

Current Report no. 20/2017 of 02.10.2017

Subject:

Entering into an agreement by the Issuer's Subsidiary

Legal basis:

Article 17(1) 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

Content of the report:

The Management Board of Elektrociepłownia „Będzin” S.A. (the “Company”, the “Issuer”) informs that today, i.e. on 2 October 2017, it was notified by the Issuer's subsidiary - Elektrociepłownia BĘDZIN Sp. z o.o. with the registered office in Będzin (the “Subsidiary”) that the Subsidiary had entered on 2 October 2017 into an agreement with Polska Grupa Górnicza sp. z o.o., ul. Powstańców 30, 40-039 Katowice for long-term supply of coal for energy purposes for the Company's own needs.

1. Date of entering into a material agreement – 2 October 2017

2. Designation of parties to the agreement

- Elektrociepłownia BĘDZIN Spółka z ograniczoną odpowiedzialnością with the registered office in Będzin (Buyer)
- Polska Grupa Górnicza Sp. z o.o. with the registered office in Katowice (Seller)

3. Designation of the subject of the agreement

The subject of the Agreement is long-term supply of coal for energy purposes for the Company's own needs.

4. Essential terms of the agreement

The provisions of the Agreement do not differ from those commonly used in the market.

The net value of the Agreement is estimated at approx. PLN 171,820,000.00 (say: one hundred seventy one million eight hundred twenty thousand zlotys 00/100) without VAT to be charged by the Seller on VAT invoices in accordance with the provisions of law applicable as of the date of the VAT invoice issuance.

Term of performance: from 1 October 2017 for an indefinite period of time. Each Party is entitled to terminate the Agreement for convenience by giving notice, keeping a 1-year notice period effective as of the end of the calendar year in which the notice period has elapsed.

5. Provisions on penalties

Excerpt from the contractual provisions:

§ 13. LIABILITY FOR FAILURE TO PERFORM OR IMPROPER PERFORMANCE OF AGREEMENT

1. For the failure to supply or collect the agreed amount of coal (subject to the permitted tolerances pursuant to § 5(6) and provisions of §9(8), the defaulting Party shall pay a contractual penalty of 10% of the net value of the undelivered or uncollected coal. The value shall be calculated by multiplying the missing coal amount and the price in PLN per ton as per the contractual price.

2. The payment of the contractual penalties, referred to in Section 1 of this paragraph, shall be made within 21 days of the date of request for payment addressed to the Party.

3. For the supply of a batch of coal on a given day, whose quality parameters exceeds the limit values set in § 6, the SELLER shall give the BUYER a price discount calculated as follows:

- for any reduction in calorific value below the limit value for a given batch of coal:
 - up to 500 kJ/kg - 1% of the price resulting from the actual quality parameters determined in accordance with § 12 of the Agreement;
 - above 500 kJ/kg up to 1000 kJ/kg - 2% of the price resulting from the actual quality parameters determined in accordance with § 12 of the Agreement;

- above 1000 kJ/kg - 3% of the price resulting from the actual quality parameters determined in accordance with § 12 of the Agreement.
- for any exceeding of the total sulphur content above the limit value for a given batch of coal:
 - up to 0.1% - 1% of the price resulting from the actual quality parameters determined in accordance with § 12 of the Agreement;
 - above 0.1% up to 0.15% - 2% of the price resulting from the actual quality parameters determined in accordance with § 12 of the Agreement;
 - above 0.15% - 3% of the price resulting from the actual quality parameters determined in accordance with § 12 of the Agreement.
- for any exceeding of chlorine content above the limit value for a given batch of coal:
 - up to 0.02% - 1% of the price resulting from the actual quality parameters determined in accordance with § 12 of the Agreement;
 - above 0.02% up to 0.05% - 2% of the price resulting from the actual quality parameters determined in accordance with § 12 of the Agreement;
 - above 0.05% - 3% of the price resulting from the actual quality parameters determined in accordance with § 12 of the Agreement.
- for any exceeding of ash content above the limit value for a given batch of coal:
 - up to 1% - 1% of the price resulting from the actual quality parameters determined in accordance with § 12 of the Agreement;
 - above 1% up to 2% - 2% of the price resulting from the actual quality parameters determined in accordance with § 12 of the Agreement;
 - above 2% - 3% of the price resulting from the actual quality parameters determined in accordance with § 12 of the Agreement.

Should it be impossible to supply coal meeting the contractual parameters of chlorine content, the Parties shall agree on a different mine from which the coal supplies will be made according to the contractual parameters accepted by the BUYER.

If, as a result of the SELLER's failure to supply coal with the ash content as agreed in the Agreement, the BUYER pays penalties for exceeding the emission limit values, within 14 days of the notification of this fact the SELLER shall pay contractual penalties to the BUYER, equivalent to these penalties less any discounts given to the BUYER in the period for which such penalties have been charged.

4. The Parties may decide to waive the contractual penalties based on a written agreement.
5. Unless the contractual penalties cover the damage suffered, either Party may claim supplementary damages in line with general principles.
6. Either Party may be released from paying the contractual penalty if such Party proves that the improper performance of the Agreement resulted from any force majeure occurrence.

6. Stipulations as to condition or deadline

The Agreement does not include stipulations as to any condition or deadline.

7. Designation of criteria for recognising the agreement as material

The Issuer's Management Board decided to publish the aforementioned information due to the significant value of the Agreement to the Issuer.

Signatures:

Krzysztof Kwiatkowski - President of the Management Board