



Poznań, 30 April 2021

Dear Sir or Madam,

Dear Shareholders,

We would like to present the consolidated financial statement of the Group of Companies, which summarises the business activity of Elektrociepłownia "Będzin" S.A. for financial year 2020.

The past year was unusual and challenging, mainly due to the global coronavirus pandemic that has been part of our lives for over a year now, and which sown economic and financial uncertainty, as well as created a number of socio-economic risks in both our country's and the world's economies. The energy sector has not been spared either – a drastic drop in electricity demand and the introduction of a lockdown in spring 2020 proved to be the main sources of turmoil.

Business results of the Group that operates in the energy sector have been strongly influenced by the reduction in thermal power ordered by the main heat energy recipient and the mild winter of 2019/2020, which led to significantly lower thermal energy demand and low electricity prices on the Polish Power Exchange (Towarowa Giełda Energii, TGE). The European Union's strategy aimed to reduce CO2 emissions has resulted in a significant increase in prices of CO2 emission allowances, which, in turn, has translated into the highest cost of emission allowances redeemed in April 2020 the Company has ever borne. Since December 2020, there has been a drastic increase in quotations of CO2 emission allowances, caused mainly by speculative operations on international financial markets, which resulted in a 47% increase in EUA prices since the beginning of 2021 and a year-on-year increase of 135%. Due to this increase, the Company did not make full amortisation for 2020. The Company's current situation is new to the market and has an evolving character. In the nearest future, the Management Board of the subsidiary company will undertake actions to make the concept of continuing business activity by the Company more plausible. The planned actions will be soon further specified into assumptions, which may take the form of restructuring activities.

Data from the Energy Forum indicates that last year, the share of coal in electricity production in Poland was 73.6 percent. However, the government's energy policy draft bill assumes that its share in the mix will gradually decrease to 60 percent in 2030, while the importance of energy from renewable sources will simultaneously increase. Across the European Union, there is high public support for conservation-oriented measures that can stimulate economic growth and facilitate overcoming the economic crisis caused by the SARS-CoV-2 pandemic. According to the study conducted by Kantar Millward Brown for WWF Poland, only 8 percent of Poland's population recognises coal as the leading source of energy in the future. As much as 60 percent believe that the promotion of renewable energy sources is insufficient, and 66 percent want RES to become the main energy fuel in Poland in the future.

In view of the pro-environmental direction of development adopted by the European Union, which provides for a significant reduction of greenhouse gases, the Management Board, in accordance with the assumptions of the Energy Policy of Poland until 2040, has made far advanced design and analytical work in the context of the search for alternative solutions. However, modern concepts will require external financing or a strategic investor, as, due to the current difficult situation, the Company is not able to bear such a large investment liability on its own.

Accelerated arrangement proceedings concerning restructuring, which were undertaken in the subsidiary company, i.e. Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A., have also had a significant influence on the Group's results. Due to the very long proceeding, the subsidiary company still has not entered into an arrangement with its creditors, which raises uncertainty within the Group as a whole. The financial industry has recorded smaller demand for leasing services along with reduced bank lending. On 31 March 2021, Elektrociepłownia "Będzin" S.A. and cooperative banks entered into an agreement, based on which, each Bank's debt that arises from bonds and is due to ECB S.A. was exchanged for Shares of Energo-Utech S.A., and thus the transfer of the Shares subjected was made.

The Banks have undertaken to provide Energo-Utech S.A. with financing for securing business activity in order to implement an arrangement with creditors – if such an arrangement is concluded. This action entails higher probability that the arrangement will be accepted.

Decreasing GDP, economic freeze that occurred in many industries and weaker population mobility have contributed to lower corporate profits in 2020. According to the International Monetary Fund, the prospects for a solid economic rebound in 2021 will depend on the effectiveness of countermeasures aimed to support the economy adopted by individual countries. The Issuer hopes that the effective support for the economy, including the energy sector and, more importantly, smaller producers, in 2021 will prompt the market to recover from the current crisis.

2020 was another year in the Group of Companies' history in which it recorded a net loss. The negative result was caused by many circumstances occurring within the Group, as well as unfavourable external factors.

A combination of unfavourable circumstances and a difficult market environment has led the Management Board to consider the past year as the most difficult in terms of operation in both areas of the Group of Companies' business activity.

The Management Board continues to search for industry investors whose plans are consistent with the Companies' strategy.

On behalf of the Management Board, we would like to thank the Shareholders for their trust, as well as the Members of the Supervisory Board and the Management Boards of the Companies for efforts and cooperation they have shown last year. At the same time, we would like to thank all employees of the Group for their commitment to work during this difficult time.

Yours faithfully,

.....

Bartosz Dryjski

Member of the Management Board

of Elektrociepłownia "Będzin" S.A.

.....

Kamil Kamiński

Member of the Management Board

of Elektrociepłownia "Będzin" S.A.