

Current Report no. 7/2021 of 28.04.2021

Subject: Information on a failure of talks on financing the purchase of CO2 emission allowances (EUA) for their surrender

Legal basis:

Article 17 (1) of MAR - confidential information

Report contents:

The Management Board of Elektrociepłownia "Będzin" S.A. ("Issuer", "Company") states that on 28 April 2021 the subsidiary, Elektrociepłownia BĘDZIN Sp. z o.o. (Subsidiary), received a final response from a firm active on the commodity market (Counterparty) that it is impossible to buy CO2 emission allowances (EUA) from Counterparty. Consequently, as the report is released, in the Issuer's view, the existing possibilities relating to the surrender of emission certificates (EUA) with respect to the entire CO2 emission for 2020 have been exhausted.

As prescribed by the Act on Exhaust Gases Allowances Trading System of 12 June 2015, in 2021 Subsidiary filed with the National Centre for Emissions Management (KOBiZE) "Annual report on the size of CO2 emission for 2020". The Report holds that the number of allowances to be surrendered is 585 000 tons of CO2.

As per the information furnished by the periodical reports, including 3Q2020 periodic report, the Company's future operations are contingent on the development of electric power prices, the size of electric power order volume, development of carbon dioxide emission and EUR exchange rate (the currency in which the allowances for CO2 emission (EUA) are purchased).

Since December 2020 there has been a drastic and unprecedented rise in quotations of CO2 emission allowances. It was mainly due to speculation on the financial markets, which made EUA prices rise by 47% since beginning 2021 (135% rise YOY). In view of a continuing speculative trend and uncertainty on EUA market, Subsidiary's Management Board decided to accumulate as much cash as possible to buy out the maximum number of allowances. As part of optimisation and saving measures, as well as monitoring the market of allowances, Subsidiary accumulated any possible funds to buy out the allowances while in talks with its business partners.

Being a key participant of the energy system of the Silesian and Dąbrowa Agglomeration, Subsidiary accentuates the provision of uninterrupted heat supply to the inhabitants. Therefore, the disposable cash in the first place secured the payment for coal and other production materials, as well as the absolutely necessary renovation works during the summer downtime. What is more, measures were taken to curb emission in 2021 and on by introducing biomass co-combustion and a more effective application of the installation in place versus the economics of production in co-generation.

So far, Subsidiary has timely fulfilled its obligations as regards using the environment, including it paid the relevant environmental fees. Therefore, Subsidiary does not intend to evade the obligation to surrender the allowances. However, in view of a failure of talks with the industry investor (Counterparty) who failed to obtain a market guarantee to insure the transaction, the required EUA failed to be purchased.

Therefore, on 28 April 2021 Subsidiary's Management Board decided to buy out and surrender a maximum of 25% EUA by 30 April 2021 amid a continuous rise of the price for emission allowances and the date for the surrender of 2020 allowances having expired. As regards settling accounts for EUA emission, a negative scenario takes account of a continuous rise in prices and the possibility for the Company to be charged with a penalty of EUR 100 per each ton of allowances that was not surrendered on time, which will impair the liquidity and risk Subsidiary's going concern.

Concomitantly, Issuer states that with respect to the situation on CO2 market, Subsidiary is currently in talks on the principles of EUA settlement with the relevant public bodies.

Legal basis:

Legal basis: Article 17 (1) of the 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.

Signature:

Kamil Kamiński	- Member of the Management Board
Bartosz Dryjski	- Member of the Management Board