 million, including the abovementioned additional options.

The value of all supplies to the Połaniec Power Plant in 2021-2024 will increase by the value of the Additional Agreement.

Partial determination of the terms and conditions of supplies for 2021 due to the conclusion of the Additional Agreement and the Amendment to the Long-Term Agreement is a result of the current situation in the hard coal-fired electricity production sector.

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.

Parties are entitled to terminate the Additional Agreement at any given time upon written agreement of the Parties.

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 considerable share of the recipient in the Company's supply portfolio.