

Current Report no. 4/2021 of 01.04.2021

Subject:

Entering into an agreement on the exchange of the debt from the bonds of Elektrociepłownia "Będzin" SA being redeemed, into a subsidiary's shares - disclosure of delayed confidential information.

Content of the Report:

The Management Board of Elektrociepłownia "Będzin" S.A. [The Issuer, Company] states that on receiving the consent of the Company's Supervisory Board dated 31 March 2021, on the same date and in the late evening, [the Issuer, Company] entered into a tripartite agreement with two banks being the Company's bondholders of the Issuer's A series bonds [respectively, Bank 1 and Bank 2, and collectively as Banks], the agreement relating to an exchange of debt from the Issuer's bonds being redeemed into the shares of a subsidiary, Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. in restructuring [Energo-Utech] [Agreement], whereunder the Banks exchange the Issuer's debt to each of the Banks corresponding to the value of one Bond [Bonds] issued by the Issuer into the shares of Energo-Utech.

The Banks will exchange the debt from one Bond each being redeemed, equal to PLN 10k, into a total of 1,200 shares of Energo-Utech (600 per each Bank) corresponding to a total of approx. 53% of the share capital of Energo-Utech and the same share of voting rights.

Parties to the Agreement agreed that the call option [the Issuer's repurchase of the transacted shares under the Agreement] may be exercised between 31 March 2025 and 31 March 2026. The repurchase price will amount to PLN 3,870,000.

Concomitantly, the Agreement assumes that the restructuring procedure of Energo-Utech will succeed with creditors' reduction and that the company will be able to meet its obligations from the arrangement throughout (until the arrangement is completed).

The agreement also more precisely defines cooperation terms between the Banks and Energo-Utech as regards the new financing of operations of Energo-Utech, i.e. the buy-out of lease receivables of Energo-Utech due from its counterparties. The terms do not differ from procedures adopted for contracting lease with clients. (non-due and non-payable receivables which are undisputed, secured, unencumbered, unassigned to other entities, bought out up to 100% net value, repaid along with lease contract amortisation). Under the Agreement, financing will be provided for a period not longer than five years, at least PLN 8 and 4m respectively. The said scenario is capable of succeeding in particular if the arrangement with the creditors of Energo-Utech is approved by a final and unappealable decision of a competent court by 30 June 2021. The minority shareholder is not obliged to provide funding.

Under the Agreement, each Bank is entitled to withdraw from the Agreement by placing a withdrawal declaration in writing no later than by 31 December 2021 if the transacted shares are not released from pledge by 20 June 2021.

The Issuer points it out that, in particular on account of the pending restructuring procedure, following the impairment allowance for the full value of the parcel of shares of Energo-Utech [which was communicated by the Issuer in, among others, Current Report no. 13/2020], the current value of the shares of Energo-Utech in the books is null. Thus, the pertinent

transaction will not have a significant effect on the financial statements of the reporting period in terms of the reporting value. Still, the Issuer explains that, in the Issuer's opinion, the new reliable financial shareholders of Energo-Utech [and the provision of third party financing from the institutions to Energo-Utech] will enhance the chances of Energo-Utech reaching arrangement with creditors, which will immediately translate into the company's value and, consequently, the value of security for the repayment of Bonds.

The Issuer's Board also states that given a protracted negotiating process preceding the Agreement being entered into, the Issuer decided to delay publishing the information on:

i] signing a letter of intent with Bank 1 on 23 December 2020 with respect to starting negotiations for Bank 1 to take over a parcel of shares of Energo-Utech in exchange for the repayment of the bond debt due to Bank 1 from the Issuer in the amount specified by the Parties;

ii] signing a letter of intent with Bank 2 on 29 December 2020 with respect to starting negotiations for Bank 2 to take over a parcel of shares of Energo-Utech in exchange for the repayment of the bond debt due to Bank 2 from the Issuer in the amount specified by the Parties;

iii] the Company's Supervisory Board's positive opinion of 17 March 2021 to the Agreement's assumptions.

The Company explains that publishing the said confidential information on the date it occurred may have, in the Issuer's opinion, given rise to adverse effects of third parties' conduct which may have potentially put the Issuer's position at risk in the negotiating process, which may have infringed the Issuer's legitimate interest. Concomitantly, the Issuer states that the information communicated in this report exhaust the substance of the above said delayed confidential information.

Legal basis:

Article 17 (1) of the Regulation on market abuse (MAR) –confidential information.

Signature:

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